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Testo del comunicato

Vedi allegato.

MEDIOBANCA

MEDIOBANCA BOARD OF DIRECTORS' MEETING

Financial statements for three months ended 30 September 2023 approved

Milan, 26 October 2023

MEDIOBANCA

RECORD QUARTERLY RESULTS
POSITIVE START TO 2023-26 STRATEGIC PLAN
"ONE BRAND - ONE CULTURE"

RECORD 3M PROFIT

Revenues of over €860m in 1Q, more than €100m higher than last year

Net interest income ~€500m (up 25% YoY[1] and up 5% QoQ adj.), fees consistent with previous two quarters (~€180m), strong contribution from Insurance (~€140m)

Net profit €351m, with EPS 3M €0.41 (up 34% YoY, up 49% QoQ)

Profitability increasing further: ROTE 14%, RORWA 2.8%

Robust capitalization: CET1[2] 15.5%

High stakeholder remuneration: 70% cash payout + €0.2bn buyback[3]
(fully deducted from CET1)

POSITIVE START TO NEW PLAN IN 3M

WM – Growth prioritized at Group level, distinctive positioning in Private Investment Banking

WM: TFAs up €8bn in 12M to €89bn
€1.8bn in NNM for 1Q in AUM/AUA (50% qualified),
Record revenues (~€220m) and earnings (~€50m)
Profitability increasing (RORWA 3.5%)

CIB – Focus on growth in K-light activities

RWAs down 21%
Effective co-operation with Private Banking
Partnership with Arma completed
Asset quality at best-ever levels

CF – Growth through multichannel leadership and independent distribution

New loans solid (€1.9bn), BNPL up 2x, more than 80% of personal loans distributed through proprietary network, 33% "digital"
Asset quality normalizing in line with expectations (CoR 165bps), profitability high (RORWA 2.7%)

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1 YoY: 3M to end-September 2023 vs 3M to end-September 2022; QoQ chg.: 3M to end-September 2023 vs 3M to end-June 2023.

2 CET1 (phase-in and fully loaded) pro forma, considering the Danish Compromise as permanent (benefit of ~100bps) and including retained earnings for the period (~20bps) (not subject to authorization pursuant to Article 26 of the CRR) net of the dividend payout of 70%.

3 Share buyback scheme subject to authorization by AGM to be held on 28 October 2023; ECB authorization received on 20 October 2023.

INS – High contribution decorrelated from other businesses

Revenues up sharply, driven by non-life business, net profit €137m, RORWA 4.2%, AG investment book value stable at €3.5bn

HF – Active A&L management

Group net interest income up 25% YoY and up 5% QoQ adj. to ~€500m
Comfortable funding position, tactical increase in banking book investments, regulatory ratios high

SUSTAINABILITY

Second TCFD[4] report with expanded NZBA scope and two new sector targets (aviation and cement)

€500m SNP Sustainable bond issue (50% of 2023-26 Strategic Plan target)

4 Task Force on Climate Related Financial Disclosure; NBZA: Net-Zero Banking Alliance.

Alberto Nagel, CEO of Mediobanca, said: "*The Group has started FY 2023-24 in a satisfactory manner, laying solid foundations for the development of the initiatives contained in the 2023-26 Strategic Plan 'One Brand-One Culture', navigating an uncertain and challenging operating scenario dynamically and proactively, and delivering excellent results in terms of value-oriented and capital-light growth. In 1Q the Group posted a record bottom-line quarterly result, with net profit of over €350m, reducing RWAs by over €1bn and improving ROTE by 2 percentage points (to over 14%)*".

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The Group has continued on its path to growth, closing the three months with **results at an all-time high: revenues €863m (up 14% YoY), net profit €351m (up 34% YoY), EPS 3M €0.41 up 34% YoY), ROTE 14% (up 2pp YoY), and RORWA 2.8% (up 60bps YoY)** in an operating scenario marked by significant geopolitical events, tightening monetary policies, and high volatility on financial markets. **The results represent a positive start to implementation of the new 2023-26 Strategic Plan "One Brand-One Culture" (targets: revenues €3.8bn, ROTE 15%, EPS €1.80 by end-June 2026).**

Revenues were boosted by growth in all divisions (WM up 10% to €218m, CF up 4% to €286m, INS up 64% to €143m, HF up almost 4x to €80m). CIB reflects a similar trend to the previous two quarters (revenues €142m), being impacted by the soft IB market conditions worldwide, but still posted an increase in QoQ net profit.

The main income items performed as follows:

- **Robust commercial performance, geared towards increasingly selective growth in RWAs, and driven by value and lower capital absorption:**

  - **TFAs climbed to €89bn** (up €8bn YoY, up €1bn QoQ), **driven by inflows of AUM/AUA (NNM €1.8bn, 50% of which qualified[5])** which totalled €61.6bn (up 18% YoY, up 3% QoQ). Active management of funding, coupled with the sale of investment products structured by Mediobanca, enabled the Group to meet much of the demand for higher returns that has characterized the entire sector, while, at the same time, enabling deposits to remain high at €27.6bn (down 2% on end-June 2023, in part due to the postponement of the promotional campaign scheduled for the summer).

  - **Customer loans totalled €51.1bn, posting a reduction of more than €1bn in 3M, chiefly in the CIB segment, due to the substantial liquidity positions held by corporates which in turn have impacted on the demand for credit, and also due to the selective lending policy adopted** (slight increase in CF, versus reductions in CIB and in mortgage lending origination), driven by risk-adjusted margins. Conversely, the securities portfolio – which is below average size for the sector as a whole – has been increased by just over €1bn in 1Q, to take advantage of the new interest rate scenario.

5 Including €0.4bn in AUM, €0.1bn in MB bond placements, and €0.4bn in certificates/structured products.

- **Risk-Weighted Assets (RWAs) have dropped by over €1bn in 3M and by almost €2bn in 12M,** despite application of the AIRB models in Consumer Finance (which has entailed an increase in RWAs of approx. €0.9bn), due to the developments in lending referred to above, and to **launch of the risk mitigation measures in CIB Markets and Factoring activities**

- **Funding activity has continued the positive trend in bond issuance, with €1.2bn issued in 3M,** benefiting from significant diversification of the investor base (private and institutional), with costs under control and better than expected (issues ~145bps vs average expected for FY 2023-24 ~185bps), enabling €1bn of T-LTRO to be prepaid six months ahead of schedule, in accordance with the planned exit strategy.

- **Revenues remained near the same high levels seen in 4Q FY 2022-23** (€863m, up 14% YoY, down 3% QoQ), which had also included certain one-off income items:

  - **Net interest income totalled €496m (up 25% YoY, up 5% QoQ adj.[6])** with strong contributions from CF (up 4% YoY, and up 3% QoQ, driven by €1.9bn in new loans), WM (up 28% YoY, up 11% QoQ), and HF (positive again at €53m), on the back of asset repricing and careful cost of funding management. The positive trend in NII for 3M offset the absence of inflation-linked coupons (which added €30m in the previous quarter).

  - **Net fee and commission income totalled €180m (down 14% YoY, down 4% QoQ):** the solid performance in WM was not sufficient to offset the reduction in CIB, impacted by the soft trend in Investment Banking and an unfavourable comparison base (following the record performance in 1Q and 2Q FY 2022-23).

  - **Net treasury income totalled €48m,** in line with the average figure last year.

  - **Strong growth in Insurance business (up 63% to €141m),** driven by the good performance by Assicurazioni Generali, in non-life business in particular, helped by the increase in interest rates.

- **Cost/income ratio 40% (down 2pp YoY)**, which includes the ongoing investments in distribution, innovation and talent.

- **Excellent asset quality, with overlays virtually intact** (down €5m to ~€263m, equal to 1x the loan loss provisions taken for the entire FY 2022-23). **The Group's cost of risk remains low at 46bps (stable QoQ), with the increase in CF (from 148bps to 165bps) offset by the writebacks in CIB following the repayment of certain positions. Non-performing loans at Group level were virtually stable,** near the low levels reported at end-June 2023 (2.6% of total loans gross, and 0.8% net, both up 10bps QoQ); while **Stage 2 loans were also stable QoQ** (5.4% gross, 4.7% net). **The coverage ratios remained at the levels reported at end-June 2023**: 72% for NPLs, 1.37% for performing loans at Group level, and 3.79% for performing loans for the CF division.

- **Net profit €351m** (up 34% YoY, up 49% QoQ), with **ROTE adj. at 14%** (up 2pp YoY), **RORWA adj. 2.8%** (up 60bps YoY).

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6 Excluding the inflation-linked coupons of €30m collected in 4Q FY 2022-23.

- **Significant growth in the per share values: EPS 3M €0.41 (up 34% YoY), TBVPS €11.6 (up 13% YoY)**.
- **The capital base remains high: CET1 ratio 15.5%[2]**, down 40bps in 1Q (vs 15.9% at end-June 2023), **reflecting the share buyback fully upfronted[3] (€0.2bn, accounting for 45 bps). The introduction of the AIRB models (which accounted for 25bps), was offset by the effective risk mitigation measures implemented in CIB**. The ratio includes the retained earnings for the period net of a 70% dividend payout (approx. 20bps).

