

Milan, 30 January 2019

## **CheBanca! Board of Directors' Meeting Financial statements for six months ended 31 Dec. 2018 approved**

**TFAs up to over €23bn (up 3.2% in the six months)  
Significant net new money ("NNM") with all components growing,  
up €1bn in six months and €0.4bn for the quarter,  
despite highly uncertain and volatile scenario  
43K new clients acquired, 25K of whom in 2Q  
Revenues and gross profit increasing**

### **Network enhancement continues (proprietary and FAs)**

*Relationship managers now totalling 418 (vs 409 last year), responsible for over €21bn in TFAs  
FAs up from 157 at end-December 2017 to 288, based at 59 POS, now responsible for over €2bn in TFAs*

### **Volumes and customers growing**

*TFAs now total €23.3bn, with €1bn in NNM for the six months,  
€0.4bn of which in 2Q, consisting entirely of AUM/AUA  
Customer loans €8.4bn, with €0.8bn in new loans  
43K new clients acquired (for a total of 837K), more than 40% through digital channels*

### **Revenues and gross profit showing solid improvement**

*Revenues up 2% Y.o.Y.<sup>1</sup> to €146m, well diversified between net interest income (€104m) and fees (€42m, up 13%  
Y.o.Y.)*

*Costs broadly stable at €115m (up 1% Y.o.Y.) despite network enhancement and expansion in operations  
Gross profit up 11% Y.o.Y. to €23m*

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<sup>1</sup> Y.o.Y.: 1H FY 2018-19 vs 1H FY 2017-18.

# CheBanca!

At a Board meeting held today, the Directors of CheBanca! approved the bank's results for the six months ended 31 December 2018.

CheBanca! CEO GianLuca Sichel commented as follows:

*“CheBanca has continued to grow in 2Q 2018-19 as well, despite the volatility and unfavourable market conditions. On the contrary, we have attracted new clients, gathering some €1bn in assets in the last six months. The quality of our customer relations, the ongoing enhancement of our digital platform and distribution networks and our product innovation have enabled us to deliver a record quarter in 2Q with over €500m in AUM/AUA gathered. We continue with 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.”*

## OPERATIONS AND PRODUCT PORTFOLIO DEVELOPMENT

- Banking activity strongly concentrated on remote channels (96% of bank transfers and 91% of the restrictions on deposit accounts are made via home banking; and more than 90% of cash deposits/withdrawals are made directly via ATMs), to free up resources to increase the capability in terms of direct relations with the customer. The CheBanca! branch office **digital turn** also continues, with almost 60% of the signatures on client order instructions now made in the form of digital signatures at the branches.
- **Strong growth in client base**, with 837,000 customers (versus 807,000 at end-June 2018), primarily via the digital channel (which has generated more than 40% of the new accounts).
- In the area of **strengthening and completing its “open-guided” investment platform**, distribution has been launched of an individual pension plan product manufactured by Aviva, sold by both networks, proprietary and FAs.
- **The front-end platform was strengthened further at end-December** in the various channels managed, through the launch of a mobile collaboration: a means of subscribing digitally and remotely for advisory proposals, which makes the entire process considerably more efficient.
- In October 2018 the CheBanca! YourClub loyalty programme was launched, to incentivize loyalty to the bank by rewarding clients with experiences and products in line with their passions. The scheme is based on two rewarding mechanisms depending on the client's status:
  - The first, for all clients, is based on leveraging clients' actions and behaviour along three main axes: efficient banking, increasing AUM, becoming a brand ambassador;
  - The second offers a series of experiences free of charge to increase loyalty retention among affluent and premier clients.

As at 31 December, the scheme already had 24,000 members.

