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Testo del comunicato

Vedi allegato.

MEDIOBANCA

STRATEGIC PLAN 2019-23 GUIDELINES APPROVED

DISTINCTIVENESS AND SUSTAINABILITY
WILL ENABLE MEDIOBANCA TO CONTINUE TO GROW, TURNING A CHALLENGING SCENARIO (NEGATIVE INTEREST RATES AND STRICT REGULATION) INTO OPPORTUNITIES

MEDIOBANCA WILL INVEST IN TALENT, INNOVATION AND DISTRIBUTION, LAYING THE FOUNDATIONS TO DELIVER FURTHER ROBUST
GROWTH IN REVENUES, EARNINGS, PROFITABILITY AND SHAREHOLDER REMUNERATION

GROWTH

Revenues (up 4%[1]) to €3.0bn

Earnings (EPS up 4%[1])

ROTE 11% (10%)

Shareholder remuneration (up 50%[2]) for a total of €2.5bn over 4 years

PROFITABILITY

High and sustainable, at Group level and by division

Wealth Management: ROAC 25%

Consumer Banking: ROAC 28-30%

Corporate & Investment Banking: ROAC 16%

SHAREHOLDER REMUNERATION:[3] up to €2.5bn over 4 years

Dividend per share up 10% in 2020, then increasing by 5% each year for a total of €1.9bn

Buyback and cancellation of treasury shares up to a total of €0.3bn/€0.6bn

CET1 ratio phase-in[4] to be optimized at 13.5% each year

Leaving room for further acquisitions

ESG CRITERIA FULLY INTEGRATED INTO BUSINESS PLAN

Qualitative and quantitative ESG[5] objectives incorporated into short- and long-term remuneration schemes for senior management

[1] CAGR for 2019-23 four-year period.
[2] Rate of change calculated relative to total dividends paid out in 2016-19 four-year period.
[3] Provided that the CET1 phase-in ratio is above 13.0%, subject to annual approval by shareholders in general meeting and year-by-year authorization by the ECB pursuant to Articles 77 and 78 of CRR 2.
[4] CET1 phase-in with Danish Compromise (under Article 471 of CRR 2).
[5] Defined in accordance with the Sustainable Development Goals Framework.

MEDIOBANCA

2019-23 STRATEGIC PLAN TO COMPLETE GROUP STRATEGIC RESHAPING AND DEFINITIVELY ESTABLISH MEDIOBANCA AS DISTINCTIVE AND SUSTAINABLE SPECIALIZED FINANCIAL PLAYER

The Directors of Mediobanca, at a Board meeting held today, have approved the guidelines of the new 2019-23 strategic plan, which builds on the excellent results achieved in the past three years.[6]

Despite a macroeconomic scenario expected to penalize financial operators (with low economic growth, negative interest rates and strict regulation), **the market still offers attractive growth opportunities for players with solid and distinctive models which are able to turn challenges into opportunities.**

Against this backdrop, the Group aims to achieve growth in all segments in which we operate by leveraging on our distinctive features: focus and positioning in highly specialized, highly profitable market segments driven by long-term trends, strong capital resources, and ongoing investment in talent, innovation and distribution.

The Group will make impressive progress in terms of growth in revenues, earnings and shareholder remuneration, to the satisfaction of all our stakeholders, while preserving one of the best risk/return profiles in Europe.

The Group has set itself challenging objectives, confirming it is capable of delivering:

- **Growth in earnings-generating assets: Total Financial Assets ("TFAs[7]") €83bn, (up 8%[1]), AUM/AUA €59bn (up 11%[1]) and customer loans €51bn (up 4%[1]), due to substantial investments in the distribution channels across all asset classes:** the sales force in **Wealth Management** ("WM") is expected to grow by **60%** to over **1,400** professionals, 1,275 of whom in the Affluent segment (up 60%) and 160 in Private Banking (up 20%); **investment banker numbers will increase by 25%** to over 310 in the advisory and capital markets areas; and in **consumer banking the POS network will increase by 75%** to some 350 (direct branches and agencies);

- **Growth in revenues to €3bn (up 4%[1]), with all business divisions contributing strongly. Wealth Management** will deliver top-line growth of **8%,[1]** becoming the leading contributor to fee income at Group level and so complementing **Corporate & Investment Banking**, where revenue growth is seen as reaching **6%;[1] Consumer Banking** ("CB") will continue in its role as driver of growth in net interest income at Group level (accounting for some two-thirds of the total), delivering overall top-line growth of **3%;[1]** while **Principal Investing** ("PI") will again contribute well to the Group's total income, with revenues to increase by **3%;[8]**