All the divisions posted material growth, relative to the Strategic Plan objectives:

- **WM: record revenues and net profit (~€220m and ~€50m respectively), with NNM of €1.8bn (AUM/AUA). RORWA[7] up from 3.4% to 3.5%. Development continues in line with the Strategic Plan, with recruitment of senior resources, enhancement of the product offering, and repositioning towards the higher end customer brackets**

  Revenues climbed by 10% to €218m, driven by **net interest income (up 28%)** because of the rising interest rates while managing the cost of deposits, whereas fees were virtually stable (at €108m) in a market scenario where investors' preference was for products under administration. **TFAs reached €89bn** (up 10% YoY, €62bn of which AUM/AUA), **on NNM of €1.8mld in AUM/AUA, 50% of which qualified.[5]** **Private Banking** continued with PIB client coverage, intercepting some €0.3bn in liquidity events, and the product offering in the Private Markets and portfolio management segments being enhanced. The market scenario has also significantly facilitated the sale of structured products. In Premier Banking, efforts to strengthen the fixed-income product offering by leveraging on Group synergies have continued. In the Asset Management segment there was a resumption in CLOs activity, with €0.4bn placed during 1Q, and a Special Situation fund was launched. **In September 2023 Carlo Giausa joined as Group Head of Global Wealth Management Offering and Deputy General Manager of CheBanca!**

- **CIB: Strategic Plan initiatives launched, including enhanced co-operation with Private Banking, RWA optimization (RWAs down 21% to €17.3bn), completion of the partnership with Arma, Energy Transition activity stepping up, and launch of Mid International and the BTP specialist pathway. Revenues in line with the previous two quarters, and asset quality confirmed as high. RORWA[7] 1.0%.**

  Revenues of €142m largely bear out the levels recorded in the previous two quarters, but were more than 20% below the record level reported one year ago, reflecting the soft operating scenario in the investment banking market, which has been impacted by the market volatility and the rise in interest rates. Against this backdrop, the mid-cap segment has shown impressive resilience, and in 1Q has been responsible for around 55% of the advisory fees. The growth in DCM activity has in part offset the reduction in demand for credit and the more selective lending policies to the benefit of the profitability of the capital absorbed. **The quality of the loan book was again high with net writebacks of approx. €5m**. Net profit came in at €48m (down 29% YoY, up 22% QoQ), with RoRWA at 1.0%.

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7 RORWA adjusted for writedowns/impairment to equity investments and securities, and other positive/negative non-recurring items.

- **CF: profitable and resilient: revenues up 4% to €286m (an all-time record), net profit down 3% to €97m, RORWA[7] slightly lower at 2.7% following the introduction of the AIRB models (meaning RWAs were €0.9bn higher), cost/income ratio 29% (up 1pp).**

  The solid performance in new loans continues (€1.9bn, taking the loan book to €14.5bn, up 4% YoY), driven by the **effectiveness of both direct distribution** (which now generates 81% of personal loans disbursed) **and digital distribution** ("digitally originated" personal loans now account for **34% of the total direct channel)**, plus growth by the **Buy Now Pay Later (BNPL)** segment (**new business of approx. €77m, equal to 23% of the all special purpose loans, now that the HeidiPay acquisition has been completed**). Net interest income of €254m (up 4% YoY) was boosted by the increase in volumes in a scenario marked by the gradual repricing of assets. **Credit quality is proceeding in accordance with expectations, with a slight increase in the risk indicators and the cost of risk (from 148bps to 165bps)**. The coverage ratios remain high, at 77% for NPLs and at 3.79% for performing loans.

- **INSURANCE: high contribution and profitability in the new high interest rate scenario, good performance in non-life business**

  Revenues €143m, up 64% YoY, on a robust and improving operating performance by Assicurazioni Generali. Net profit by the division totalled €137m (up 77% YoY). RORWA[7] was high (at 4.2%). The Division's market value (NAV) remained stable in 3M at the level recorded at end-June 2023 (€3.5bn).

- **HF: dynamic asset and liability management, effective capabilities in terms of raising funding at competitive costs.**

  Funding was stable at €60.2bn: bond issuance activity (€1.2bn issued, versus €0.2bn redemptions) enabled the scheduled T-LTRO prepayment to go ahead (€1bn repaid six months in advance), **with no impact on the regulatory ratios (NSFR 117%, LCR 158%, CBC €15.7bn) and at a lower than expected cost (average cost of issues: 145bps, vs 185bps budgeted for FY 2023-24). Demand for Mediobanca bonds through the commercial networks remains high: €0.7bn was placed in 3M, €0.2bn of which through the proprietary networks**. Deposits declined slightly, down 2% QoQ to €27.6bn, in a scenario where the Group's lendings have reduced and the promotional campaign to gather new liquidity has been postponed.

The Mediobanca Group's ESG profile continues to improve. In 1Q FY 2023-24 the Group published its second **Task Force on Climate-related Financial Disclosures (TCFD) report, and set a further two GHG emissions reduction targets, in line with the NZBA requirements (aviation and cement sectors, in addition to the automotive and power sectors). A €500m SNP sustainable bond was also issued in September 2023.**

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With Renato PAGLIARO in the Chair, the Directors of Mediobanca approved the individual and consolidated financial statements for the three months ended 30 September 2023, as illustrated by Chief Executive Officer Alberto NAGEL.

Consolidated results

Revenues continued to grow in 1Q in line with last year, reaching €863.7m (up 14%), reflected in the best quarterly bottom line result ever posted (€351.3m), a good 33.8% higher than at end-September 2022; EPS 3M (€0.41), ROTE (14%) and RORWA (2.8%; up 50bps YoY) all rose accordingly.

Specifically, revenues totalled €863.7m (up 14.1% YoY, down 2.6% QoQ), with the main income items performing as follows:

- **Net interest income was up 25.1% YoY** (from €396.3m to €495.7m) **and up 5% QoQ adjusted (€472.1m, net of the €30m in coupons on the inflation-linked BTP);** the rising interest rates are reflected in the cost of funding remaining under control, driven by the Group's ability to leverage all channels available and the good timing of the Wealth Management promotion and the bond issues, and have also helped the treasury management contribution, in particular that of the banking book which has grown in both size and returns. All this has comfortably absorbed the lower contribution from lending volumes. Consumer Finance was again the main contributor here, posting NII of €253.5m, up 4.2% YoY; up 3.4% QoQ, Wealth Management contributed €107.2m (up 27.6% YoY; up 11.3% QoQ), CIB €75.3m (up 12.7% YoY; down 4.8% QoQ), and Holding Functions €52.6m (up €56m YoY; down €25m QoQ);

- **Net fee and commission income decreased to €179.8m** (down 14.3% YoY; down 3.6% QoQ), reflecting the reduction in investment banking and services, which totalled €31m (down 26% YoY and down 16% QoQ) and lending activity (€55m; down 16% YoY and flat QoQ), with asset management virtually stable (at €101m). At the divisional level: Wealth Management contributed €108.3m (down 4% YoY) with management fees and banking fees slightly higher (up 2%), but which were unable to offset the slight reduction in upfront fees and certain non-recurring items credited last year; CIB saw its fee income decline by 30.4%, to €47.8m, with the Mid Corporate segment showing some resilience (with fees of €13.3m) and a recovery in DCM business (fees of €6.5m); while Consumer Finance posted fees of €32.6m (€4.1m of which from BNPL operations);

- **Net treasury income totalled €47.5m**, lower than last year (€64.6m) but representing a significant improvement on the previous quarter (€33.4m); the proprietary trading portfolio contributed €26.6m, €20.9m of which as part of treasury and banking book management, while client trading generated revenues of €12.9m, mostly from equity trading; the other segments (including revenues from the Insurance Division) contributed €8m;

- **The contribution from Assicurazioni Generali, accounted for using the equity method, totalled €138.4m**, a strong improvement on last year (€86.6m), much of which in relation to the effects of the rise in interest rates on the non-life business reserves, and to lower disaster-related claim payouts; while the other IAS 28 investments contributed €2.4m.

Operating costs totalled €343.9m (up 7% YoY; down 9.1% QoQ); the increase is primarily due to labour costs, which were up 8.4% (from €165.8m to €179.7m), reflecting the substantial increase in headcount partly offset by the lower provisions for the variable remuneration component linked to the trend in revenues; administrative expenses rose by 5.5% (from €155.6m to €164.2m), with the IT component (which totalled €58m, an increase of 5%) reflecting both the effects of previous projects on instalments and amortization charges, and also the increase in investments (from €8m to €10m, concentrated in WM and CF especially) and in marketing and communication expenses (up 5%, to €9m); the QoQ reduction of 9.3% is due once again to seasonal factors relating to the summer months.