# CheBanca!

## GROWTH IN BUSINESS VOLUMES

**TFAs UP 3.2% TO €23.3bn, MORTGAGE LOANS UP 3.4% TO €8.4bn**

- **Total financial assets** (“TFAs”) reached **€23.3bn**, up **3.2%** on end-June 2018, with **increases in all segments**: AUM up 5.2%, to €6.6bn, AUA up 6.9%, to €2.3bn, and deposits up 1.8%, to €14.4bn.
- **Net new money** (“NNM”) of **€1bn** gathered in the six months (€0.6bn in Q1, €0.4bn in Q2, the lower figure being due to the market instability in the second quarter) **and is made up primarily of AUM (€0.5bn) and AUA (€0.2bn)**; the €0.3bn increase in direct funding reflects growth in the highest loyalty retention transactional component, i.e. current accounts, which total €8.3bn.
- **Growth in volumes derives from balanced contribution from the main distribution channels:**
  - **50% proprietary network**: €0.5bn in NNM. TFAs managed by the proprietary channel totalled €21.1bn, split between €7.6bn in AUM/AUA and €13.5bn in deposits.
  - **50% FAs**: €0.5bn in NNM. TFAs managed by the FAs channel reached €2.2bn, split between €1.3bn in AUM/AUA and €0.9bn in deposits.
- **Loans to households climbed** from €8.1bn to €8.4bn, on new mortgage loans of €0.8bn (up 19.4% on the €0.7bn reported in 1H FY 2017-18). **Asset quality remained at excellent levels**: gross NPLs declined from €332.1m to €314.8m, and account for just 3.8% of total loans. It should be noted that following the adoption of IFRS 9, the coverage levels for non-performing assets (stage 3) have been increased by €17m (stage 3). In part as a result of this, net NPLs declined from €155.1m to €129.8m, and account for 1.5% of net total loans, with a coverage ratio of 58.8% (53.3%); net bad debts decreased from €92.7m to €67.8m, and account for 0.8% of net total loans, with the coverage ratio rising from 60.9% to 69.3%.

## PROFITABILITY IMPROVING OVER ALL TIME HORIZONS

**The main profit-and-loss items performed positively** compared with the previous six-month period:

- Revenues were up 1.7% (from €143.7m to €146.2m) **due in particular to fee income which rose significantly** (up 12.9%; from €36.8m to €41.6m) despite the scarce risk appetite among clients and the inclusion of charges paid to acquire FAs being paid by instalments under commissions payable.
- **Operating costs were basically flat**, rising just 0.9%, from €114.5m to €115.5m, despite the expanded operations and development of the franchise (which drove a 6.3% increase in labour costs, from €49.5m to €52.6m), due to ongoing optimization in administrative expenses (which fell 3.3%, from €65m to €62.9m).
- **Loan loss provisions** were down €1.1m, from €8.3m to €7.2m (a decrease of 13.7%), in part due to the positive impact of IFRS 9 first-time adoption.
- **GOP** came in at **€23.5m**, 12.4% higher than the €20.9m reported in 1H FY 2017-18.
- **Net profit was stable at €16m**, due to the normalization of tax charges.

# CheBanca!

The main profit-and-loss items reflected the following quarter-on-quarter performance:

- **Revenues were up 3.3%**, from €71.9m to €74.3m, making up the negative seasonality factors affecting the 1Q performance (July-September), but still adversely impacted by market instability and the pro-rata costs of the launch of the FAs network.
- **Operating costs decreased** by 0.9%, from €58.0m to €57.5m, due to the reduction in administrative expenses (down 2.2%, from €31.8m to €31.1m), whereas labour costs were up slightly, by 0.8%, from €26.2m to €26.4m.
- **Loan loss provisions** saw a **significant reduction** of €0.8m (down 21%, from €4m to €3.2m).
- **GOP for the quarter climbed 37.4%**, from €9.9m to €13.6m.