[6] FY 2018-19 brought the time horizon covered by the 2016-19 three-year strategic plan to a close. The Mediobanca Group achieved the targets set in the plan, delivering over the three years:

- Impressive growth in revenues, from €2.1bn to €2.5bn, with a compound average growth rate for the three years ("3YCAGR") of 7%, strongly outperforming the average for both Italian banks (0%) and European banks (-1%);
- Substantial growth in gross operating profit, from €0.8bn to €1.1bn, ahead of expectations (3YCAGR +16%, vs plan target of +10%) and outperforming our competitors (Italian banks up 6%, European banks up 9%); decisive in this respect has been maintaining excellent asset quality and high operating efficiency levels (cost/income ratio at 46%);
- Strong growth in net profit (from €605m to €823m, 3YCAGR +11%), along with substantial improvement in profitability (ROTE up from 7% to 10%);
- CET1 ratio up from 12% to 14%, achieved after basically financing organic growth (loan book up €9bn in the three years), acquisitions (Banca Esperia, RAM, MMA) and increased shareholder remuneration;
- Of the €2.4bn in earnings accumulated in the three years, €1.1bn has been returned to shareholders in the form of dividends, with the payout ratio rising from 38% to 50% (vs the plan objective of 40%); at the same time a share buyback scheme has also been executed, not anticipated when the plan was approved.

All the divisions have reported significant improvements in both positioning and profitability.

[7] TFAs: Total Financial Assets of customers, equal to the sum of AUM, AUA and deposits (AUC therefore excluded).

[8] Compound Annual Growth Rate (CAGR) for the 2019-23 four-year period based on estimates of Assicurazioni Generali profits (Nasdaq IR Insight consensus, November 2019).

- **Growth in earnings (EPS up 4%[1] to €1.10, from €0.93, including the cancellation of shares acquired via the buyback), with increasing contributions from Wealth Management (expected to double) and Corporate and Investment Banking, coupled with Consumer Banking consolidating** at its current highly profitable levels;

- **Growth in profitability at both Group level** (**ROTE 11%,** vs 10%) **and by division**: **Wealth Management** is expected to report the highest increase in return on allocated capital ("**ROAC**"), from 16% to **25%**; **Corporate and Investment Banking** is expected to improve to **16%** (from 15%), and **Consumer Banking** to consolidate at its already high levels, around **28-30%,** as also **Principal Investing** (**11%[9]**);

- **Growth in capital generation**, deriving from the high profitability (ROTE 11%) and the absence of adverse material impact from regulation in the coming years; the **additional resources will allow growth to be financed**, both organic and by acquisitions, **and shareholders rewarded;**

- **Growth in shareholder remuneration, to €2.5bn in the 2020-23 period (50% higher than in 2016-19), €1.9bn of which in dividends and €0.3bn/€0.6bn through the buyback and cancellation of own shares: the dividend per share will increase by 10% in 2020** (to €0.52) **and thereafter by 5% each year** (up to €0.60 per share in 2023), **for a total of €1.9bn in dividends distributed for the period.** In the course of the plan time horizon **an annual share buyback scheme** will be implemented, with the **shares acquired also cancelled**, for a total **minimum amount of €0.3bn and a maximum of €0.6bn,** with the objective of stabilizing the **CET1 phase-in ratio at 13.5% each year** after organic growth and acquisitions for the year itself;[10]

- **Ongoing scouting of opportunities to grow via acquisitions**;

- **Development of an ESG strategy integrated into the business plan**, so as to combine growth in business and financial solidity with social and environmental sustainability**,** thus **creating value over the long term for all stakeholders.** The commitments undertaken by the Group in this connection are focused on six of the 17 Sustainable Development Goals to which priority has been given, with **qualitative and quantitative targets that are measurable over time and form part of the evaluation schemes for senior management**, both short-term and long-term. These include ESG screening for 100% of new investments and loans by the Group, guaranteeing equal gender representation, green and sustainable bond issues (for a total of €500m), reducing our direct impact on the environment (cutting CO^2 emissions by 15%), contributing to wider growth in the economy (€700m in investments in small and medium-sized Italian enterprises), and supporting our local community (€4m per annum to be invested in projects with social and environmental impact).