Loan loss provisions totalled €60m, largely unchanged from recent quarters, as was the **cost of risk (CoR) which stood at 46bps**. The good performance in Corporate and Investment Banking, where net writebacks of €5.5m were credited, offset the increase in provisioning for Consumer Finance (writedowns totalling €59.9m, CoR 165bps), mostly expected and in any case still below pre-Covid levels. Wealth management and HF (leasing and Revalea) contribute 3 m and 2.6 m, respectively. The amount of the overlays set aside was virtually unchanged at around €265m (down €5m).

The net profit came to €351.3m, after tax of €107.4m (tax rate 23.4%), with no non-recurring charges or items; with reference in particular to Italian Law no. 136/2023 on the windfall tax on bank profits, the Board of Directors has proposed to shareholders in Annual General Meeting to take up the option provided by the new law, to establish a non-distributable profit reserve in an amount of €210m (an equivalent reserve of €16m has been established for Compass Banca), generating no impact on earnings. In line with its commitment to all its stakeholders, Mediobanca will continue to support initiatives to address social needs, tackle inequalities, and promote financial, social, educational and cultural inclusion.

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On the **balance-sheet** side, total assets amounted to €94.5bn (30/6/23: €91.6bn), with the main items reflecting the following performances:

- **Customer loans decreased** from €52.5bn to €51.1bn, in Corporate and Investment Banking in particular (down from €19.6bn to €18.3bn), reflecting the reduced demand and increased selectivity in lending; the Wholesale Banking loan book totalled €15.9bn, with new loans down (€900m), with repayments virtually unchanged (€1.7bn); while customer loans in Factoring business were equal to €2.5bn, with turnover of €2.7bn. Customer loans in Wealth Management were stable at €16.6bn, with the balance of mortgage loans in particular remaining at €12.3bn due to the slowdown in new loans (approx. €200m). Conversely, customer loans in Consumer Finance rose to €14.5bn, up 4.2% YoY and up 0.4% QoQ, with new business in line with previous quarters, at €1.9bn, but with a higher contribution from direct personal loans and the digital channel;

- **The Group's asset quality remains high:** the gross NPL ratio was 2.6%, slightly higher than the 2.5% reported at end-June 2023, due to the reduction in loans (gross exposures were stable at €1,387.3m); while the net NPL ratio was 0.8% (€394.9m), with coverage ratios still at particularly high levels (71.5%); positions classified as Stage 2 decreased to €2,849m (or 5.4% of the total loan book) as a result of the repayments in Wholesale Banking; while the coverage ratio for the performing loans was **1.37% (3.79% in Consumer Finance);**

- **Banking book securities grew** from €10.5bn to €11.3bn (€4.5bn of which in the HTC portfolio and €6.8 in the HTC&S portfolio), due to strengthening in the government securities segment, mostly core Europe; the last interest rate rise increased the negative balance on the OCI reserve (from €73.2m to €81.9m) and the unrealized losses on HTC securities (which rose from €85.4m to €109.8m);

- **Net treasury assets** totalled €5.3bn, up slightly in 3M due to the increased investments in financial instruments (equities and government securities); funds deposited with the ECB totalled €5.4bn (including compulsory reserve obligations totalling approx. €300m, on which, as of 20 September 2023, no interest is receivable), the majority of which is matched by deposits and repos;

- **Funding overall was stable at €60.2bn,** with the debt security component slightly higher at €23.1bn, reflecting the Group's good placement capability on private and institutional markets. On 6 September 2023, a Senior Non-Preferred (SNP) Sustainability Bond was placed. The bond has a four-year duration (expiring in September 2027), with a call option after year 3, and a total amount of €500m, with coupon at 4.875%. Wealth Management deposits decreased slightly, to €27.6bn, in the absence of promotions on current accounts and higher use of time deposits. The favourable trend in the stock of funding enabled the impact of the planned prepayments on the €1bn share of the L-LTRO to be absorbed (leaving an amount of €4.6bn outstanding);

- **Total Financial Assets (TFAs) rose** to €89.1bn (up 10% YoY; up 1.2% QoQ), with the share represented by AUM/AUA increasing to €61.5bn (up 18% YoY; up 2.9% QoQ); NNM of €1.2bn in 3M was concentrated in the indirect component (adding €1.8bn), even if customers remain strongly geared towards investments in securities (AUA: NNM of €1.4bn), roughly half of which focused on Group qualified assets (MB bonds, certificates and structured products); the market effect, despite the very volatile conditions in 1Q, was confined to €100m. Of the AUM/AUA, €20.9bn are attributable to Premier Banking and €28.4bn to Private Banking; Asset Management is responsible for €26.4bn, €12.3bn of which external to the Group. Also worth noting in this connection is the issue of a new €400m CLO by Polus, one of the few European issues in 2023, and the launch of a new Special Situation fund.

- **The CET1 ratio including the Danish Compromise stood at 15.5%[2]** (30/6/23: 15.9%), confirming the buffer of over 700bps relative to the SREP minimum requirement, despite the one-off impacts **of upfronting the share buyback scheme deduction (45bps)** after authorization was received from the ECB but still pending the approval of shareholders in the Annual General Meeting, **and the introduction of the advanced models in Consumer Finance (which accounted for 25bps)**. The CET1 reflects the retained earnings for 3M (adding 20bps net of the 70% payout), the reduction in RWAs (adding 55bps, following the reduction in loans and the increased CIB portfolio risk mitigation), and the other prudential adjustments (which accounted for 40bps, including the higher deductions for the Assicurazioni Generali investment and completion of the IFRS 9 phase-in process). **Similarly, the Total Capital Ratio and the Leverage Ratio both reduced by around 30bps (the former to 17.6%, the latter to 8.2%).**

Divisional results

1. **<u>Wealth Management:</u>[8] double-digit growth in net profit (up 14% to €50m) and revenues (up 10%, to approx. €220m) driven by trends in interest rates and asset volumes (TFAs up 10% to €89bn). NNM in AUM/AUA of €1.8bn in 3M, senior recruitments to commercial divisions, and ongoing repositioning of the product and service offering. RORWA[5] up to 3.5%.**

Net profit totalled €49.8m, up 14% on last year (€43.7m), on substantial growth in revenues (up 10% YoY, and up 5% QoQ, to €217.8m), driven by net interest income (up 28% YoY and up 11% QoQ to €107.2m), with fee income resilient at €108.3m (down 4% YoY and flat QoQ). The

8 Includes the Premier segment (CheBanca!), Private Banking (MBPB, CMB), Asset Management (MB SGR and MB Management Company, Polus Capital, and RAM AI), plus the activities of Spafid.

cost/income ratio was basically unchanged at 65.7%, as was the CoR (at 7bps); RoRWA for the division rose to 3.5%, in line with the expectations of both Strategic Plan and budget.

The launch of the **2023-26 Strategic Plan "One Brand-One Culture"** has been positive, with

- **AUM/AUA up 3% QoQ (up 18% YoY) to €61.6bn, with NNM of €1.8bn,** half of which represented by AUM, Mediobanca bonds, certificates and structured products, helped by the enhanced distribution structure and the guided deposit conversion process;
- **TFAs overall rose to €89bn** (up €8bn YoY and up €1bn QoQ);
- **Implementation of the Private Investment Banking model has been strengthened,** with approx. €0.3bn in liquidity events intercepted in 3M;
- **Offering enhanced and repositioned towards higher client brackets;**
- **Commercial structure expanded for senior resources in particular.** The distribution structure now consists of 1,250 professionals (677 bankers and 573 FAs), with nine new commercial staff having been added in the Premier segment and four professionals of high seniority in Private Banking (after the six recruited in 4Q FY 2022-23). In September **Carlo Giausa joined as Deputy General Manager of CheBanca! and Group Head of Wealth Management Global Offering.**

During the three months under review activity in the Premier Banking segment leveraged the favourable market conditions to place Mediobanca bonds and certificates (for a total of approx. €150m overall); with a view to providing clients with investment alternatives through product diversification, distribution of the following has commenced: a new window fund entitled "Mediobanca ESG Credit Opportunities 2029" (€40.4m placed so far); a delegated management fund called "Mediobanca Fidelity World Fund" (€24.9m), and the new "Premier Life Income" policy operated in conjunction with Genertel (approx. €70m).

On the back of the strong customer satisfaction index results, the repositioning of the Premier segment has continued, in terms of re-segmenting the client base, with around 300 new high-end clients added in 3M and some 10,000 mass market accounts closed.

The Premier Business Platform developed in partnership with a leading IT operator has also been released. This is a sophisticated solution designed to respond to the needs of SMEs and professionals, including a range of different functionalities: ranging from daily transactions, to management of investment and credit products.

