CheBanca!

**PRESS RELEASE**

*Milan, 29 April 2020*

# CheBanca! Board of Directors' Meeting
# Financial statements for 31 March 2020 approved

The last weeks of 3Q were marked by the **spread of the Covid-19 virus**, which has changed the social and economic scenario profoundly. Amid the devastation caused by the global sanitary crisis, **CheBanca! has continued to demonstrate the value, resilience and effectiveness of its business model.**

**Our digital mission** which has always been part of the bank's DNA, has enabled all necessary measures to be taken promptly, to protect the health and safety of our staff and to ensure business continuity for our clients. As of today, some 80% staff members are working from home, while others are working in the branch offices or advisory spaces in complete safety. **CheBanca! today is closer to our clients than ever,** as a result of **the large-scale digitalization of our processes**, which has enabled us to step up the provision of **distance advisory services** and allow clients to perform banking operations without having to come to the branch.

**The effectiveness of the business model** adopted by CheBanca! is demonstrated by the quarterly **results for the three months** ended 31 March 2020, which show**:**

- **Net new money of €0.9bn, almost double the previous quarter** (€0.5bn), with **deposits of €0.6bn and inflows of indirect funding totalling €0.3bn, further confirmation of the confidence placed in us by our clients who** more than ever, at times like this, **are looking for quality, solidity and transparency;**
- **TFAs stable at €26.3bn** (31/12/19: €26.5bn): **prudent asset allocation** and the substantial presence of capital protected insurance products have mitigated the negative market impact, allowing the reduction in the AUM/AUA component to be kept to just €0.8bn (down 6.6%);
- **Customer loans up 2.6%, to €10.1bn; CheBanca! continues to support households, granting mortgage loans totalling €0.5bn** (€0.8bn in 2Q) at low LTV levels.

**Results for the nine months bear out the continuing positive performance in the CheBanca! growth story:**

- **Strong growth in revenues to €237m** (**up 7.5%** year-on-year), **on higher fees** (**up 22%** to €76m) **and net interest income** (**up 2%** to €160m);
- **Costs up 6%** (to €185m) **due to the increase in operations and enhanced distribution,** with 863 professionals (up 11% in 9M) and 190 POS:
  - 454 affluent/premier relationship managers (9 added in 9M),
  - 409 FAs (74 added in 9M),
- **Profit before tax up 7% to €39m.**
- **NNM of €1.6bn and TFAs of €26.3bn (up 5% YoY) due to growth in AUM in particular:** AUM/AUA totalled €11bn, up 15% YoY, deposits €15bn (flat YoY)

CheBanca!

Milan – 29 April 2020 – At a Board meeting held today, today, the Directors of CheBanca! approved the bank's results for the period ended 31 March 2020.

CheBanca! CEO GianLuca Sichel commented as follows:

*"The last weeks of the third quarter were marked by the spread of the Covid-19 virus, which has changed the social and economic scenario profoundly. Our native digital and multi-channel business model has enabled us to address the situation effectively and promptly, with the vast majority of our staff and advisors working from home and secure access guaranteed to our branch offices. Client advisory services, which in these times are more vital than ever, continue uninterrupted on the back of the digitalization of our procedures, enhanced customer service operations and the arrangement of individual appointments. Our business model has demonstrated its resilience in these unprecedented conditions, with our combination of direct and indirect funding mix producing positive results. We will continue to support collaborators and clients in the months to come, taking part in the numerous initiatives being launched by the Italian government."*

## OPERATIONS AND PRODUCT PORTFOLIO DEVELOPMENT

- **Client base** now consists of 877k clients, with 7k added during the nine months. 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 channel.
- **Customer relations continue to be strengthened**: even in exceptional circumstances such as these the CheBanca! advisors, assisted by the large-scale digitalization of our processes, have maintained ongoing contact without our clients even at a distance, to support them in their needs in terms of banking transactions and providing advice on portfolios.
- **Banking activities guaranteed through efficient use of remote channels**, with growing trends and approx. 97% of transactions executed digitally.
- **Distribution structure enhanced:** overall the distribution network consists of 454 relationship managers (vs 445 at end-June 2019 and 453 at end-December 2019) and 409 FAs (vs 335 at end-June 2019 and 395 at end-December 2019), working at 190 branches and POS (vs 180 at end-June 2019 and 190 at end-December 2019).
- **Offering enhanced:** the Mediobanca SGR product offering has been further enhanced in the three months with the launch of Mediobanca portfolio management products for CheBanca! Premier, a varied range of solutions which enables broad portfolio diversification, including use of segments in securities and active management lines.
- **Investment management**: the substantial presence of capital protected insurance products in customers' investment portfolios along with the high deposit component has enabled the negative impact of the material market reductions to be restricted.