The Mediobanca Group aims to deliver growth in all segments in which it operates:

- **Wealth Management.** The Italian wealth management market offers the following opportunities: it is large, growing, most of the assets are still un-managed, with market shares increasingly available for specialist operators which can offer investment returns and client protection solutions despite the negative interest rates. In this scenario, Mediobanca's ambition is to definitively establish itself **as a distinctive player** in Italy, standing out for the **quality**, **innovativeness and value** of its product and service offering **for affluent and private clients and entrepreneurs**. Through **substantial investments in**

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[9] Fully loaded, i.e. excluding the Danish Compromise (pursuant to Article 471 of the CRR 2), based on estimates of Assicurazioni Generali profits (Nasdaq IR Insight consensus, November 2019).
[10] Remuneration valid throughout the 2019-23 plan provided the CET1 phase-in ratio remains above 13%, subject to annual approval by shareholders in general meeting and to annual authorizations from the ECB as required under Articles 77 and 78 of CRR 2.

distribution (where the work force will increase by 60% to over 1,400 professionals), technology and products, Wealth Management will further strengthen its positioning, revenues and profitability, matching CIB in terms of its contribution to the Group's top line, and **becoming the primary source of fee income**. **Profitability will grow significantly** (**ROAC** up from 16% to **25%**), maintaining **high-quality and sustainable revenues while improving efficiency (cost/income ratio 70%)**. The division will develop by: **strengthening the product factories: repositioning the CheBanca! brand at the top end as the player of choice for the innovation and sustainability** of its business model for **affluent** clientèle, both current and prospective; and definitively establishing **MB Private Banking and Compagnie Monégasque de Banque as unique private/investment banks in Italy and Monaco, offering their HNWI/UHNWI clients innovative solutions in the private market/illiquid asset segment, developed in synergy with Corporate & Investment Banking.**

- **Consumer Banking. The market** offers the following **opportunities:** it is less mature in Italy than in other European economies, with market shares up for grabs as the traditional banking networks reduce their footprint in this area. **Compass,** by leveraging on its **distinctive features** (leadership position in the market, integrated distribution, efficient platform, high scoring and pricing capabilities, solid asset quality), **empowering distribution significantly**, direct and digital, **and developing innovative products** (in e-commerce especially), **will lay the foundations for the growth in volumes and revenues to continue,** consolidating earnings (**ROAC 28-30%**) and profitability despite a scenario in which the cost of risk will reflect moderate, structural growth.

- **Corporate & Investment Banking. The market** offers the following **opportunities:** strong domestic and cross-border M&A activity is being witnessed, involving medium-sized and large firms, driven by low organic growth, consolidation in industrial sectors, the low cost of borrowing, and intensive financial sponsor activity. In this scenario, advisory boutiques are continuing to improve their market share, on the back of their client-driven focus and flexibility of approach. **Mediobanca**, by leveraging on its **distinctive business model** (leadership position in reference markets, high reputational standing, boutique-style organization, client-driven, ability to attract talent, strong integration with Private Banking, excellent asset quality), **will further strengthen its position in Europe,** in particular in M&A and Capital Markets services, **with the objective of establishing itself further as the bank of choice for medium-sized/large companies in its reference countries (Italy, France and Spain).** By strengthening coverage and exploiting the apparent intra-Group potential (in particular with Private Banking and the newly-acquired Messier Maris), coupled with an increasingly efficient use of capital, **CIB will see both revenues and profitability rise (ROAC 16%), and will remain the second major source of fee income at Group level.**

- **Principal Investing.** Virtually the whole of this division consists of the investment in **Assicurazioni Generali** (12.91%), which **will continue to contribute positively to revenue and profit creation at Group level, adding stability and visibility**. The investment's main worth lies in its **profitability** and as a **value option**, guaranteeing the Mediobanca Group available resources that can be used in acquisitions in order to grow the company.

- **Holding Functions.** Treasury activities **will continue to perform their role of managing the Group's funding/treasury activities effectively: implementation of an effective funding programme** (to optimize and diversify the sources and cost of funding, with a view to maintaining excellent operating and regulatory ratios) **and liquidity position optimization will allow the division**, despite the negative interest rate scenario, **to maintain its performance at the net interest income level**. **The ongoing pursuit of efficiencies**, which includes the orderly refocusing in leasing operations currently in progress, **will allow substantial investments in technology, innovation** and **regulatory governance to be made**, without altering the division's impact on the Group's balances.

