

Milan, 27 July 2018

CheBanca! Board of Directors' Meeting Financial statements for year ended 30 June 2018 approved

**CheBanca! doubles its operating profit
on the back of a differentiating offering model within the Italian market**

The human-digital bank for the Current (and Next) Wealth Generation

The human-digital bank ...

Launched as a digital bank in 2008 with a focus on deposits and mortgages

Mission then expanded with the enhancement of advisory services

Digital excellence made available to clients from the bank's inception

(acquisition of clients and provision of services) and distribution networks (direct and indirect)

Today CheBanca! is the best bank in Italy for customer experience

... with a highly sustainable business model ...

Broad client base (807,000 clients)

The only distribution platform with a genuine omni-channel approach

Revenues diversified by type and source

***(net interest income generated from deposit gathering and mortgage lending activities,
fee income from asset management, increasing and 90% of which recurring)***

High potential for organic growth (direct network, FAs recruiting)

and via acquisitions with the strategic support of parent company

...for the Current (and Next) Wealth Generation

Product offering already in line with demographic, technology and regulatory trends in progress

Easy, efficient and multi-channel approach for transactional services

Transparent, valuable, fairly priced for investment services ("self" or "guided")

Enriched by specialist expertise and solidity of the Mediobanca Group

FY 2017-18 results
Distribution strongly enhanced, TFAs growing,
Sound improvement in profitability

Distribution platform enhanced, commercial results developing

New, strongly digital-based CRM to support omni-channel approach
Barclays integration now ended, proprietary structure streamlined and enhanced,
with 111 branches and 416 affluent/premier advisors
FAs network launched, increasing in number from 65 to 226 in the twelve months

Business growing strongly

Total financial assets (TFAs) up 11% Y.o.Y. to €23bn, with €2.2bn in net new money for the year
Mortgages up 8% Y.o.Y., to €8bn, with €1.6bn in new loans for the twelve months

Revenues and operating profit showing solid improvement

Revenues up 7%, to €293m,
well diversified between net interest income (up 3%, to €212m) and fees (up 16%, to €80m)
Costs down 1% (down 7% like-for-like)
Operating profit more than doubled, to €41m

At a Board meeting held today, the Directors of CheBanca! approved the bank's results for the twelve months ended 30 June 2018.

CheBanca! CEO GianLuca Sichel commented as follows:

*"A highly satisfactory set of results was delivered in FY 2018, testimony to the fact that our commitment to improve relations with our customers on a daily basis, identifying with their needs and offering them a simple and innovative platform for interacting with us, coupled with a full, convenient product offering, is the real driver for the growth of CheBanca!. In this financial year we have gathered over €2bn in new deposits, acquiring over 6,000 clients per month, and strengthening the commercial network with the addition of some 200 new FAs attracted by our business model. **CheBanca! is increasingly the "go to" bank on account of the unique customer experience which it offers.** We should like to thank all our clients who this year again voted us the "Best Digital Multi-channel Bank" for innovation and quality of service.*

CheBanca!

CHEBANCA!: THE MEDIOBANCA GROUP VALUE OPTION

The Mediobanca Group's 2016-19 strategic plan placed considerable emphasis on **developing the new Wealth Management platform**, offering asset management products and services to all the Group's clients.

Within this division, CheBanca! targets the **Affluent & Premier** client segment, with particular attention focused on the so-called "**next wealth generation**", i.e. those who within the space of a few years will have developed needs for financial services which are typical of affluent customers in a rapidly changing scenario in terms of operations, technology and regulations.

CheBanca! **was set up as a multi-channel digital bank in 2008**, combining traditional **residential mortgage lending** activity with its role as **retail funding source** for the Mediobanca Group. In 2014 its mission was expanded to include **asset management services**, and the **distribution model strengthened by adding a strong advisory content to its native digital character** (the "**human-digital bank**").

The digital platform – constantly maintained at the highest market operating standards – **is still the heart of the bank's operations and is available for use by its clients** (both as an instrument for acquiring new clients, and as means by which to provide them with services) **and the distribution networks**, direct (branches and affluent/premier advisors) and indirect (financial advisors).