CheBanca!

## GROWTH IN BUSINESS VOLUMES
## TFAs UP 3.6% TO €26.3bn, CUSTOMER LOANS UP 11.9% TO €10.1bn

- **Total Financial Assets** ("TFAs") **reached €26.3bn, up 3.6%** on end-June 2019, with an **increase of 8.5% in the AUM/AUA segments**, to €11.2bn.

- **Net New Money** (Net New Money, "NNM") in the three months **of €0.9bn** (3Q FY 2018-19: €1.3bn; 2Q FY 2019-20: €0.5bn) chiefly consists of deposits, in part due to the challenging social and financial conditions, and breaks down as follows:
    - **€0.2bn in AUM** (€0.4bn in 3Q FY 2018-19 and €0.8bn in 2Q FY 2019-20);
    - **€0.1bn in AUA** (€0.1bn in 3Q FY 2018-19 and €0bn in 2Q FY 2019-20);
    - **€0.6bn in direct funding** (€0.7bn in 3Q FY 2018-19, vs a €0.3bn outflow in 2Q FY 2019-20) with a reduction in the most expensive components: the average cost of funding was 12 bps lower than last year in absolute terms. The transactional component of direct funding continues to increase, and was €1bn higher than the figure posted at end-June 2019, reaching €9.8bn.

  In particular, growth in asset management values **since the start of the year** reflects substantial contributions from both the main distribution channels:
    - **Proprietary network: €0.6bn** of the NNM in the AUM/AUA segment. TFAs managed by the proprietary channel totalled €21.8bn, split between €8.5bn in AUM/AUA and €13.3bn in deposits.
    - **FAs channel: €1.0bn** of the NNM in the AUM/AUA segment. TFAs managed by the FAs channel reached €4.5bn, split between €2.7bn in AUM/AUA and €1.8bn in deposits.

**Loans** to households (mortgage loans) **climbed** in the period, from €9.0bn to €10.1bn, on new mortgage loans of €1.8bn (up 45.1% on the same period last year), with a slowdown in the final weeks due to the general lockdown imposed. Gross NPLs rose (from €178m to €186.8m) accounting for 1.8% of total loans, slightly lower than at end-June 2019. Net NPLs declined from €102.5m to €102.4m, and account for 1% of net total loans, with a coverage ratio of 45.2% higher than the 42.4% at the start of the financial year. Net bad debts increased, from €39.9m to €44.2m, and account for 0.4% of total net loans, with the coverage ratio increasing from 56.9% to 57.3%. The higher coverage ratios reflect caution over possible developments in the cost of risk in the coming quarters, which could be impacted by the mortgage relief measures launched effectively from 1 April 2020.

## 9M GROWTH AT BOTH TOP- AND BOTTOM-LINE LEVELS
## REVENUES up 7.5% to €220m, NET PROFIT up 7.1% to €26m

**The profit and loss account for the nine months reflects a healthy performance** compared to the same period last year:

- **Revenues were up 7.5%** (from €220.3m to €236.9m) **due in particular to fee income which continues to grow significantly (up 21.7%**, from €62.3m to €75.8m), in the **recurring component** in particular, with a positive contribution from net interest income which rose by 1.8% (from €157.4m to €160.2m);
- **Operating costs increased slightly, by 6.2%** (from €174.7m to €185.5m) chiefly due to **labour costs which rose by €6.4m** (up 8.1%, from €79.2m to €85.6m) linked to expansion of the distribution structure and the increase in operations and development of the franchise. Administrative expenses were also up slightly, by €4.4m (or 4.6%, from €95.5m to €99.9m);

- **Loan loss provisions** were up €2.3m (from €9.1m to €11.4m) reflecting initial difficulties in credit recovery during 3Q plus non-recurring items, which last year reflected writebacks of €1.6m following the sale of bad debts from French mortgage operations, but this year showed charges of €0.7m after completion of the former Micos Banca bad mortgages disposal. Net of these items **loan loss provisions were stable at €10.7m;**
- **Net profit climbed to €25.6m** (from €23.9m; **an increase of 7.1%**), despite the negative impact of UCITS units mandatorily recognized at fair value.

**The profit and loss account for the three months ended 31 March 2020** reflected the following year-on-year performance:

- **Revenues for the quarter were down 5.1%** (or €4.2m; from €82.0m to €77.8m). Of the main components, **net interest income was down 4.4%** (or €2.4m; from €54.0m to €51.6m), as the growth in customer loans and the reduced cost of funding were not sufficient to offset the lower return on assets. **Fees were down 6.9%** (or €1.9m; from €27.7m to €25.8m), due chiefly to seasonal factors affecting the banking component, plus the difficult market conditions in March due to Covid-19. **Operating costs were basically flat, declining by 0.5%** (or €0.3m; from €62.7m to €62.4m);
- Loan loss provisions showed an increase of €0.8m (from €3.2m to €4.0m);
- Profit before taxes totalled €9.9m, down 38.5% on the €16.1m recorded in 2Q, as a result of the trends described above.