MEDIOBANCA

DIVISIONAL OBJECTIVES AND TARGETS

WEALTH MANAGEMENT

ESTABLISHMENT OF A DISTINCTIVE, PROFITABLE PLAYER
SCALE AND PROFITABILITY TO INCREASE SIGNIFICANTLY
SALES FORCE up 60% to 1,400 professionals
TOTAL FINANCIAL ASSETS (TFAs) up 8%[1] to €83bn
AUM/AUA up 11%[1] to €59bn
REVENUES up 8%[1] to €0.7bn
ROAC up from 16% to 25%

The wealth management market in Italy offers appealing growth margins for an operator such as Mediobanca, for the following reasons:

- **The market is substantial, growing and still largely "un-managed":** of the almost €10tn in wealth owned by Italian households, some €4.4tn is in the form of financial assets under contract in the Affluent and HNWI segments (75% in the former), and shows growth rates which are higher than the average rates of growth in domestic GDP; only 35% are AUM;
- **It is undergoing a process of transformation, with the market shares of specialist and mixed operators** (banks with dedicated commercial networks) **growing at the global banks' expense,** many of whom are involved in restructuring their business models in favour of core markets and/or products;
- It reflects a **growing need** on the part of investors **for financial protection and planning**, as well as the **search for yield**, a trend which is favoured by the current negative interest rate scenario. This has led to an industry-wide **polarization in terms of demand/supply** in alpha products (including illiquid, alternative, private equity, etc.) or passive products, which in turn leads to difficulties for non-specialist opertors;
- It has shown a **contraction in margins** due to regulation (transparency and consumer protection), the interest rate scenario and competition:
- **Digitalization** appears to be **essential** to the product offering and for service users (remote channels, artificial intelligence, robo-advisory, etc.).

In this segment, the Mediobanca Group has stepped up its ambitions from three years ago, when Mediobanca Private Banking was set up following the acquisition and merger of Banca Esperia, the activities of CheBanca! in the Affluent segment were doubled with the acquisition of a selected area of Barclays' Italian operations, and the product factories were strengthened with the acquisitions of Cairn Capital and RAM and MBSGR was structured. In the three years of the plan, this division saw its commercial force multiply threefold to its current level of 900 professionals, generated €550m in revenues (compared with €330m previously), and reported €61bn in TFAs (versus €32bn), including €39bn in AUM/AUA (vs €17bn in 2016). Building on this platform, our operations in the Affluent & Premier and Private-HNWI segments and the Mediobanca AM product factory will all be empowered further in the next four years.

In the next four years, the Mediobanca Group intends to establish itself definitively as **a distinctive operator** in Italy: distinctive for the **quality**, **innovation and value** of our offering **for affluent and private clients and for entrepreneurs**. Through **substantial investments in distribution (with the sales force set to increase by 60% to over 1,400 professionals), technology and products**, Wealth Management will further strengthen its position, revenues and profitability, matching CIB in terms of its contribution to Group revenues and **becoming**

the top contributor in fee income. **Profitability will grow significantly** (**ROAC** up from 16% to **25%**), while maintaining **high quality and sustainability levels in terms of revenues and increasing efficiency (cost/income ratio 70%).**

In particular:

- **Total Financial Assets (TFAs) will increase by 8%[1] to reach €83bn,** reflecting a significant improvement in terms of composition **(AUM/AUA up 11%[1] in absolute terms to €59bn, and increasing in relative terms too, from 63% to 70% of TFAs).** At the same time loans are expected to increase by 10%,[1] to €17bn;
- **Gross margins will rise to approx. 90 bps (up 8bps over the four years),** driven by increased synergies with the product factories, and improvements in the average quality/size of the portfolios, **while maintaining pricing which is fair relative to the sector average, and high-quality revenues** (90% recurring, no tax optimization);
- Growth in revenues of 8%[1] (to €0.7bn), close cost control (cost/income ratio down to 70%) and ongoing management of the cost of risk will allow **Wealth Management to double its profits and increase its ROAC to 25%.**

Affluent & Premier clients

Activities addressed to Affluent & Premier clients are carried on in Italy by CheBanca!, set up in 2008 as an innovative, digital native operator serving initially as deposit gatherer before being refocused on wealth management activities in the last three years.