The CheBanca! business model, which is unique in the Italian financial panorama (given its strong digital imprinting), **is also highly sustainable, as it is already aligned with the long-term structural trends in progress** (demographic, technological and regulatory in particular). **Distinctive features include:**

- Its innovative, transparent and convenient **product offering**, geared strongly towards customer satisfaction, which is **already consistent with the MIFID II guidelines**; CheBanca! offers free ATM withdrawals throughout all Italy
- Its omni-channel **distribution, in line with the next wealth generation's approach to services**;
- **Revenues, already well diversified by type and source** (net interest income generated by direct funding and mortgage lending activity, with an increasing contribution from asset management fees) and **for the most part recurring** (net fee and commission income: 90% derives from management fees and banking)
- **Structurally high growth capabilities**, due to scalability of operating/digital platform, organic growth (ongoing strengthening of network, both proprietary and FAs), with possibility of future acquisitions (supported by the Mediobanca Group).

FRANCHISE AND PRODUCT PORTFOLIO ENHANCED

In accordance with the strategic plan guidelines, CheBanca! has:

- **Continued developing CRM**, which combines various channels for interacting with end clients in an innovative solution, and provides support to the sales force;
- **Completed integration of Barclays' Italian activities following their acquisition**, optimizing the distribution network and relaunching commercial activities;

CheBanca!

- **Launched a new network of financial advisors:** in the last year the network has reached 226 FAs (compared with 65 at end-June 2017) – based in 46 offices – which should rise to 320 by end-June 2019;
- **Begun strengthening the proprietary distribution network**, with the addition of new commercial figures (providing a total of more than 400 affluent/wealth asset managers) **while maintaining the bank's unique market position** (advisory approach integrated with cutting-edge technology infrastructure and CRM for distribution via digital channels); in particular, the “Premier” service model has been launched, which is dedicated to managing higher-profile customers (with assets of over €500,000), and has 81 bankers managing almost 12,000 clients and €4.3bn of assets;
- **Expanded its client base**, which today numbers 807,000 clients, with over 6,000 added every month, more than 30% of which are acquired through digital channels;
- **Completed its product portfolio and strengthened its “open-guided” investment platform**, using the leading international investment houses and the asset allocation and management services of the Group's own fund manager Mediobanca SGR.

GROWTH IN BUSINESS VOLUMES

TFAs UP 11% Y.o.Y. TO €22.6bn, MORTGAGE LOANS UP 8% Y.o.Y. TO €8.1bn

The initiatives described above were clearly reflected in the strong growth in business volumes, concentrated in the months following last autumn when the Barclays integration was completed. As at 30 June 2018:

- **Total financial assets (“TFA”) reached €22.6bn, up 11% on end-June 2017**, with increases in asset under management (“AUM”, up 19% Y.o.Y. to €6.3bn), asset under administration (“AUA”, up 20% Y.o.Y. to €2.1bn) and deposits (up 6% Y.o.Y. to €14.2bn);
- **Net new money (“NNM”) totalled €2.2bn**, €1bn of which in AUM, €0.4bn in AUA and €0.8bn in direct funding; the latter in particular saw an increase in the highest loyalty retention transactional component (current accounts and other transactional accounts of €7.5bn) and stability in deposit accounts;
- **Growth in volumes derives from balanced contribution from the main distribution channels:**
 - **Proprietary network:** €0.8bn in NNM. TFAs managed by the proprietary channel totalled €20.9bn, split between €7.3bn in AUM/AUA and €13.6bn in deposits;
 - **FAs:** €1.4bn in NNM. TFAs managed by the FAs channel reached €1.7bn in their first year, split between €1.1bn in AUM/AUA and €0.6bn in deposits;
- **Mortgage loans** to households climbed from €7.5bn to €8.1bn, on new loans of €1.6bn (up 29% on the €1.2bn reported at end-June 2017). **Asset quality remained at excellent levels:** net NPLs declined from €180.6m to €155.1m, and account for 1.9% of net total loans, with a coverage ratio of 53.3% (47.8%); net bad debts totalled €92.7m (1.1% of net total loans), with a coverage ratio of 60.9% (56.4%). Gross NPLs declined from €346.1 to €332.1m, and account for 4% of gross total loans (4.5%)

PROFITABILITY IMPROVING

REVENUES UP 7% TO €293M, GOP DOUBLED TO €41M

The main profit-and-loss items reflected the following trends in the twelve months:

CheBanca!