In Private Banking, the offering in Public Markets has focused on the Division's core product, namely portfolio management: two new strategies have been introduced, one of which is a pure Buy & Hold bond product with maturity in 2029, seeking to take full advantage of the current interest rate macroeconomic scenario, and one VaR cross asset strategy, which enables a return of up to 100% in equity. Work also continues in the area of structuring and placing investment certificates, which in 1Q reached a total of €400m. In Private Markets, collection has begun for the Apollo Aligned Alternative fund, which combines the advantages of private equity strategies with increased liquidity compared to the traditional funds in this asset class, enabling subscriptions and redemption windows to be opened over time. In the three months under review another initiative in the BlackRock programme entered the settlement stage (€50m, taking the total amount invested in the programme to €430m), while in The Equity Club (club deals involving high potential Italian SMEs), the €500m investment programme has now been completed with the final initiative in the Skincare/Beauty sector (€55m). With reference to the development of the Private Investment Banking model, the co-operation with CIB in providing joint coverage has continued, enabling approx. €150m in NNM to be generated in 1Q, plus a further €150m in other money motion events to be intercepted.

In the three months Polus closed its €400m CLO XVII on the market, one of the very few deals to be completed in Europe in 2023, and subscriptions have been launched for a new closed-end Special Situations fund (the share raised by end-September 2023 was €120m, roughly half of which has been earmarked for the first coinvestment SPV).

Total Financial Assets (TFAs) managed on behalf of clients amounted to €89.1bn and included €27.6bn in deposits (versus €28.2bn three months previously and €28.6bn twelve months previously) and €61.6bn in AUM/AUA. The TFAs are made up as follows: Premier Banking €37.5bn (AUM/AUA €20.9bn, deposits €16.7bn); Private Banking €39.3bn (AUM/AUA: €28.4bn and deposits €10.9bn); and Asset Management €26.4bn (€14.1bn placed within the Group, compared with €13.2bn at end-September 2022), €8.5bn of which attributable to Polus and €1.5bn to RAM.

The division's revenues were up 9.6% on last year (from €198.7m to €217.8m), and reflect QoQ improvement of 5%. The main income items performed as follows:

- **Net interest income rose** by 27.6% YoY (from €84m to €107.2m; up 11.3% QoQ), driven by the increase in lending volumes (up 5% YoY) and the rise in interest rates, with the cost of deposits growing only moderately. The increase was attributable mainly to Private Banking (up 56.3% YoY, from €24.7m to €38.6m; up 14.9% QoQ), and was more limited in Premier Banking (up 14.4% YoY, from €59.2m to €67.7m; up 9% QoQ) due to the different ALM structure whereby interest rate and liquidity risk hedging is centralized at the Holding Functions;

- **Fee income was resilient** (decreasing from €112.3m to €108.3m), on a slight increase in management fees (up 1.1% YoY; up 2.6% QoQ) and lower upfront fees from placements (down 10.1%); Premier Banking contributed €41.6m to the quarterly total, Private Banking €43m, and Asset Management €21.5m.

Operating costs rose by 10.5% in 3M, from €129.5m to €143.1m, reflecting the increased impact of labour costs which were up 12.7% (from €67.8m to €76.4m due to the increase in the headcount) and administrative expenses (which were up 8.1%, from €61.7m to €66.7m), in which the growth was focused on IT spending (up 4%, to €25m), new projects (up from €2m to €4m), and investments in branch offices (up 13%, to €12m).

Loan loss provisions totalled €3m (CoR 7bps), almost exclusively in relation to CheBanca! Mortgage loans (€2.4m), which reflect a very favourable performance in view of the contractual formula offering fixed/protected instalments which shields clients from rising interest rates and limits the instances of non-payment.

Customer loans for the division totalled €16.6bn, substantially **unchanged** in 3M; the share accounted for by mortgages totalled €12.3bn due to the slowdown in new business (approx. €192.3m), whereas customer loans in the Private Banking segment totalled €4.3bn.

Gross NPLs totalled €225m, equal to 1.3% of total loans. The coverage ratio was 44% (69.7% for bad debts). Net NPLs totalled €126.1m (0.8% of total loans on a net basis). Net loans classified as Stage 2 amounted to €725m (equal to 4.4% of the total loan book).

2. **<u>Corporate & Investment Banking:</u> positive start to the Strategic Plan initiatives, including effective co-operation with Private Banking and excellent results in the Mid Cap segment, RWA optimization (RWAs down 21% YoY to €17.3bn), completion of the partnership with Arma, institution of the Energy Transition Team, and launch of Mid International and of the BTP specialist pathway. Revenues in line with the previous two**

quarters, with net profit growing by 22% QoQ and asset quality once again high. RORWA 1.0%.

The three months under review were marked by the ongoing soft investment banking scenario, which was also reflected in the results for the Division. **Revenues totalled €141.6m, basically in line with the previous two quarters**, but 22% lower than the record result posted last year. **A net profit of €47.8m was earned,** up 22% QoQ but down 29% YoY, **which translates to a RORWA of 1.0%.**

In this scenario, **the Group's highly diversified business model and its strong strategic positioning** – enhanced by adoption of the new guidelines of the 2023-26 Strategic Plan "One Brand-One Culture" – **have again provided strong support for the top-line result.**

During the three months under review, **a strong start has been made on the first initiatives included in the Strategic Plan** to support growth in revenues and earnings in the coming quarters:

- **The acquisition of Arma Partners was completed on 2 October 2023**: the company, an independent financial advisory firm, will be consolidated starting from October 2023, which Mediobanca will use as the basis to develop a leading European Digital Economy platform; the company has announced a total of eight deals since July 2023, and has been working closely with Mediobanca since the start of September to build the deal pipeline for the coming months;

- **The CIB Division has continued to co-operate effectively with Mediobanca Private Banking** in order to develop business in the **Mid Cap segment** which in 1Q has proved to be more resilient compared to the slowdown in domestic and international M&A, **contributing 55% of the Advisory fees;**

- **A dedicated Energy Transition team has been set up,** which announced its first deal at the start of October; **and the authorization process to obtain BTP specialist status has been launched;**

- **Asset optimization activity has continued (RWAs are expected to decrease by 13% over the three years covered by the Strategic Plan)**, leading to a reduction in RWAs of 21% YoY due to more selective lending criteria being applied to protect the profit margins on the capital absorbed and to specific risk mitigation measures.

During the first nine months of the 2023 calendar year, the M&A market in Europe reported a 45% drop in volumes, the lowest figure in terms of value recorded in the last 10Y, and a 16% reduction in the number of deals announced compared to the same quarter in 2022. Italy in particular witnessed the most pronounced contraction, with an 83% drop in volumes, whereas Spain and France reported reductions of 30% and 29% respectively. The three months ended 30 September 2023 reported the lowest figure in terms of volumes of deals completed in Europe in the last 25 years, some 66% lower than for the same period the previous year.

The reduction in Advisory business reported by Mediobanca was below the market average, helped by the Bank's strong relations with its clients and the resilience of the Mid Corporate segment. Some of the main deals completed include the acquisition of ION Group by Prelios in the Financial Institutions sector, the sale of a minority share in IMA to BDT & MSD Partners, and the acquisition of Kiona by Carel in the Industrials sector, plus the numerous deals executed with the involvement of financial sponsors, which include the acquisition of Fabbrica Italiana Sintetici by Bain Capital in the Healthcare sector, and the sale of a majority interest in Zimmermann by Style Capital to Advent in the Consumer and Luxury sector.

In Equity Capital Markets, despite the ongoing negative market conditions, Mediobanca took part in the stake building in Banca Popolare di Sondrio.

As far as regards Debt Capital Markets activity, the reopening of the market since August has enabled the Bank to execute multiple bond issues successfully, both Italian (including BPER Banca, Intesa Sanpaolo, Banca MPS and Banca Desio) and European (including Commerzbank and BPCE), with an aggregate value of approx. €9bn, and an increasing presence in the ESG space (including the Mediobanca Sustainability Senior Non-Preferred Bond, the Assicurazioni Generali Green Tier 2 issue, and Aeroporti di Roma's Sustainability-Linked Bond).

In Lending activity, despite the reduction in demand in line with the market, the Bank has confirmed its role as leader in the Italian market and reinforced its franchise in Europe, supporting corporates in both their ordinary activity (including Virgin Media 02 and Cellnex) and extraordinary activity (including ION in its acquisition of Prelios, Carel in the acquisition of Kiona, and Boluda in the acquisition of Smit Lamnalco). This segment also reflects the more selective lending criteria adopted in recent quarters in order to protect the profit margins on the capital absorbed and safeguard the high quality of the loan book in the current scenario.