CheBanca! has an extensive client base (over 865,000 clients who express high levels of satisfaction, whose investment needs are still only addressed in part) and **a distinctive distribution model,** which is effectively multi-channel**, pricing** which is fair and transparent, aligned with the increasingly strict regulatory standards, with **high quality profit** (no tax optimization, 90% of revenues recurring).

The objective for the next four years is to leverage the value option offered by the Affluent segment. By repositioning nearer the top end of the segment, CheBanca! will consolidate its definitive transformation to wealth manager, focusing on Affluent and Premier customers, which will translate to a material increase in volumes, revenues and profitability. In particular CheBanca! will: a) **empower its distribution network, increasing the number of bankers by 60% to 1,275,** both **proprietary** (from 445 to 600 relationship managers) and **FAs** (who will double to 675), **investing significantly in training**; the bank's ability to generate net new money will increase significantly from their current levels of approx. €2bn per annum, especially in the AUM component; b) **continuously reinforce its digital platforms,** to support the advisory service via app and remote channels; c) **expand its range of products**, by developing an offering which is able to meet the investment needs of affluent clients; d) **improve profitability**, by exploiting Group synergies on the product side and achieving greater operating efficiency as a result of increased operating scale (cost/income ratio 70%).

Private & HNWI clients

Activities for private and UHNWI clients in Italy are provided via Mediobanca Private Banking ("MBPB"), which was set up in 2017 following the merger of Banca Esperia into Mediobanca S.p.A., and in Monaco, by Compagnie Monégaque de Banque ("CMB").

MBPB today is an established and recognized brand in Italy, associated with an exclusive and distinctive product offering. In a scenario marked by negative interest rates, decreasing margins and the search for yield, MBPB stands out **as the only private-investment bank in Italy**

able to offer **private and UHNWI clients innovative investment solutions in the private assets segment** (private equity, private debt, club deals etc.). This **distinctive offering** has been made possible by the division's specific capabilities and also by **interaction with Mediobanca's investment banking business, in the Mid-Caps segment especially**. Over the next four years, its positioning and distinctive offering, further empowerment of the network **and closer interaction with the Group companies**, the product factories in particular (in the alternative segment especially) will deliver material growth in AUM and profitability (cost/income ratio 70%). **CMB** will also strengthen its position in Monaco as a result of the increase in quality of its offering deriving from, among other things, interaction with its parent company Mediobanca's European investment banking platform.

Mediobanca AM

Asset management activities are performed in Italy by Mediobanca SGR, set up in 2017 following the merger of Banca Esperia into Mediobanca S.p.A., and elsewhere by two niche operators in the alternative segment that have been acquired in the past four years: Cairn Capital (illiquid credit) and RAM (systematic equity funds).

The ongoing development of the product factories will allow WM to maximize the benefits deriving from **internalization of the value chain** and the progressive sale of Mediobanca products. Progress will be focused on developing **innovative products**, looking to realize high value creation strategies for both liquid and illiquid products.

CONSUMER BANKING (CB)
LEADERSHIP IN ITALIAN MARKET CONFIRMED BY POSITION, INNOVATION AND PROFITABILITY
CONSOLIDATION OF PROFITABLE GROWTH
REVENUES up 3%[1] to €1.1bn
ROAC from 30% to 28-30%

For more than ten years now Compass has been one of the top three Italian domestic consumer credit operators. It has a **well-established client base** (over 2 million customers), **broad and diversified distribution** (200 proprietary branches and 5,000 third-party bank branches, 12,000 post offices, plus numerous agreements with large retailers and agents), and a **value-driven approach to management** (with the capability to analyse and assess risk at the lending stage and monitor it across the entire loan life cycle).

In the 2016-19 three-year period Compass has delivered record results, seeing its revenues break through the €1bn threshold (CAGR 3Y: +6%), net profit rise to €330m (CAGR 3Y: +30%) and ROAC increase from 17 to 30%. Consumer credit has confirmed its position as the **main source of growth for the Group in terms of net interest income, with an anti-cyclical diversification effect** compared to the other divisions which are more affected by the adverse economic scenario.

The consumer credit market in Italy currently offers attractive margins for growth as a result of: the gradual reduction in the number of traditional bank branches (which in the past five years have been cut by 20%,[11] a process which opens up more room for customers' needs to be serviced by strengthening geographical coverage); developments in technology (increases in e-commerce and contracts increasingly being signed online); changes in consumer behaviour (preferring to hire goods rather than buy them); and the still low penetration rates of the consumer credit product in Italy compared to the UK and US

[11] Source: Bank of Italy.

economies in particular. **Through substantial empowerment of distribution**, direct and digital, and **by developing innovative products** (in e-commerce in particular), the foundations will be laid for **growth in volumes and revenues to continue,** consolidating earnings and profitability despite the increasing cost of risk scenario.