## COVID-19: HOW CHEBANCA! HAS MANAGED THE CRISIS

### Customer relations

Communications activities with clients have been stepped up, in particular on market trends and investment management, use of digital channels and instruments, and changes to how operations in branch offices have been organized.

In advisory business we have intensified provision of services via online channels, leveraging all web and mobile collaboration functions to ensure that the client is able to confirm the investment recommendations made by the Wealth Manager and Financial Advisor from the safety of their own home.

Changes have also been made to the processes to allow Customer Services operators to work from home.

CheBanca! is working hard to allow clients to access the possibilities offered by the recently approved "Liquidity Decree" package including mortgage moratoria, advances on furlough payments and guaranteed loans. The CheBanca! website has been revised accordingly, to include information for clients on how to apply for the mortgage moratoria granted by Consap and for advances on furlough payments.

### Network (individual branch openings/closings)

During March, at the start of the crisis, to begin with we closed our branches on Saturdays, and then reduced the hours in which they were open to the public (from 8.30 a.m. to 1.15 p.m.). Later we decided it was appropriate to restrict branch access to appointment only and exclusively for certain forms of operation.

Regarding the FAs network, to guarantee the safety of both advisors and clients, each office has followed the local regulations in force regarding openings and closures. Where it has been possible for offices to remain open, reminders have been issued of the importance of maintaining social distancing and following all other guidance issued by the relevant institutions.

CheBanca!

**Human resources**

Measures have been taken to safeguard the health and safety of our staff and the working environment. All business travel and journeys within Italy and elsewhere were immediately suspended, and priority given to electronic communications instruments for company meetings and/or meetings with clients, and all working areas have been thoroughly sanitized. The branch offices and FAs offices have been fitted with security measures to allow working activities to continue while limiting the risks involved: masks, disinfectant gel, gloves and protective barriers in Plexiglas have all been provided or installed.

Organization and IT together have worked hard to ensure that all staff necessary to ensure business continuity were able to work from home in a short space of time.

Complementary health cover was extended to all Group staff in relation to Covid-19 on 13 March 2020.

Milan, 29 April 2020

Mediobanca Investor Relations
Tel. no.: (0039) 02-8829.860
investor.relations@mediobanca.com

Mediobanca Media Relations
Tel. no.: (0039) 02-8829.627
media.relations@mediobanca.com

# CheBanca!

## 1. RESTATED PROFIT AND LOSS ACCOUNT (€M)

| CheBanca! | 9M FY 2018-19 31/3/19 | 9M FY 2019-20 31/3/20 | Chg. YoY% | Chg. YoY |
|---|---|---|---|---|
| Net interest income | 157.4 | 160.2 | 1.8% | 2.8 |
| Treasury income | 0.6 | 0.9 | 50.0% | 0.3 |
| Net fee and commission income | 62.3 | 75.8 | 21.7% | 13.5 |
| **Total income** | **220.3** | **236.9** | **7.5%** | **16.6** |
| Labour costs | -79.2 | -85.6 | 8.1% | 6.4 |
| Administrative expenses | -95.5 | -99.9 | 4.6% | 4.4 |
| **Operating costs** | **-174.7** | **-185.5** | **6.2%** | **10.8** |
| Loan loss provisions | -9.1 | -11.4 | 25.3% | 2.3 |
| **GOP** | **36.5** | **40.0** | **9.6%** | **3.5** |
| Other items | -0.1 | -1.0 | n.m. | -0.9 |
| **Profit before taxes** | **36.4** | **39.0** | **7.1%** | **2.6** |
| Income taxes | -12.5 | -13.4 | 7.2% | 0.9 |
| **Net profit** | **23.9** | **25.6** | **7.1%** | **1.7** |
| **Statutory net profit** | **15.0** | **20.0** | **33.3%** | **5.0** |