Revenues were down 22% YoY, from €182.1m to €141.6m, reflecting the reduction in fees (down 30%) and net treasury income (down 60%), only in part offset by the 13% rise in net interest income. The contribution from Wholesale Banking decreased by 24%, to €123.5m, while Specialty Finance decreased by 9% to €18.1m. The main income items performed as follows:

- **Net interest income totalled €75.3m, up 13% on last year** (€66.8m); the reduced contribution from lending operations in Wholesale Banking, which was impacted by lower volumes and competition in terms of both interest rates and spreads, was more than offset by the higher contribution from trading securities; while factoring operations contributed NII of €10.4m (up 5% YoY);

- **Net fee and commission income totalled €47.8m, down 30% YoY** (and down 6.3% QoQ) due to the slowdown in the investment banking market (fees from Advisory business and ECM decreased from €38.3m to €23.8m), despite the resilience of the Mid Cap segment where fees totalled €13.3m (€14.6m), compared with the evident slowdown in large M&A and the absence of Equity Capital Market and acquisition finance deals which had driven profits for the last two quarters of the previous financial year; Debt Capital Markets recovered well (with fees up from €1.8m to €6.5m), while Specialty Finance contributed €7.8m (€7m);

- **Net treasury income came in at €18.5m** (versus €46.6m last year, €41.1m net of the transfer of some of the trading desks to the Treasury department and €17.9m the previous quarter), with the contributions of both proprietary and customer trading halving, the former from €10.3m to €5.7m, the latter from €30.6m to €12.9m.

Operating costs rose by 3.7% (from €72.8m to €75.5m): labour costs were more or less stable at €40.8m, with the increased headcount (23 FTEs added YoY, 28 of whom in Corporate Finance) being offset by the reduced amount of variable remuneration accruing; whereas administrative expenses were up 8%, to €34.7m, due to investments in new projects that entail IT expenses and increased use of info-providers and consultants. The division's cost/income ratio stood at 53%.

Net writebacks of €5.5m were credited in 1Q, chiefly in relation to the reduced loan stock which is also reflected in the repayments of positions classified as Stage 2. **The cost of risk was -12bps,** and reflects the selective approach geared towards value and defending the high quality of the loan book.

In 1Q FY 2023-24 **customer loans decreased from €19.6bn to €18.3bn (down 7%),** with the decrease in the Wholesale Banking segment (from €16.8bn to €15.9bn) due to the smaller market and increased selectivity in the lending process, which entailed a reduction in new loans down to €0.9bn (30/9/22: €2.5bn). Customer loans in Factoring business reflect the customary QoQ reduction (down 13.4%, from €2.9bn to €2.5bn), despite turnover being higher than last year (up 2.1%, from €2.6bn to €2.7bn), and consolidating market share (up from 3.6% to 4.3%).

Gross NPLs increased from €135.7m to €138.1m, with a gross NPL ratio of 0.8%; whereas net NPLs were stable at €22.2m, reflecting a high coverage ratio of 84%.

Gross positions classified as Stage 2 reduced from €338.4m to €313.3m (representing 1.7% of total loans) due to certain repayments of Wholesale Banking positions.

The coverage ratio for performing loans (Stage 1 and Stage 2) was again 0.4%, and the stock of overlays equal to approx. €40m.

3. **Consumer Finance: revenues up 4% to €286m, 3M net profit at ~€100m, with RORWA still high at 2.7% (despite declining slightly due to the higher RWAs deriving from the AIRB model FTA). New business remained sound in the three months, while revenues grew on the back of higher net interest income which more than offset the rise in operating costs. In accordance with the guidance contained in the Strategic Plan, 1Q was significant for the progress in direct distribution (with more than 80% of personal loans now granted through proprietary channels), new loans in BNPL doubling, and the acquisition of HeidiPay Switzerland AG completed as Compass ventures out into non-domestic markets for the first time.**

The Consumer Finance division delivered a net profit of €96.6m in 3M (down 3.2%), once again reflecting very high profitability levels (RORWA 2.7%). Stable new business volumes (€1.9bn) enabled stability also in **customer loans, still above €14bn**. Net interest income was buoyed by repricing activity and higher average volumes, and the growth in NII more than offset the increase in the cost base. The cost of risk rose from 146bps last year to 165bps, as a result of the different mix of the new business plus an increase in risk in line with the Strategic Plan expectations.

Expansion of the distribution network continued in 1Q, with priority being given to variable cost solutions (4 new agencies opened). At end-September, Compass's distribution platform consisted of 316 points of sale, 76 of which managed by agents, plus 59 Compass Quinto-branded POS (specializing in the sale of salary-backed finance products). Compass Link, an agent in financial activities focused on offering off-site products (project launched at end-2021), now has a total of 189 collaborators.

Priority has been given to enhancement of the digital channels, with the penetration for the month of September reaching **33% of volumes** of personal loans granted through the direct channel. Development of the **BNPL product has also continued, with the total of 15,000 merchants reached in 1Q and new loans doubled. Compass also completed the acquisition of 100% of HeidiPay Switzerland AG in the month of October**. The distribution held by the acquired company means that Compass is now a fully-fledged new consumer credit operator in the Swiss market. The investment in HeidiPay Switzerland AG is consistent with the objectives of the 2023-26 Strategic Plan "One Brand-One Culture" which aims to strengthen the Mediobanca Group Consumer Finance Division's distribution structure through the development of cutting-edge digital platforms in Italy and elsewhere. The Swiss company currently has over 500 commercial agreements in place with distributors, luxury brands and technology operators, which will serve as the basis for the international expansion of PagoLight, Compass's proprietary, full-digital BNPL solution.

The Italian consumer credit market recorded flows of €39.3bn in the first nine months of 2023, slightly lower than in the same period in 2022 (down 0.8%), and reflecting a progressively deteriorating trend, with the largest drop in relative terms reported in the month of September (down 5.7%). This was mainly due to personal loans (down 3.7%), credit cards (down 2.8%), and salary-backed finance (down 1.9%), while automotive and special purpose loans continued to post positive growth rates (the former up 6.7%, the latter up 6.5%).

New loans in 1Q FY 2023-24 totalled €1.9bn, in line with last year, translating to a market share of 9%. The growth was driven by personal loans, which rose by 4.5% (from €849m to €888m), offsetting the decline in special purpose loans (down 6%, from €280m to €263m) and automotive finance (down 16%, from €394m to €330m), due to the more selective pricing policy adopted. **Personal loans were also helped by the increasing role played by direct distribution (up 8.5% on last year, and now accounting for more than 80% of new loans) and by digital operations (up 9.2% to 33%). BNPL (€77m) was more than double last year's figure (up 33% QoQ).**

Compass delivered a net profit of €96.6m in 3M (3.2% lower than last year). **The good commercial performance meant that customer loans remained stable at €14.5bn** (up 0.4% on the figure reported at end-June 2023) **while revenues grew** (from €275.9m to €286m). The rising costs (the cost/income ratio rose from 28.2% to 29%) were primarily due to the commercial and project investments and to the increased credit recovery activity. Loan loss provisions increased from €50.5m to €59.9m. **RORWA** stood at 2.7%, and reflects the higher RWAs deriving from the AIRB model FTA.

The growth in revenues (up 3.7%, from €275.9m to €286m) is in line with the performance in average lending volumes (up 4.6% YoY). The main income items performed as follows:

- **Net interest income remained at record levels (€253.5m),** up 4.2% on last year (€243.2m); this good performance reflects the effective repricing capabilities plus a rebalancing of customer loans in favour of more profitable products;

- **Net fee and commission income was stable at €32.6m**, with an increasing contribution from Buy Now Pay Later activities (€4.1m, compared with €2m last year and €3.6m in 4Q FY 2022-23), which offset the reduction in the insurance product sale component (down from €9.6m to €7.4m).

Operating costs totalled €83m, higher than last year (€77.9m), as a result of the widespread increase in prices due to inflation and the increase in investments to grow the division. Labour costs rose by 8.6% (from €25.7m to €27.9m) due to growth in the headcount, and administrative expenses were up 5.6% (from €52.2m to €55.1m) due to the rising operating costs, credit recovery expenses (which rose 4.4% YoY), and IT and project costs, the latter mainly in support of the new digital initiatives (BNPL in particular).

Loan loss provisions were up 18.6%, from €50.5m to €59.9m, with cost of risk 165bps (146bps last year), in part due to the different mix of the new business (a higher level of provisioning is provided for personal loans from the point at which they are disbursed for prudential reasons), and in part due to movements in certain risk indicators, for all of which ample provision was made at the budgeting phase (and which in any case are below pre-Covid levels). In view of the trends illustrated above, it was decided to use a total of €4.7m of the overlays (out of a total of almost €210m).

Gross loan loss provisions totalled €925m (30/6/23: €878m), increasing in relative terms from 5.6% of total loans to 5.9%, due to the higher default rates which in any case are in line with the Strategic Plan expectations. **The excellent coverage levels** (76.5%) **have helped to keep down the weight of the net exposure** (€217m), which have increased as a percentage of total loans only marginally (from 1.38% to 1.49%). Net bad debts were stable at below €5m, reflecting a coverage ratio of 98.4%. The coverage ratio for performing loans improved further, from 3.75% to 3.79%.

4. INS: contribution high and growing strongly (€137m) –RORWA[5] 4.2%

The Insurance division reported a profit of €137m in the three months, representing a strong improvement on last year (€77.5m) due to the increased contribution from Assicurazioni Generali accounted for using the equity method (up from €86.6m to €138.4m) which drove RoRWA to 4.2%, providing further confirmation of the investment's healthy profitability. The other revenue items were virtually unchanged (at €4m, as opposed to €3m), as were the operating costs; while the result of recognizing the holdings in funds at fair value as at the reporting date was virtually zero (compared with the €11m writedown taken this time last year).