Distribution will be bolstered in both the direct and the digital channels. In the **direct** channel, the number of points of sale will increase by 75%, from 200 to some 350, of which: Compass-branded POS will increase from 200 to 260 (up 30%), 80 of which managed by agents; 80 POS will be branded Compass-Quinto, as part of a drive to increase sales of salary-backed finance products via the agency network (variable costs).

There will also be further emphasis on innovation in terms of distribution channels and products. Particular focus will be placed on **developing channels for instant credit** and **developing e-commerce financing solutions** via partnerships with leading market operators and/or technology platforms developed *ad hoc*. For products too, initiatives will be implemented, in particular for long-term car hire and purchases via credit cards.

These actions, along with the proven effectivenes of the pricing, management and credit recovery system, will deliver appealing growth in both volumes (new loans up 2%[1] to approx. €8bn, factoring in strong growth in direct personal loans with a slight reduction in the contribution from the third-party bank networks). Revenues will grow by 3%[1] (to over €1.1bn) on the back of customer loans (up 2%[1] to over €14bn), while maintaining the existing profitability levels (ROAC 28-30%) despite the expected slight increase in the cost of risk over the four years.

CORPORATE & INVESTMENT BANKING (CIB)
HIGH POTENTIAL OF CLIENT-DRIVEN BUSINESS MODEL
LEADER IN ITALY AND SOUTHERN EUROPE
INCREASINGLY INTEGRATED AND LESS CAPITAL INTENSIVE
REVENUES up 6%[1] to €0.8bn
ROAC up from 15% to 16%

Corporate and Investment Banking are carried out by Mediobanca, and, more recently, by French advisory boutique Messier Maris et Associés (a partnership agreement was signed in spring 2019). MBCredit Solutions and MBFacta complete the range of products offered in credit management and factoring.

The Mediobanca Corporate and Investment Banking division continues to deliver **strong returns** (ROAC 15% at end-June 2019), **a performance which bucks the trend in European investment banking** where in the past ten years revenues have grown at a CAGR of 5% and the cost/income ratio has risen to 75%, with a need for massive restructuring through disposals, capital injections and personnel cuts. By contrast, MB Corporate & Investment Banking has displayed **high levels of resilience in terms of client revenues** (stable in the past three years at around €630m) and **a low risk profile** (high asset quality, no litigation, cost-income ratio below that of our competitors at 43%).

The European Corporate & Investment Banking market continues to reflect a challenging competitive scenario, but at the same time offers the following **opportunities:** it is seeing strong domestic and cross-border M&A activity involving medium-sized firms and large corporates, driven by low organic growth, rounds of consolidation in various industrial sectors, low cost of borrowing, and intensive financial sponsors activity. In this scenario, the advisory boutiques are continuing to improve their market share as a result of their more client-driven approach and the flexibility of their business models.

The division also stands out for its **specialist and client-driven approach**, similar to that of the boutiques, and its **strong integration with the Private Banking activities**. This has enabled the Group to **attract talent**, consolidate our **leadership position in Italy** and **gain visibility in the rest of Europe**, in particular in **Spain** (where it is one of the top ten M&A operators) and **France**. Our presence in France has been further strengthened through the partnership entered into with Messier Maris & Associés, the third-ranked advisory firm in the country.

Leveraging on the distinctive traits of its own business model, the division **will increase both revenues and profitability, remaining the Mediobanca Group's second largest source of fee income.** To take these opportunities the division intends to:

- **Strengthen the advisory business origination platform** in our three core markets (Italy, France and Spain), to encourage internal cross-selling, including by leveraging on our recent partnership with MMA;
- **Develop an integrated European capital markets platform**, which can guarantee clients a complete offering, continually introducing **new products**, including via the originate-to-distribute model, in line with the demand from the market;
- **Develop coverage of mid-cap clients** with the objective of becoming the Italian bank of choice for medium-sized Italian firms; this will be achieved in part through **increasing integration with Private Banking activities**;
- **Optimize use of capital,** by deploying it profitably in the highest capital absorption activities (e.g. by adopting the originate-to-distribute model in lending, leveraging on intra-Group capabilies – in particular Cairn and MBCS – and implementing securitization solutions for the existing loan book);
- **Provide ongoing support to Specialty Finance activities: credit management** (MBCredit Solutions) and **factoring** (MBFacta).