## PRINCIPAL INITIATIVES AND AWARDS

On 16 October 2018 a major CSR initiative was launched: the “CheBanca! Academy of Woodworking”. This is the name given to a social artisanal enterprise initiative arising from a joint venture between CheBanca! and the Cometa social co-operative Contrada degli Artigiani. 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 will focus 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 will function 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 the next three years, Contrada degli Artigiani, via the CheBanca! Academy of Woodworking, will invest in the professional development of six young people who will take on its own books, and will also offer 24 apprenticeships aimed at helping other young people find their way in the workplace. At the end of their training, the students who have performed best will be taken on by the Academy, and all of them will be able to approach the workplace with confidence having acquired new skills.

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### Mediobanca Investor Relations

Tel. no.: (0039) 02-8829.1

[jessica.spina@mediobanca.com](mailto:jessica.spina@mediobanca.com) (860)  
[luisa.demaria@mediobanca.com](mailto:luisa.demaria@mediobanca.com) (647)  
[matteo.carotta@mediobanca.com](mailto:matteo.carotta@mediobanca.com) (290)

### Mediobanca Media Relations

Tel. no.: (0039) 02-8829.1

[lorenza.pigozzi@mediobanca.com](mailto:lorenza.pigozzi@mediobanca.com) (627)  
[stefano.tassone@mediobanca.com](mailto:stefano.tassone@mediobanca.com) (319)  
[simona.rendo@mediobanca.com](mailto:simona.rendo@mediobanca.com) (914)

# CheBanca!

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

CheBanca!	1H FY 2017-18	1H FY 2018-19	Chg.
	31/12/17	31/12/18	Y.o.Y.%
Net interest income	106.6	104.2	-2.2%
Treasury income	0.3	0.4	33.3%
Net fee and commission income	36.8	41.6	12.9%
<b>Total income</b>	<b>143.7</b>	<b>146.2</b>	<b>1.7%</b>
Labour costs	-49.5	-52.6	6.3%
Administrative expenses	-65.0	-62.9	-3.3%
<b>Operating costs</b>	<b>-114.5</b>	<b>-115.5</b>	<b>0.9%</b>
Loan loss provisions	-8.3	-7.2	-13.3%
<b>GOP</b>	<b>20.9</b>	<b>23.5</b>	<b>12.4%</b>
Other financial assets/bonds recognized at fair value	0.0	-0.3	n.m.
<b>Profit before taxes</b>	<b>20.9</b>	<b>23.2</b>	<b>10.8%</b>
Income taxes	-5.0	-7.3	46.0%
<b>Net profit</b>	<b>15.9</b>	<b>15.9</b>	<b>-0.2%</b>
<b>Statutory net profit<sup>2</sup></b>	<b>7.3</b>	<b>6.2</b>	<b>-15.1%</b>

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

CheBanca!	3M	3M	3M	3M	3M	3M
	30/9/17	31/12/17	31/3/18	30/6/18	30/9/18	31/12/18
Net interest income	53.6	53.0	52.1	53.3	52.5	51.7
Treasury income	0.1	0.2	0.3	0.2	0.1	0.3
Net fee and commission income	16.2	20.6	20.1	22.8	19.3	22.3
<b>Total income</b>	<b>69.9</b>	<b>73.8</b>	<b>72.5</b>	<b>76.3</b>	<b>71.9</b>	<b>74.3</b>
Labour costs	-25.2	-24.3	-25.6	-27.5	-26.2	-26.4
Administrative expenses	-31.3	-33.7	-33.7	-34.0	-31.8	-31.1
<b>Operating costs</b>	<b>-56.5</b>	<b>-58.0</b>	<b>-59.3</b>	<b>-61.5</b>	<b>-58.0</b>	<b>-57.5</b>
Loan loss provisions	-4.5	-3.8	-3.8	-4.4	-4.0	-3.2
<b>GOP</b>	<b>8.9</b>	<b>12.0</b>	<b>9.4</b>	<b>10.4</b>	<b>9.9</b>	<b>13.6</b>
Other financial assets/bonds recognized at fair value	0.0	0.0	0.0	0.0	-0.1	-0.2
<b>Profit before taxes</b>	<b>8.9</b>	<b>12.0</b>	<b>9.4</b>	<b>10.4</b>	<b>9.8</b>	<b>13.4</b>
Income taxes	-2.9	-2.1	-3.1	-4.9	-3.5	-3.8
<b>Net profit</b>	<b>6.0</b>	<b>9.9</b>	<b>6.3</b>	<b>5.5</b>	<b>6.3</b>	<b>9.6</b>
<b>Statutory net profit<sup>2</sup></b>	<b>1.2</b>	<b>6.1</b>	<b>6.2</b>	<b>5.5</b>	<b>6.3</b>	<b>-0.1</b>

