

Milan, 31 January 2020

CheBanca! Board of Directors' Meeting Financial statements for 2Q FY 2019-20 approved

TFAs up to €26.5bn

**Net new money of AUM/AUA aligned with best sector levels: €1.4bn in 6M,
double last year's levels, and €0.8bn in last 3M**

Residential mortgage new loans total €1.3bn

Revenues and gross profit post significant growth

AUM/AUA up to €12bn (up 8% in 3M) and TFAs up to €26.5bn (up 2% in 3M)

Customer loans total €9.8bn (up 9% in 1H; up 4% in 3M)

Distribution network expanded further:

848 professionals and 190 POS

Affluent/premier relationship managers now total 453 (2 added in 3M), responsible for €0.4bn of AUM/AUA net inflows in 3M (1Q €0.3bn)

Financial advisors now total 395 (30 added in 3M), responsible for €0.4bn of AUM/AUA net inflows in 3M (1Q €0.3bn)

Revenues and gross profit post significant growth

Revenues of €159.1m reflect strong YoY growth of 8.8% diversified between

net interest income of €108.6m (up 4.2%) and fees of €50m (up 20.2%)

Costs slightly higher at €123.1m (up 6.6%) due to expansion in operations and distribution

Gross profit up significantly (25.4%) to €29.1m

CheBanca!

At a Board meeting held today, the Directors of CheBanca! approved the bank's results for the six months ended 31 December 2019.

CheBanca! CEO GianLuca Sichel commented as follows:

“The results for the quarter confirm our bank’s potential to grow. We are at the highest sector levels in terms of growth in the distribution network (which has doubled in three years to 850 professionals), net new money gathered (reaching TFAs of over €26bn) and residential mortgage sales capability (with loans reaching approx. €10bn). CheBanca! is a recognized, innovative and profitable operator. We continue with our commitment to improve relations with our customers on a daily basis, identifying with their needs and offering them a simple, multi-channel platform for interacting with us, coupled with a full convenient product offering.”

OPERATIONS AND PRODUCT PORTFOLIO DEVELOPMENT

- **Client base** now consists of 875k clients, with 6k added during the six months and stable in 2Q. The acquisition of new clients has been focused on those with high potential, in line with the bank's positioning, and has been achieved on the back of a balanced contribution between the internet, proprietary branch network and FAs.
- **Banking activity strongly concentrated in remote channels**, with approx. 95% carried out via digital channels, in particular the app, use of which has been increasing continuously (users up 4% and transactions up 5% in 1H).
- **Customer relations continue to be strengthened**, supported by ongoing investments in advisor training and certification, driven by a popular loyalty retention programme, CheBanca! YourClub, as demonstrated by high customer satisfaction data.
- **Distribution structure enhanced.** Overall the distribution network consists of 453 relationship managers affluent/premier (vs 445 at end-June 2019 and 451 at end-September 2019) and 395 FAs (vs 335 at end-June 2019 and 365 at end-September 2019), working at 190 branches and POS (vs 180 at end-June 2019 and 183 at end-September 2019).
- **Offering enhanced**
 - In line with the bank's increasing commitment to sustainability issues, November saw the launch of “green” mortgages, i.e. the offering of loans to acquire energy class A and B properties.
 - The Mediobanca SGR product offering has been enhanced still further with the dedicated placement of the Mediobanca Active Allocation Fund, raising a total of €185m in November and December, plus the introduction of three new Mediobanca Global Multimanager funds of funds which together have raised €50m since the start of the financial year.
 - The range of pension products offered has been completed with the co-operation of leading sector operators Amundi and Anima SGR.

GROWTH IN BUSINESS VOLUMES

TFAs UP 4.3%, TO €26.5bn, CUSTOMER LOANS UP 9% TO €9.8bn

- **Total Financial Assets (“TFAs”)** reached **€26.5bn**, up **4.3%** on end-June 2019, with an **increase of 16.2% in the AUM/AUA segments**, to €12bn.
- **Net New Money (“NNM”)** for the six months of **€0,5bn** (€0.4bn in 2Q FY 2018/19 and €0.3bn in 1Q FY 2019/20), reflects the reconversion from deposits to AUM/AUA, as follows:
 - **€0.8bn gathered in AUM/AUA** (€0.3bn in 2Q FY 2018/19 and €0.6bn in 1Q FY 2019/20)
 - **AUA stable** (€0.2bn in 2Q FY 2018/19, €0.1bn outflow in 1Q FY 2019/20);
 - **Outflow of €0.3bn in direct funding** (€0.1bn in 2Q FY 2018/19 and €0.3bn in 1Q FY 2019/20) with a reduction in the most expensive components: the average cost of funding was 9 bps lower in absolute terms than last year. The transactional component of direct funding continues to increase, and was €1bn higher than the figure posted at end-June 2019, reaching €9.8bn.