The book value of the Assicurazioni Generali investment increased from €3,472.2m to €3,533.1m, mainly reflecting the performance in non-life business, boosted among other things by the effects of the rise in the reserving rates, with only marginal change in the OCI reserves which are less volatile following the transition to the new IFRS.

The other banking book securities totalled €680m, €438.3m of which in funds (€435.4m) and €241.6m in equity-like instruments (€240.1m).

5. HF: positive net result, due to the interest rate scenario and active treasury management. Comfortable and diversified funding position, with optimized CoF.

This division reported a net profit of €19m, reflecting the strong improvement in revenues (which rose from €19.2m to €79.6m), €52.6m of which from NII, €21m from net treasury income, and €6m in fees. Costs rose by 1.5% to €46.4m, €26m of which were attributable to the central units (7.5% of the consolidated total).

The main segments performed as follows:

- **Treasury:** treasury operations reflect a stable funding stock of €60.2bn (30/6/23: €60.5bn), with a slight increase in the debt security component (up from €22.3bn to €23.1bn), absorbing the reduction in Wealth Management deposits (down from €28.2bn to €27.6bn) as well as the planned T-LTRO repayments (€1bn; the amount outstanding at end-September 2023 was €4.6bn); the regulatory ratios continue to reflect excellent levels (LCR: 158%; NSFR: 117%, CBC €15.7bn). The growth in net interest income (which rose by €58.8m), was due in part to the cost of funding rising only slightly due to the diversified channels, and in part to the increased size of the proprietary securities portfolio, with €1bn in new government securities added (for the most part core European), which successfully took advantage of the rapid rise in interest rates;

- **Leasing:** a net profit of €0.8m was earned from leasing operations in 1Q, reflecting the absence of writebacks compared to last year; NPL reduction activity continued during the three months, with gross NPLs decreasing from €107m to €99m;

- **NPL acquisition management**: this activity was disposed of as part of the Revalea transaction. Ahead of the deal closing, the NPL stock has decreased from €238.8m to €232.5m, with the net asset value stable at €117m after the company broke even for 3M.

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Group sustainability roadmap

The Group assigns great importance to sustainability issues, diversity/inclusion and climate change in particular, reiterating its commitment to ensuring that they are included in its various areas of activity.

The following events in the past 3M should be noted:

- **Consolidated Non-Financial Statement FY 2022-23,** compiled for the first time in accordance with the new GRI Standards (GRI framework - Global Reporting Initiative) and implementing the new "impact materiality" criteria;

- **Second TCFD Report,** including expanded disclosure for the climate KPIs included in the remuneration and incentive programme; description of the new RAF metrics on this issue; and update of the decarbonization targets in line with the Net-Zero Banking Alliance commitment to introduce two new targets (for the aviation and cement sectors, in addition to the automotive and power sectors);

- **Second PRB Report**, published as a separate document for the first time, and drawn up as a consequence of the commitment to participate in the Principle for Responsible Banking framework;

- **ESG rating agencies**: ISS (*Institutional Shareholder Services*) has increased Mediobanca's score in the Governance section of its quality score; while the S&P Global (CSA) assessment assigned Mediobanca a score of 58/100, which once again was comfortably above the sector average (29/100).

The Group has also continued to play an active role in the communities in which it operates through social and environmental initiatives, including the following:

- Launch of the **partnership with UNHCR**, the UN agency for refugees, supporting an integrated programme for the protection of female refugees and asylum seekers at risk of gender-based violence (GBV) in Italy;

- The Mediobanca Group **Sport Camp,** which was run at the "Cesare Beccaria" institution for juvenile offenders in Milan for the seventh year, to give the young prisoners the opportunity to have a week of sport and competition, and to learn respect for the rules and to play fair.

The Group's offering in terms of products and services which meet ESG criteria as at 30 September 2023 included the following:

- **Lending activity** reflecting an ESG stock of some €4.2bn, 76% of which attributable to CIB, 15% to WM, and 9% to CF;
- The first **Sustainable Senior Non Preferred Bond** (€500m), which was placed on the institutional market, meeting 50% of the target sent in the 2023-26 Strategic Plan;
- **DCM activity,** where Mediobanca has again been one of the leading players in the ESG space, closing a total of 18 deals for a total amount of €12bn since January 2023;
- The share of **ESG funds** (SFDR Article 8 and 9 funds) in WM division clients' portfolios has increased to 48%.

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Outlook

Economic activity in the Eurozone and in Italy has been affected by the slowdown in international demand for exports and the weakening of domestic demand which has impacted on manufacturing industry as well as services. In the immediate future, despite the contribution of the third tranche of the NRRP (€18.5bn), the geopolitical risks that have emerged recently in the Middle East could further burden growth and inflation until year-end 2023, before gradually recovering in the second half of 2024.

Against this backdrop, Mediobanca will continue to follow the trajectory mapped out in its Strategic Plan 2023-26 "One Brand-One Culture", focused on: i) prioritizing the development of the Wealth Management business based on two projects that are unique within the Italian panorama, namely the Private Investment Banking model and the repositioning and branding of CheBanca! as Mediobanca Premier; ii) change in capital allocation at Group level, with increasing importance to be given to capital-light businesses, and a reduction in the capital allocated to Corporate & Investment Banking: growth in CIB will be targeted primarily through fee income from new initiatives, the addition of new acquisitions (such as Arma Partners), and a recovery in the demand for investment banking services, with a deal pipeline that continues to look appealing; iii) material growth in shareholder remuneration (to €3.7bn, up 70% in 3Y vs the previous Strategic Plan), achievable on the back of high capital generation, disciplined cost and risk management, and higher profitability (with ROTE to increase from 12% to 15%).

FY 2023-24, following the record revenues and profits delivered by the Group in 1Q, looks set to post solid growth versus the previous financial year.

The top line will be boosted by NII helped more by the interest rate trend than by volumes, and by fee income based on sizeable NNM for the year, including the positive contribution from Arma Partners to be consolidated starting from October 2023.

Net profit is expected to grow, with operating costs set to rise in connection with the initiatives featured in the Strategic Plan, whereas the cost of risk is confirmed as normalizing at pre-Covid levels in Consumer Finance, and in the 50-55bps area at Group level.

Shareholder remuneration is confirmed as growing in line with the 70% cash payout ratio, plus the approx.€200m share buyback scheme already authorized by the ECB, and pending authorization by shareholders at the Annual General Meeting to be held on 28 October 2023.

The capital ratio will remain solid at approx. 15.5%.

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MEDIOBANCA

1. Restated consolidated profit and loss accounts

Mediobanca Group (€m)	3 mths 30/09/2022	3 mths 30/09/2023	Chg. %
Net interest income	396.3	495.7	25.1%
Net treasury income	64.6	47.5	-26.5%
Net fee and commission income	209.9	179.8	-14.3%
Equity-accounted companies	86.2	140.7	63.2%
Total income	**757.0**	**863.7**	**14.1%**
Labour costs	(165.8)	(179.7)	8.4%
Administrative expenses	(155.6)	(164.2)	5.5%
Operating costs	**(321.4)**	**(343.9)**	**7.0%**
Loan loss provisions	(62.6)	(60.0)	-4.2%
Provisions for other financial assets	(17.0)	(0.4)	-97.6%
Other income (losses)	(2.6)	—	n.m.
Profit before tax	**353.4**	**459.4**	**30.0%**
Income tax for the period	(88.6)	(107.4)	21.2%
Minority interest	(2.2)	(0.7)	-68.2%
Net profit	**262.6**	**351.3**	**33.8%**

2. Quarterly profit and loss accounts

Mediobanca Group	FY 22/23				FY 23/24
(€m)	I Q 30/09/22	II Q 31/12/22	III Q 31/03/23	IV Q 30/06/23	I Q 30/09/23
Net interest income	396.3	446.6	456.0	502.1	495.7
Net treasury income	64.6	83.5	24.2	33.4	47.5
Net commission income	209.9	262.2	185.2	186.6	179.8
Equity-accounted companies	86.2	109.2	94.0	164.5	140.7
Total income	**757.0**	**901.5**	**759.4**	**886.6**	**863.7**
Labour costs	(165.8)	(194.0)	(176.4)	(192.1)	(179.7)
Administrative expenses	(155.6)	(175.5)	(167.6)	(186.1)	(164.2)
Operating costs	**(321.4)**	**(369.5)**	**(344.0)**	**(378.2)**	**(343.9)**
Loan loss provisions	(62.6)	(93.8)	(53.1)	(60.6)	(60.0)
Provisions for other fin. assets	(17.0)	(5.7)	9.7	5.7	(0.4)
Other income (losses)	(2.6)	(35.5)	(57.9)	(89.8)	—
Profit before tax	**353.4**	**397.0**	**314.1**	**363.7**	**459.4**
Income tax for the period	(88.6)	(102.6)	(76.5)	(127.0)	(107.4)
Minority interest	(2.2)	(1.9)	(2.2)	(0.4)	(0.7)
Net profit	**262.6**	**292.5**	**235.4**	**236.3**	**351.3**