The division's revenues are expected to increase by 6%[1] to €0.8bn. Allied with ongoing control of costs, asset quality and efficient capital usage, and despite the cost of risk normalizing, **ROAC will reach 16%** (up 1 pp).

ESG CRITERIA INTEGRATED INTO BUSINESS PLAN
QUANTITATIVE AND QUANTITATIVE ESG[12] OBJECTIVES INCLUDED IN SENIOR MANAGEMENT REMUNERATION SCHEMES

The Group is structuring its sustainability pathway by **adopting an integrated strategy**, which can **combine growth in business and financial solidity with social and environmental sustainability,** creating value over the long term. Our sustainability objectives have been included in our strategic plan as proof of our commitment to incorporating CSR into the Group's industrial and financial strategies. Mediobanca has set its targets with the intention of contributing to six of the seventeen Sustainable Development Goals, committing itself to help make a positive change at the global level. The commitments made by the Group are focused on certain priority areas, and have been translated into qualitative and quantitative targets that are measurable over time, including:

- **Responsible investing:** ESG screening for 100% of new Group investments/loans;
- **Diversity:** guaranteeing equal gender representation in selection and promotion processes of staff;

[12] Defined in accordance with the Sustainable Development Goals Framework.

- **Responsible consumption and production:** issuance of €500m of green and sustainable bond;
- **Supporting energy transition:** issue of a carbon neutral fund;
- **Reduction of direct environmental impact:** CO^2 emissions to be cut by 15%, and hybrid cars to make up 90% of the company car fleet;
- **Contribution to growth of the economy:** €700m to be invested in small and medium-sized Italian companies;
- **Support to local community:** €4m to be invested each year in projects with social and environmental impact.

M&A POLICY

The Group will continue with its policy of pursuing growth via acquisitions, as it has done over the last strategic plan. Companies which are able to accelerate the process of growing the Mediobanca Group's core businesses will be considered as potentially attractive targets, with a preference for capital-light, high fee-generating businesses which are an excellent fit for Mediobanca in terms of culture, ethics and business approach.
Acquisitions will also have to meet the value creation criteria which have always characterized Mediobanca's approach to M&A.

SHAREHOLDER REMUNERATION
UP TO €2.5BN TO BE DISTRIBUTED, DPS UP 28% OVER THE FOUR YEARS

Over the course of the strategic plan's time horizon, the Group will return substantial funds to its shareholders, up to a maximum cumulative amount of €2.5bn in the four years (2020-23), some 50% higher than the aggregate amount distributed in the 2016-19 period.

This increased distribution will be made possible by the Group's high earnings generation capacity and the change in our capital management strategy. Unlike in the past, a target CET1 ratio phase-in level has been identified and stated over the course of the plan, equal to 13.5% each year (12.5% fully loaded), a level which will be adequate to:

- Maintain our ratings at the best-in-class levels in the Italian banking panorama;
- Consolidate Mediobanca's position as one of the best capitalized banks in Europe, a factor which is particularly significant in Corporate & Investment Banking and Wealth Management activities.

After organic growth and acquisitions, the Group will distribute capital each year in excess of the 13.5% CET1 phase-in ratio level, in a shareholder remuneration policy that will combine dividend payments with a share buyback and cancellation scheme. Subject to annual authorization from the ECB[13] and by shareholders in general meeting, it is anticipated that:

- The dividend per share in 2020 will be €0.52, 10% higher than the €0.47 paid in 2019. In the years that follow, the dividend will be increased by 5% per year to reach €0.60 in 2023.

[13] As required pursuant to Articles 77 and 78 of CRR 2.

Overall a total amount of €1.9bn in dividends will be distributed in the course of the 2020-23 period;

- A new share buyback and cancellation scheme will be implemented, involving a minimum cumulative amount of €0.3bn and a maximum cumulative amount of €0.6bn over the course of the plan, starting from October 2020, to be assessed on a year-by-year basis in view of the trend in the capital ratios (corresponding to a maximum amount of 2% of the Bank's share capital each year).

The distribution policy will be revised if the CET1 ratio phase-in is below 13% (management buffer of 50 bps to ensure operating flexibility).

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Fine Comunicato n.0187-144	Numero di Pagine: 13