Growth in asset management values continues to reflect a balanced contribution from the main distribution channels:

- **50% proprietary network:** €0.4bn of the NNM in the AUM/AUA segment. TFAs managed by the proprietary channel totalled €22.2bn, split between €9.2bn in AUM/AUA and €13bn in deposits. Growth is focused on the wealth management area in particular, which saw a 7% increase in volumes during 1H.
- **50% FAs:** €0.4bn of the NNM in the AUM/AUA segment. TFAs managed by the FAs channel reached €4.3bn, split between €2.9bn in AUM/AUA and €1.4bn in deposits.

Loans to households climbed in 1H, from €9.0bn to €9.8bn, on new mortgage loans of €1.3bn (up 58.4% on 1H last year). Gross NPLs rose slightly, from €178m to €184.5m, accounting for 1.9% of total loans, slightly lower than at end-June 2019. Net NPLs declined from €102.5m to €101.7m, and account for 1% of net total loans, with a coverage ratio of 44.9%, higher than the 42.4% at the start of the financial year. Net bad debts increased, from €39.9m to €42.1m, and account for 0.4% of total net loans, with the coverage ratio increasing from 56.9% to 57.6%.

PROFITABILITY IMPROVING ACROSS ALL TIME HORIZONS

The profit and loss account reflects a healthy performance compared to the first half last year:

- Revenues were up 8.8% (from €146.2m to €159.1m) **due in particular to fee income which continues to grow significantly** (up 20.2%, from €41.6m to €50.0m), and **is recurrent in nature** (i.e. the figure does not include performance fees), with a positive contribution from net interest income which rose 4.2% (from €104.2m to €108.6m).
- **Operating costs increased slightly, by 6.6%** (from €115.5m to €123.1m), chiefly due to labour costs which rose by €4.5m (up 8.6%, from €52.6m to €57.1m) linked to expansion of the distribution structure and despite the increase in operations and development of the franchise, while administrative expenses were up slightly, by €3.1m (up 4.9%, from €62.9m to €66.0m).
- **Loan loss provisions** were up 2.8%, or €0.2m (from €7.2m to €7.4m).
- **GOP** came in at **€29.1m, up 25.4%** on the €23.2m reported in 1H FY 2018-19.

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- **Net profit continues to increase, reaching €19.0m** (up 19.5%, from €15.9m), reflecting the trends described previously.

The main profit-and-loss items performed as follows compared to 1Q FY 2019-20:

- **Revenues were up 6.4%**, or €4.9m (from €77.1m to €82.0m). Of the revenue items, **net interest income reduced slightly, by 1.1%**, or (€0.6m (from €54.6m to €54.0m), **while fee income rose by 24.2%**, or €5.4m (from €22.3m to €27.7m), chiefly due to an increase in the component related to AUM/AUA and seasonal factors affecting the banking component.
- **Operating costs were up 3.8%**, or €2.3m (from €60.4m to €62.7m), due to seasonal factors affecting operations and expansion.
- **Loan loss provisions decreased by €1.0m**, or 23.8% (from €4.2m to €3.2m).
- **GOP came in at €16.1m up 23.8%** on the €13m reported in 1Q.
- **Net profit delivered growth of €2.0m**, up 23.5% (from €8.5m to €10.5m).

OUR COMMITMENT

Initiatives supporting financial education and social inclusion projects were stepped up during the six months under review.

In particular, the co-operation between CheBanca! and the Cometa social co-operative Contrada degli Artigiani continued, in the form of the **CSR project for young people known as the “CheBanca! Academy of Woodworking”**. The project has been devised to create a centre of excellence in order to counter the phenomenon of young people leaving school by facilitating the inclusion of young people with social economic and personal difficulties in the workplace, with the ambitious objective of becoming a sustainable and self-standing business within the next three years. There are therefore two sides to the Academy of Wood-working. On the one hand it focuses on training, which is essential for the growth and future career of the students enrolled in the “Oliver Twist” school run by Cometa, while on the other, it functions as a genuine, artisanal start-up venture manufacturing products of excellence in the furnishings and interior design to be marketed in Italy and exported to international markets.

In October, as part of the “Month of Financial Education” initiative, CheBanca! took part in **Junior Achievement**, a financial and business education programme aimed at young people between 11 and 14 years, hosting some of the sessions with middle school students at its branches in Brescia, Milan and Rome.

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CheBanca!