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

| CheBanca! | 3M 31/3/19 | 3M 30/6/19 | 3M 30/9/19 | 3M 31/12/19 | 3M 31/3/20 |
|---|---|---|---|---|---|
| Net interest income | 53.2 | 53.2 | 54.6 | 54.0 | 51.6 |
| Treasury income | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 |
| Net fee and commission income | 20.7 | 23.5 | 22.3 | 27.7 | 25.8 |
| **Total income** | **74.1** | **76.9** | **77.1** | **82.0** | **77.8** |
| Labour costs | -26.6 | -26.7 | -28.2 | -28.9 | -28.5 |
| Administrative expenses | -32.6 | -35.0 | -32.2 | -33.8 | -33.9 |
| **Operating costs** | **-59.2** | **-61.7** | **-60.4** | **-62.7** | **-62.4** |
| Loan loss provisions | -1.9 | -4.6 | -4.2 | -3.2 | -4.0 |
| **GOP** | **13.0** | **10.6** | **12.5** | **16.1** | **11.4** |
| Other items | 0.2 | 0.1 | 0.5 | 0.0 | -1.5 |
| **Profit before taxes** | **13.2** | **10.7** | **13.0** | **16.1** | **9.9** |
| Income taxes | -5.2 | -3.1 | -4.5 | -5.6 | -3.3 |
| **Net profit** | **8.0** | **7.6** | **8.5** | **10.5** | **6.6** |
| **Statutory net profit** | **8.8** | **2.2** | **8.7** | **5.4** | **5.9** |

CheBanca!

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

| CheBanca! | 31/3/19 | 30/6/19 | 30/9/19 | 31/12/19 | 31/3/20 |
|---|---|---|---|---|---|
| AUM | 7,252 | 7,711 | 8,440 | 9,349 | 8,795 |
| AUA | 2,517 | 2,623 | 2,629 | 2,656 | 2,422 |
| Deposits | 15,157 | 15,032 | 14,776 | 14,460 | 15,052 |
| **Total TFAs** | **24,926** | **25,366** | **25,845** | **26,465** | **26,269** |

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

| CheBanca! | 31/3/19 | 30/6/19 | 30/9/19 | 31/12/19 | 31/3/20 |
|---|---|---|---|---|---|
| AUM | 1,451 | 1,725 | 2,082 | 2,571 | 2,429 |
| AUA | 209 | 258 | 272 | 287 | 278 |
| Deposits | 1,027 | 1,125 | 1,354 | 1,429 | 1,803 |
| **Total TFAs** | **2,687** | **3,108** | **3,708** | **4,287** | **4,511** |

### 5. NET NEW MONEY (NNM, €M)

| CheBanca! | 3M 31/3/19 | 3M 30/6/19 | 3M 30/9/19 | 3M 31/12/19 | 3M 31/3/20 |
|---|---|---|---|---|---|
| AUM | 392 | 413 | 642 | 807 | 170 |
| AUA | 139 | 70 | -96 | 15 | 91 |
| Deposits | 743 | -125 | -256 | -316 | 592 |
| **Total NNM** | **1,273** | **358** | **290** | **506** | **853** |

### 6. NNM - FAs NETWORK (€M)

| CheBanca! | 3M 31/3/19 | 3M 30/6/19 | 3M 30/9/19 | 3M 31/12/19 | 3M 31/3/20 |
|---|---|---|---|---|---|
| AUM | 242 | 256 | 326 | 446 | 191 |
| AUA | 24 | 48 | 5 | 16 | 37 |
| Deposits | 131 | 98 | 229 | 75 | 374 |
| **Total NNM** | **398** | **402** | **560** | **536** | **602** |

### 7. OTHER ASSET INFORMATION (€M)

| CheBanca! | 31/3/19 9M | 30/6/19 12M | 30/9/19 3M | 31/12/19 6M | 31/3/20 9M |
|---|---|---|---|---|---|
| Mortgage loans (cumulative new loans) | 1,234 | 1,783 | 556 | 1,313 | 1,791 |
| Loans to customers (stock) | 8,625 | 9,002 | 9,459 | 9,814 | 10,069 |

CheBanca!

## 8. INDICATORS/RATIOS

| CheBanca! | 31/3/19 | 30/6/19 | 30/9/19 | 31/12/19 | 31/3/20 |
|---|---|---|---|---|---|
| Customers loans/customer deposits | 57% | 60% | 64% | 68% | 67% |
| Net NPLs/total loans | 1.5% | 1.1% | 1.1% | 1.0% | 1.0% |
| Net bad debts/total loans | 0.8% | 0.4% | 0.4% | 0.4% | 0.4% |
| Cost/income ratio | 78.7% | 79.5% | 78.3% | 77.4% | 78.3% |

## 9. STRUCTURAL DATA

| CheBanca! | 31/3/19 | 30/6/19 | 30/9/19 | 31/12/19 | 31/3/20 |
|---|---|---|---|---|---|
| No. of staff | 1,339 | 1,364 | 1,380 | 1,392 | 1,415 |
| o/w affluent-premier relationship managers | 431 | 445 | 451 | 453 | 454 |
| No. of FAs | 319 | 335 | 365 | 395 | 409 |
| No. of branch offices | 110 | 110 | 107 | 107 | 107 |
| No. of FAs POS | 64 | 70 | 76 | 83 | 83 |