3. Restated balance sheet

Mediobanca Group (€m)	30/06/2023	30/09/2023
Assets		
Financial assets held for trading	9,546.2	10,388.2
Treasury financial assets	10,378.5	12,846.0
Banking book securities	10,471.3	11,290.0
Customer loans	52,549.2	51,094.4
Corporate	*16,765.2*	*15,855.7*
Specialty Finance	*2,860.7*	*2,478.6*
Consumer credit	*14,465.0*	*14,526.8*
Mortgages	*12,384.1*	*12,340.3*
Private banking	*4,443.2*	*4,299.0*
Leasing & NPL	*1,631.0*	*1,593.9*
Equity investments	4,367.7	4,426.9
Tangible and intangible assets	1,327.6	1,333.0
Other assets	2,998.5	3,142.1
Total assets	**91,639.0**	**94,520.6**
Liabilities		
Funding	60,506.2	60,226.3
MB bonds	*22,282.8*	*23,149.0*
Retail deposits	*16,983.6*	*16,651.1*
Private Banking deposits	*11,194.6*	*10,922.6*
ECB	*5,586.2*	*4,612.0*
Banks and other	*4,459.0*	*4,891.6*
Treasury financial liabilities	5,470.0	8,521.9
Financial liabilities held for trading	9,436.7	9,427.8
Other liabilities	4,614.3	5,217.2
Provisions	182.6	181.0
Net equity	11,429.2	10,946.4
Minority interest	*104.1*	*95.3*
Profit for the period	*1,026.8*	*351.3*
Total liabilities	**91,639.0**	**94,520.6**
CET 1 capital	8,177.6	7,790.6
Total capital	9,217.0	8,846.9
RWA	51,431.5	50,257.9

4. Consolidated shareholders' equity

Net equity (€m)	30/06/2023	30/09/2023
Share capital	444.2	444.2
Other reserves	9,792.0	10,051.8
Valuation reserves	62.1	3.8
- of which: Other Comprehensive Income	*71.1*	*61.6*
cash flow hedge	*272.4*	*245.9*
equity investments	*(277.8)*	*(300.8)*
Minority interest	104.1	95.3
Profit for the period	1,026.8	351.3
Total Group net equity	**11,429.2**	**10,946.4**

MEDIOBANCA

5. Ratios (%) and per share data (€)

MB Group	Financial year 22/23		Financial year 23/24
	3 mths 30/09/2022	12 mths 30/06/2023	3 mths 30/09/2023
Ratios (%)			
Total assets / Net equity	9.4	8.0	8.6
Loans / Funding	0.87	0.87	0.85
RWA density (%)	57.0%	56.1%	53.2%
CET1 ratio (%)	15.1%	15.9%	15.5%
Total capital (%)	16.9%	17.9%	17.6%
S&P Rating	BBB	BBB	BBB
Fitch Rating	BBB	BBB	BBB
Moody's Rating	Baa1	Baa1	Baa1
Cost / Income	42.5	42.8	39.8
Gross NPLs/Loans ratio (%)	2.5	2.5	2.6
Net NPLs/Loans ratio (%)	0.7	0.7	0.8
EPS	0.31	1.21	0.41
EPS adj.	0.33	1.42	0.41
BVPS	11.2	12.5	12.5
TBVPS	10.2	11.6	11.6
DPS		0.85	
ROTE adj. (%)	12.4	12.7	14.3
RORWA adj. (%)	2.2	2.4	2.8
No. shares (m)	848.2	849.3	849.3

6. Profit-and-loss figures/balance-sheet data by division

3m – September 23 (€m)	WM	CF	CIB	INS	Holding Functions	Group
Net interest income	107.2	253.5	75.3	(1.8)	52.6	495.7
Net treasury income	2.3	—	18.5	4.1	21.0	47.5
Net fee and commission income	108.3	32.6	47.8	—	6.0	179.8
Equity-accounted companies	—	(0.1)	—	140.8	—	140.7
Total income	**217.8**	**286.0**	**141.6**	**143.1**	**79.6**	**863.7**
Labour costs	(76.4)	(27.9)	(40.8)	(1.0)	(33.6)	(179.7)
Administrative expenses	(66.7)	(55.1)	(34.7)	(0.2)	(12.8)	(164.2)
Operating costs	**(143.1)**	**(83.0)**	**(75.5)**	**(1.2)**	**(46.4)**	**(343.9)**
Loan loss provisions	(3.0)	(59.9)	5.5	—	(2.6)	(60.0)
Provisions for other financial assets	(0.6)	—	—	(0.5)	0.5	(0.4)
Other income (losses)	—	—	—	—	—	—
Profit before tax	**71.1**	**143.1**	**71.6**	**141.4**	**31.1**	**459.4**
Income tax for the period	(21.2)	(46.5)	(23.8)	(4.4)	(11.5)	(107.4)
Minority interest	(0.1)	—	—	—	(0.6)	(0.7)
Net profit	**49.8**	**96.6**	**47.8**	**137.0**	**19.0**	**351.3**
Loans and advances to Customers	16,639.3	14,526.8	18,334.3	—	1,593.9	51,094.4
RWAs	5,832.0	14,401.0	17,281.4	8,456.6	4,286.8	50,257.9
No. of staff	2,213	1,533	648	9	858	5,261

Profit-and-loss figures/balance-sheet data by division

3m – September 22 (€m)	WM	CF	CIB	INS	Holding Functions	Group
Net interest income	84.0	243.2	66.8	(1.8)	(3.4)	396.3
Net treasury income	2.4	—	46.6	2.9	12.1	64.6
Net fee and commission income	112.3	32.7	68.7	—	10.5	209.9
Equity-accounted companies	—	—	—	86.2	—	86.2
Total income	**198.7**	**275.9**	**182.1**	**87.3**	**19.2**	**757.0**
Labour costs	(67.8)	(25.7)	(40.8)	(1.0)	(30.6)	(165.8)
Administrative expenses	(61.7)	(52.2)	(32.0)	(0.2)	(15.1)	(155.6)
Operating costs	**(129.5)**	**(77.9)**	**(72.8)**	**(1.2)**	**(45.7)**	**(321.4)**
Loan loss provisions	(1.9)	(50.5)	(4.9)	—	(5.3)	(62.6)
Provisions for other financial assets	(3.2)	—	(3.3)	(10.7)	0.3	(17.0)
Other income (losses)	(1.5)	—	—	—	(1.1)	(2.6)
Profit before tax	**62.6**	**147.5**	**101.1**	**75.4**	**(32.6)**	**353.4**
Income tax for the period	(18.6)	(47.7)	(33.3)	2.1	9.3	(88.6)
Minority interest	(0.3)	—	(0.5)	—	(1.4)	(2.2)
Net profit	**43.7**	**99.8**	**67.3**	**77.5**	**(24.7)**	**262.6**
Loans and advances to Customers	15,782.6	13,942.3	20,779.9	—	1,856.8	52,361.6
RWAs	5,666.8	13,035.3	21,839.1	8,298.9	3,207.2	52,047.2
No. of staff	2,124	1,463	625	11	828	5,051

7. Wealth Management

Wealth Management (€m)	3 mths	3 mths	Chg.%
	30/09/2022	30/09/2023	
Net interest income	84.0	107.2	27.6%
Net trading income	2.4	2.3	-4.2%
Net fee and commission income	112.3	108.3	-3.6%
Total income	**198.7**	**217.8**	**9.6%**
Labour costs	(67.8)	(76.4)	12.7%
Administrative expenses	(61.7)	(66.7)	8.1%
Operating costs	**(129.5)**	**(143.1)**	**10.5%**
Loan loss provisions	(1.9)	(3.0)	57.9%
Provisions for other financial assets	(3.2)	(0.6)	-81.3%
Other income (losses)	(1.5)	—	n.m.
Profit before tax	**62.6**	**71.1**	**13.6%**
Income tax for the period	(18.6)	(21.2)	14.0%
Minority interest	(0.3)	(0.1)	-66.7%
Net profit	**43.7**	**49.8**	**14.0%**
Loans and advances to customers	15,782.6	16,639.3	5.4%
New loans (mortgages)	621.3	192.3	-69.1%
TFA (Stock, € bn)	80.9	89.1	10.1%
-AUM/AUA	52.3	61.6	17.6%
-Deposits	28.6	27.6	-3.7%
TFA (Net New Money, € bn)	1.1	1.2	3.9%
-AUM/AUA	1.3	1.8	39.5%
-Deposits	(0.2)	(0.6)	n.m.
No. of staff	2,124	2,213	4.2%
RWAs	5,666.8	5,832.0	2.9%
Cost / income ratio (%)	65.2%	65.7%	
Gross NPL / Gross loans ratio (%)	1.4%	1.3%	
Net NPL / Net loans ratio1 (%)	0.7%	0.8%	
RORWA adj	3.4%	3.5%	