1. RESTATED PROFIT AND LOSS ACCOUNT (€M)

CheBanca!	1H FY 2018-	1H FY 2019-	Chg.	Chg.
	19	20	YoY%	YoY
	31/12/18	31/12/19		
Net interest income	104.2	108.6	4.2%	4.4
Net treasury income	0.4	0.5	25.0%	0.1
Net fee and commission income	41.6	50.0	20.2%	8.4
Total income	146.2	159.1	8.8%	12.9
Labour costs	-52.6	-57.1	8.6%	4.5
Administrative expenses	-62.9	-66.0	4.9%	3.1
Operating costs	-115.5	-123.1	6.6%	7.6
Loan loss provisions/writebacks	-7.2	-7.4	2.8%	0.2
GOP	23.5	28.6	21.7%	5.1
Other items	-0.3	0.5	n.m.	0.8
Profit before tax	23.2	29.1	25.4%	5.9
Income tax	-7.3	-10.1	38.4%	-2.8
Net profit	15.9	19.0	19.5%	3.1
Statutory net profit	6.2	14.1	127.4%	7.9

2. QUARTERLY RESTATED PROFIT AND LOSS ACCOUNTS (€M)

CheBanca!	3M	3M	3M	3M	3M
	31/12/18	31/3/19	30/6/19	30/9/19	31/12/19
Net interest income	51.7	53.2	53.2	54.6	54.0
Net treasury income	0.3	0.2	0.2	0.2	0.3
Net fee and commission income	22.3	20.7	23.5	22.3	27.7
Total income	74.3	74.1	76.9	77.1	82.0
Labour costs	-26.4	-26.6	-26.7	-28.2	-28.9
Administrative expenses	-31.1	-32.6	-35.0	-32.2	-33.8
Operating costs	-57.5	-59.2	-61.7	-60.4	-62.7
Loan loss provisions	-3.2	-1.9	-4.6	-4.2	-3.2
GOP	13.6	13.0	10.6	12.5	16.1
Other items	-0.2	0.2	0.1	0.5	0.0
Profit before tax	13.4	13.2	10.7	13.0	16.1
Income tax	-3.8	-5.2	-3.1	-4.5	-5.6
Net profit	9.6	8.0	7.6	8.5	10.5
Statutory net profit	-0.1	8.8	2.2	8.7	5.4

CheBanca!

3. CUSTOMER TOTAL FINANCIAL ASSETS (TFAs, €M)

CheBanca!	31/12/18	31/3/19	30/6/19	30/9/19	31/12/19
AUM	6,650	7,252	7,711	8,440	9,349
AUA	2,262	2,517	2,623	2,629	2,656
Deposits	14,414	15,157	15,032	14,776	14,460
TFAs	23,326	24,926	25,366	25,845	26,465

4. CUSTOMER TFAs – FAs NETWORK (TFAs, €M)

CheBanca!	31/12/18	31/3/19	30/6/19	30/9/19	31/12/19
AUM	1,147	1,451	1,725	2,082	2,571
AUA	179	209	258	272	287
Deposits	896	1,027	1,125	1,354	1,429
TFAs	2,222	2,687	3,108	3,708	4,287

5. NET NEW MONEY (NNM, €M)

CheBanca!	3M 31/12/18	3M 31/3/19	3M 30/6/19	3M 30/9/19	3M 31/12/19
AUM	336	392	413	642	807
AUA	178	139	70	-96	15
Deposits	-79	743	-125	-256	-316
Total net new money (NNM)	435	1,273	358	290	506

6. NET NEW MONEY – FAs NETWORK (NNM, €M)

CheBanca!	3M 31/12/18	3M 31/3/19	3M 30/6/19	3M 30/9/19	3M 31/12/19
AUM	137	242	256	326	446
AUA	21	24	48	5	16
Deposits	117	131	98	229	75
Total net new money (NNM)	275	398	402	560	536

6. OTHER ASSET INFORMATION (€M)

CheBanca!	31/12/18 6M	31/3/19 9M	30/6/19 12M	30/9/19 3M	31/12/19 6M
Mortgage loans (cumulative new loans)	829	1,234	1,783	556	1,313
Loans to customers (stock)	8,382	8,625	9,002	9,459	9,814

7. INDICATORS/RATIOS

CheBanca!	31/12/18	31/03/19	30/06/19	30/09/19	31/12/19
Customers loans/customer deposits	58%	57%	60%	64%	68%
NPLs/total loans	1.5%	1.5%	1.1%	1.1%	1.0%
Net bad debts/total loans	0.8%	0.8%	0.4%	0.4%	0.4%
Cost/income ratio	79.0%	78.7%	79.5%	78.3%	77.4%

8. STRUCTURAL DATA

CheBanca!	31/12/18	31/03/19	30/06/19	30/09/19	31/12/19
No. of staff	1,330	1,339	1,364	1,380	1,392
o/w affluent-premier relationship managers	418	431	445	451	453
No. of FAs	288	319	335	365	395
No. of branch offices	110	110	110	107	107
No. of FAs POS	59	64	70	76	83