<sup>2</sup> 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.

# CheBanca!

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

CheBanca!	30/9/17	31/12/17	31/3/18	30/6/18	30/9/18	31/12/18
AUM	5,361	5,735	5,964	6,320	6,503	6,650
AUA	1,804	1,831	1,972	2,116	2,170	2,262
Deposits	13,174	13,078	13,307	14,163	14,493	14,414
<b>Total TFAs</b>	<b>20,339</b>	<b>20,644</b>	<b>21,242</b>	<b>22,598</b>	<b>23,166</b>	<b>23,326</b>

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

CheBanca!	30/9/17	31/12/17	31/3/18	30/6/18	30/9/18	31/12/18
AUM	273	466	711	942	1.061	1.147
AUA	64	88	110	149	165	179
Deposits	163	212	405	644	779	896
<b>Total TFAs</b>	<b>500</b>	<b>766</b>	<b>1.226</b>	<b>1.735</b>	<b>2.005</b>	<b>2.222</b>

## 5. NET NEW MONEY (NNM, €M)

CheBanca!	3M 30/9/17	3M 31/12/17	3M 31/3/18	3M 30/6/18	3M 30/9/18	3M 31/12/18
AUM	37	336	325	338	167	336
AUA	6	37	90	257	71	178
Deposits	-180	-96	229	856	330	-79
<b>Total NNM</b>	<b>-137</b>	<b>277</b>	<b>644</b>	<b>1.451</b>	<b>568</b>	<b>435</b>

## 6. NNM - FAs NETWORK (€M)

CheBanca!	3M 30/9/17	3M 31/12/17	3M 31/3/18	3M 30/6/18	3M 30/9/18	3M 31/12/18
AUM	38	191	257	229	118	137
AUA	18	27	23	40	16	21
Deposits	68	49	193	239	135	117
<b>Total NNM</b>	<b>124</b>	<b>267</b>	<b>473</b>	<b>508</b>	<b>269</b>	<b>275</b>

## 7. OTHER ASSET INFORMATION (€M)

CheBanca!	30/9/17	31/12/17	31/3/18	30/6/18	30/9/18	31/12/18
Mortgage loans (cumulative new loans)	306	695	1,124	1,594	377	829
Loans to customers (stock)	7,568	7,710	7,884	8,107	8,184	8,382

## 8. INDICATORS/RATIOS

CheBanca!	30/9/17	31/12/17	31/3/18	30/6/18	30/9/18	31/12/18
<i>Customers loans/customer deposits</i>	57%	59%	59%	57%	56%	58%
NPLs/total loans	2.4%	2.2%	2.1%	1.9%	1.7%	1.5%
Net bad debts/total loans	1.4%	1.3%	1.2%	1.1%	0.9%	0.8%
<i>Cost/income ratio</i>	80.8%	79.7%	80.4%	80.4%	80.7%	79.0%

## 9. STRUCTURAL DATA

CheBanca!	30/9/17	31/12/17	31/3/18	30/6/18	30/9/18	31/12/18
No. of staff	1,295	1,295	1,318	1,321	1,326	1,330
o/w relationship managers	407	409	410	416	413	418
No. of FAs	112	157	203	226	244	288
No. of branch offices	111	109	110	111	111	110
No. of FAs POS	26	35	38	46	51	59