- Revenues were up 7%, from €274.6m to €292.5m, due in particular to fee income which climbed 16%; from €68.9m to €79.7m;
- At the same time, operating costs were down 0.7%, from €237m to €235.3m, but on a like-for-like basis the reduction would be 6.9%, as a result of synergies deriving from the merger and integration of the Barclays' business unit;
- Loan loss provisions decreased from €19.4m to €16.5m, due to an improvement in the mortgage lending risk and the first use of advanced internal models;
- Net profit came in at €27.7m, higher than the €26.9m posted last year (which also reflected non-recurring income of €15.2m).

PRINCIPAL INITIATIVES AND AWARDS

The last financial year has seen numerous initiatives being implemented to ensure the technology platform is updated at all times and products are created which are able to meet the changing customer needs. Some of the principal such initiatives are as follows:

- **Optimization of geographical coverage, in order to increase the advisory capacity and improve operational and transactional efficiency;** this project involved both the branches themselves (some 70% of POS have been involved to date) and the FAs' new offices, and featured overhaul of the advisory workstations, enhancement of new-generation ATMs and service stations for customers to carry out transactions independently, and adaptation of electronic signature forms to enable accounts to be opened and allow for the possibility of executing transactions paperless;
- **Ongoing upgrade of the operations platforms,** in particular the CRM tool (which combines all the bank's front-to-front and front-to-back processes, and completion of the client report) and the fully-integrated, cutting edge advisory application ("PFP", which has seen the introduction of web collaboration, a completely digital means of accepting advisory proposals on a remote basis);
- **Enhancement of remote branch operating model** via co-browsing, video chat and remote advisory instruments;
- **App development** – launched in April 2017, development upgrades to the app continued, which has continued to score above average results on both Android and IOS systems. In the course of the twelve months, the app overtook the Home Banking Channel in terms of number of hits and number of four-star visitors, making it the first channel overall by access. As well as offering the full range of transactions, the app stands out for its ability to provide an integrated view of the client's entire position;
- **Expansion of product/service range for most sophisticated clients,** with the introduction in July 2017 of counter-guaranteed loans, operations in foreign currency, affluent services (proxies, accounts made out to non-resident clients, fiduciary operations, tax-shielded accounts) and placement of asset management products;
- **Launch of CheBanca! Yellow Life 4 product in April 2018:** a new multi-branch solution, which, in an increasingly volatile scenario, combines the security of a traditional insurance policy with opportunities to invest in financial markets. The product fits with the open-guided architecture CheBanca! architecture and benefits from the advisory capabilities of Mediobanca SGR.

CheBanca!

In conjunction with Mediobanca S.p.A., CheBanca! is supporting a three-year CSR project known as the “Accademia del Legno” (the “Academy of Woodwork”) which has the following objectives:

- Sustainability of the “Contrada degli Artigiani” start-up (set up from the previous initiative known as “Cometa”) to create a business model which is sustainable in social terms;
- Welcoming and training students in the “Oliver Twist” school of wood-working, offering training by master craftsmen through job rotation and curricular and extra-curricular apprenticeships to facilitate the students’ placement in the wood industry;
- Employment, offering job opportunities to young people with disabilities or from difficult backgrounds.

CheBanca! has also received two significant awards in this last financial year:

- The first, as indeed in **the last five years**, saw CheBanca! being named as the **Best Digital Multichannel Bank** for customer satisfaction by the *Istituto Tedesco Qualità e Finanza*;
- The second saw receive the **Most Innovative Digital Smart Bank Italy Award** from CFI.co for quality of customer experience and all internal and external processes, due to its technological approach with strong emphasis on innovation.