8. Corporate & Investment Banking

Corporate & Investment Banking (€m)	3 mths 30/09/2022	3 mths 30/09/2023	Chg.%
Net interest income	66.8	75.3	12.7%
Net treasury income	46.6	18.5	-60.3%
Net fee and commission income	68.7	47.8	-30.4%
Total income	**182.1**	**141.6**	**-22.2%**
Labour costs	(40.8)	(40.8)	n.m.
Administrative expenses	(32.0)	(34.7)	8.4%
Operating costs	**(72.8)**	**(75.5)**	**3.7%**
Loan loss provisions	(4.9)	5.5	n.m.
Provisions for other financial assets	(3.3)	—	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**101.1**	**71.6**	**-29.2%**
Income tax for the period	(33.3)	(23.8)	-28.5%
Minority interest	(0.5)	—	n.m.
Net profit	**67.3**	**47.8**	**-29.0%**
Loans and advances to customers	20,779.9	18,334.3	-11.8%
No. of staff	625	648	3.7%
RWAs	21,839.1	17,281.4	-20.9%
Cost / income ratio (%)	40.0%	53.3%	
Gross NPL / Gross loans ratio (%)	0.5%	0.8%	
Net NPL / Net loans ratio (%)	0.1%	0.1%	
RORWA adj	1.3%	1.0%	

MEDIOBANCA

9. Consumer Finance

Consumer Finance (€m)	3 mths	3 mths	Chg.%
	30/09/2022	30/09/2023	
Net interest income	243.2	253.5	4.2%
Net trading income	—	—	n.m.
Net fee and commission income	32.7	32.6	-0.3%
Equity-accounted companies	—	(0.1)	n.m.
Total income	**275.9**	**286.0**	**3.7%**
Labour costs	(25.7)	(27.9)	8.6%
Administrative expenses	(52.2)	(55.1)	5.6%
Operating costs	**(77.9)**	**(83.0)**	**6.5%**
Loan loss provisions	(50.5)	(59.9)	18.6%
Provisions for other financial assets	—	—	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**147.5**	**143.1**	**-3.0%**
Income tax for the period	(47.7)	(46.5)	-2.5%
Net profit	**99.8**	**96.6**	**-3.2%**
Loans and advances to customers	13,942.3	14,526.8	4.2%
New loans	1,909.5	1,882.0	-1.4%
No. of branches	181	181	0.0%
No. of agencies	66	76	15.2%
No. of staff	1,463	1,533	4.8%
RWAs	13,035.3	14,401.0	10.5%
Cost / income ratio (%)	28.2%	29.0%	
Gross NPL / Gross loans ratio (%)	5.8%	5.9%	
Net NPL / Net loans ratio (%)	1.3%	1.5%	
RORWA adj	3.0%	2.7%	

10. Insurance

Insurance (€m)	3 mths 30/09/2022	3 mths 30/09/2023	Chg. %
Net interest income	(1.8)	(1.8)	0.0%
Net treasury income	2.9	4.1	41.4%
Net fee and commission income	—	—	n.m.
Equity-accounted companies	86.2	140.8	63.3%
Total income	**87.3**	**143.1**	**63.9%**
Labour costs	(1.0)	(1.0)	n.m.
Administrative expenses	(0.2)	(0.2)	n.m.
Operating costs	**(1.2)**	**(1.2)**	**n.m.**
Loan loss provisions	—	—	n.m.
Provisions for other financial assets	(10.7)	(0.5)	-95.3%
Other income (losses)	—	—	n.m.
Profit before tax	**75.4**	**141.4**	**87.5%**
Income tax for the period	2.1	(4.4)	n.m.
Minority interest	—	—	n.m.
Net profit	**77.5**	**137.0**	**76.8%**
Equity investments	2,539.1	3,623.7	42.7%
Other investments	741.5	680.0	-8.3%
RWAs	8,298.9	8,456.6	1.9%
RORWA adj	2.5%	4.2%	

11. Holding Functions

Holding Functions (€m)	3 mths 30/09/2022	3 mths 30/09/2023	Chg. %
Net interest income	(3.4)	52.6	n.m.
Net treasury income	12.1	21.0	73.6%
Net fee and commission income	10.5	6.0	-42.9%
Total income	**19.2**	**79.6**	n.m.
Labour costs	(30.6)	(33.6)	9.8%
Administrative expenses	(15.1)	(12.8)	-15.2%
Operating costs	**(45.7)**	**(46.4)**	**1.5%**
Loan loss provisions	(5.3)	(2.6)	-50.9%
Provisions for other financial assets	0.3	0.5	66.7%
Other income (losses)	(1.1)	—	n.m.
Profit before tax	**(32.6)**	**31.1**	n.m.
Income tax for the period	9.3	(11.5)	n.m.
Minority interest	(1.4)	(0.6)	-57.1%
Net profit	**(24.7)**	**19.0**	**n.m.**
Loans and advances to customers	1,856.8	1,593.9	-14.2%
Of which: NPL purchased (Revalea)	*336.4*	*232.5*	*-30.9%*
Banking book securities	7,225.6	9,351.0	29.4%
RWAs	3,207.1	4,286.8	33.7%
No. of staff	828	858	3.6%

MEDIOBANCA

12. Statement of comprehensive income

		3 mths	3 mths
		30/09/2022	30/09/2023
10.	**Gain (loss) for the period**	**264.4**	**352.0**
	Other income items net of tax without passing through profit and loss	***68.1***	***(6.6)***
20.	Equity instruments designated at fair value through other comprehensive income	*4.4*	*(3.9)*
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	*0.4*	*0.8*
40.	Hedge accounting of equity instruments designated at fair value through other comprehensive income	—	—
50.	Property. plant and equipment	—	—
60.	Intangible assets	—	—
70.	Defined-benefit plans	*1.6*	*(0.2)*
80.	Non-current assets and disposal groups classified as held for sale	—	—
90.	Portion of valuation reserves from investments valued at equity method	*61.7*	*(3.4)*
	Other income items net of tax passing through profit and loss	***(686.1)***	***(51.7)***
100.	Foreign investment hedges	*(4.8)*	—
110.	Exchange rate differences	*1.9*	—
120.	Cash flow hedges	*118.7*	*(26.5)*
130.	Hedging instruments (non-designated items)	—	—
140.	Financial assets (different from equity instruments) at fair value through other comprehensive Income	*(34.9)*	*(5.6)*
150.	Non-current assets and disposal groups classified as held for sale	—	—
160.	Part of valuation reserves from investments valued at equity method	*(767.0)*	*(19.6)*
170.	**Total other income items net of tax**	***(617.9)***	***(58.3)***
180.	**Comprehensive income (Item 10+170)**	**(353.6)**	**293.7**
190.	Minority interest in consolidated comprehensive income	*2.1*	*0.7*
200.	**Consolidated comprehensive inc. attributable to Mediobanca S.p.A.**	**(355.7)**	**293.0**

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13. Parent company restated financial statements (P&L, balance sheet)

Mediobanca S.p.A. (€m)	3 mths 30/09/2022	3 mths 30/06/2023	Chg.%
Net interest income	38.2	102.7	n.m.
Net treasury income	66.8	50.4	-24.6%
Net fee and commission income	78.3	66.1	-15.6%
Dividends on investments	1.6	1.9	18.8%
Total income	**184.9**	**221.1**	**19.6%**
Labour costs	(66.7)	(69.9)	4.8%
Administrative expenses	(43.8)	(49.2)	12.3%
Operating costs	**(110.5)**	**(119.1)**	**7.8%**
Loan loss provisions	(8.5)	4.8	n.m.
Provisions for other financial assets	(13.6)	0.2	n.m.
Impairment on investments	—	—	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**52.3**	**107.0**	**n.m.**
Income tax for the period	(20.0)	(40.0)	n.m.
Net profit	**32.3**	**67.0**	**n.m.**

Mediobanca S.p.A. (€m)	30/06/2023	30/09/2023
Assets		
Financial assets held for trading	10,509.4	11,030.5
Treasury financial assets	12,790.5	14,598.4
Banking book securities	11,118.7	11,648.1
Customer loans	41,446.9	39,644.1
Equity Investments	4,542.9	4,557.5
Tangible and intangible assets	169.3	168.6
Other assets	690.2	1,480.3
Total assets	**81,267.9**	**83,127.5**
Liabilities and net equity		
Funding	55,893.0	55,160.0
Treasury financial liabilities	6,585.1	9,925.9
Financial liabilities held for trading	10,592.2	9,811.5
Other liabilities	3,041.4	3,731.9
Provisions	102.8	97.5
Net equity	4,446.9	4,333.7
Profit of the period	606.5	67.0
Total liabilities and net equity	**81,267.9**	**83,127.5**

As required by Article154-*bis*, paragraph 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the stated accounting information contained in the report conforms to the documents, account ledgers and book entries of the company.

Head of company financial reporting

Emanuele Flappini

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