Finally, in our own internal recurring measurements, the **customer satisfaction** index and net promoter scores continue to be **significantly higher** than those for a sample of **traditional banks**.

Milan, 27 July 2018

Mediobanca Investor Relations

Tel. no.: (0039) 02-8829.1

jessica.spina@mediobanca.com (860)
luisa.demaria@mediobanca.com (647)
matteo.carotta@mediobanca.com (290)

Mediobanca Media Relations

Tel. no.: (0039) 02-8829.1

lorenza.pigozzi@mediobanca.com (627)
stefano.tassone@mediobanca.com (319)
simona.rendo@mediobanca.com (914)

CheBanca!

1. RESTATED PROFIT AND LOSS ACCOUNT (€m)

CheBanca!	12 months	12 months	Var. %
	30/6/17	30/6/18	
Net interest income	205.3	212.0	3.3%
Net treasury income	0.4	0.8	n.m.
Net fee, commission and other income	68.9	79.7	15.7%
Total income	274.6	292.5	6.5%
Labour costs	(101.5)	(102.6)	1.1%
Administrative expenses	(135.5)	(132.7)	-2.1%
Operating costs	(237.0)	(235.3)	-0.7%
Loan loss provisions/writebacks	(19.4)	(16.5)	-14.9%
GOP	18.2	40.7	n.m.
Non recurring items	15.2		n.m.
Profit before tax	33.4	40.7	21.9%
Income tax	(6.5)	(13.0)	n.m.
Net profit	26.9	27.7	3.0%
Statutory net profit¹	16.4	19.0	15.8%

2. CUSTOMER TOTAL FINANCIAL ASSETS (TFAs; €m)

CheBanca!	30/6/17	30/6/18
Assets under Management (AUM)	5,309	6,319
Assets under Administration (AUA)	1,770	2,116
Deposits	13,353	14,163
Total TFAs	20,432	22,598

3. CUSTOMER TFAs, FA NETWORK (€m)

CheBanca!	30/6/17	30/6/18
Assets under Management (AUM)	233	942
Assets under Administration (AUA)	46	149
Deposits	95	644
Total	374	1,735

¹ Statutory net profit as stated here differs from the net profit stated for the affluent-premier segment of the Mediobanca Group Wealth Management division as it includes the contributions made to the interbank deposit guarantee fund (of €15.3m for FY 2017 and €13m for FY 2018).

CheBanca!

4. TOTAL NET NEW MONEY (NNM, €m)

CheBanca! 12M to 30/6/18	TOTAL	FINANCIAL ADVISORS
Assets under Management (AUM)	1,036	715
Assets under Administration (AUA)	389	108
Deposits	810	549
Total TFAs	2,235	1,372

5. OTHER ASSET INFORMATION (€m)

CheBanca!	30/6/17	30/6/18
Customer mortgages – new loans	1,241	1,594
Customer loans – stock	7,513	8,107
RWAs ²	3,522	3,715

6. INDICATORS

CheBanca!	30/6/17	30/6/18
Customer loans/customer deposits	56%	57%
NPLs/total loans	2.4%	1.9%
Bad debts/total loans	1.4%	1.1%
Cost/income ratio	86.3%	80.4%
ROAC ³	4.5%	8.4%

7. ORGANIZATIONAL DATA

CheBanca! (€m)	30/6/17	30/6/18
No. of staff	1,401	1,321
of whom affluent-premier advisors	322	416
No. of Fas	65	226
No. of branches	141	111
No. of FAs POS	19	46

² RWAs differ marginally from the amounts stated in the Mediobanca Group's financial statements for the affluent-premier segment of the Wealth Management division, due to certain consolidation effects.

³ ROAC = Return on Allocated Capital = adjusted net profit/allocated capital, Return on Allocated Capital = adjusted net profit/allocated capital, where: i) adjusted net profit = gain (loss) on disposals of AFS securities, writebacks (writedowns), non-recurring gains (losses) excluded, normalized tax rate = 33%. ii) allocated capital = 9% of RWAs.