

Milan, 24 July 2019

CheBanca! Board of Directors' Meeting Financial statements for year ended 30 June 2019 approved

CheBanca! delivers impressive FY 2018-19 commercial results

**Marked acceleration in growth capacity
due to balanced distribution network enhancement**

Revenues and gross profit growing

Client base reflects substantial growth (865k customers)

94k new clients acquired in 12 months, 40% of which through digital channels

TFAs increase to €25.4bn (up 12% Y.o.Y., up 2% in 3M) with all components growing

AUM/AUA up 22% Y.o.Y., to €10.3bn, deposits up 6% Y.o.Y., to €15.0bn

Significant growth in net new money (NNM), €2.6bn in 12M (up 18% Y.o.Y.)

€1bn in 1H, €1.6bn in 2H

Distribution strongly enhanced for second year running:

780 new professionals and 180 POS

Affluent relationship managers now total 445 (29 added in 12M), responsible for €1.3bn of NNM

Financial advisors now total 335 (109 added in 12M), responsible for €1.3bn of NNM

CheBanca! branches now total 110, with 70 FAs POS (increase of 23 in 12M)

Revenues and gross profit growing

Revenues up 2% to €297m, well diversified between net interest income (€211m) and fees (€86m; up 8%)

Costs stable at €236m (up 0.4%), despite expansion in operations and distribution

Gross profit up 16%, to €47.1m

4Q revenues trend positive (up 4% to €77m)

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At a Board meeting held today, the Directors of CheBanca! approved the bank's results for the twelve months ended 30 June 2019.

CheBanca! CEO GianLuca Sichel commented as follows:

"We are very satisfied with the growth delivered by CheBanca in FY 2018-19, a year in which despite the market recovery, clients have continued to adopt a strongly cautious stance in their investment decisions. The bank has been able to attract more than 90k new clients raising €2.6bn, due to quality of our relations with customers, ongoing enhancement of the digital channels and distribution networks, and our product and service innovation. 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

- **Strong growth in client base**, with 865k customers (30/6/18: 807k) primarily via the digital channel (which has generated some 40% of the new accounts)
- **Banking activity strongly concentrated in remote channels** (97% of money transfers and 95% of tied deposit accounts through digital channels; 95% of payments/withdrawals via ATM)
- **Relational activity increasingly focused on advisory business**, underpinned by substantial investments in advisor training and certification, development of the CRM platform, and digital process enhancement, with almost 60% of signatures for instructions by clients in branch offices digital signatures
- **Distribution structure enhanced**, both proprietary, with the addition of 29 new relationship managers, and FAs, with 109 new advisors and 23 new offices opened. Overall the distribution network now consists of 445 relationship managers (vs 416 at end-June 2018 and 322 at end-June 2017) and 335 FAs (vs 226 at end-June 2018 and 65 at end-June 2017), working at 110 branches and 70 POS respectively
- **Offering enhanced**
 - With a view to **strengthening the "open-guided" investment platform**, new Mediobanca SGR products have begun to be sold, such as Mediobanca Global Multi-Asset (MGM), Mediobanca Long Short Sector Rotation, and Mediobanca Defensive Portfolio.
The Mediobanca High Yield Credit Portfolio 2025 fund was placed for a total of approx. €100m. The fund is an Italian-incorporated, open-ended investment fund investing in high-yield bond instruments.
 - The **partnership with AVIVA has been developed further**, with the launch of a new composite insurance policy and PIP plan product sold through the FAs channel.
- **Operations expanded**
 - **Development of the front-end platform in the channels managed**, which provides relationship managers with accurate information and effective tools with which to manage the relationship with their clients, and allows advisory proposals to be subscribed to digitally and remotely, thus significantly increasing the efficiency of the whole process;
 - In June 2019, the first **artificial intelligence application** in CheBanca! was launched, namely EDO (standing for Efficient, Available – *Disponibile* in Italian - Operational), the new CheBanca! chatbot, which answers chats from clients and non-clients. In its first month of operation EDO answered 56% of client requests autonomously (far better than expected), generating significant cost savings and enabling a higher number of chats to be processed (approx. 30%) compared to the pre-launch period.

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The use of artificial intelligence to systematically reduce the bank's operating costs while maintaining customer service levels will be developed further in the coming months.

- As from 31 March 2019, CheBanca! has been authorized **to adopt its own internal risk management systems (AIRB models)** in order to measure the capital requirements for credit risk in relation to the retail segment – i.e. exposures to individuals guaranteed by properties. The impact calculated based on data as at 31 March 2019 amounted to a reduction of €1.46bn in Risk-Weighted Assets, corresponding to an increase in the CET1 ratio from 8.79% to 14.06%.
- The process of **selling the entire portfolio of bad debts generated by Micos Banca** was commenced in the course of the year, as these are no longer representative of the bank's current operating processes in terms of granting and recovering credit, and also of selling the portfolio of bad debts generated by the French branch. In February 2019 the sale was formalized of the entire portfolio of bad debts generated by the French branch, which involved 88 accounts for a gross book value of €14.8m. As for the former Micos Banca, sale of the bad debts portfolio is at an advanced stage (1,601 accounts, with a gross book value of €136.8m). As required by IFRS 5, the portfolio's value has been aligned to the price agreed.

GROWTH IN BUSINESS VOLUMES

TFAs UP 12.2%, to €25.4bn, MORTGAGE LOANS UP 11%, TO €9bn

- **Total Financial Assets ("TFAs") reached €25.4bn, up 12.2%** on end-June 2018, with **increases in all segments**: AUM up 22%, to €7.7bn; AUA up 24%, to €2.6bn, and deposits up 6.1%, to €15bn.
- **Net New Money ("NNM") of €2.6bn** reflects a markedly growing trend in the two half years (**€1bn in 1H, €1.6bn in 2H**). **NNM consists primarily of AUM and AUA (€1.8bn)**. **Direct funding grew by €0.8bn**, in particular in the highest loyalty-retention component, i.e. current accounts, which total €8.8bn (compared with €7.5bn at end-June 2018, an increase of 17%), whereas deposit accounts decreased to €6.2bn (from €6.6bn, down 6% since end-June 2018).
- **Growth in volumes derives from balanced contribution from the main distribution channels:**
 - **50% proprietary network**: €1.3bn in NNM. TFAs managed by the proprietary channel totalled €22.2bn, split between €8.3bn in AUM/AUA and €13.9bn in deposits.
 - **50% FAs**: €1.3bn in NNM. TFAs managed by the FAs channel reached €3.1bn, split between €2bn in AUM/AUA and €1.1bn in deposits.
- **Loans to households climbed** from €8.1bn to €9bn, on new mortgage loans of €1.8bn (up 11.8% on the €1.6bn reported last year). **Asset quality remained at excellent levels**: gross NPLs, not including the portfolio of bad loans being sold, declined from €332.1m to €178m, accounting for 2.% of total loans (versus 4.0%, a substantial reduction). Net NPLs, not including the portfolio of loans being sold and post-IFRS 9 FTA adding €17m, declined from €155.1m to €102.5m and account for 1.1% of net total loans, with a coverage ratio of 42.4% compared with 53.3% at the start of the year following the sale of the bad loans. Net bad debts decreased from €92.7m to €39.9m, and account for 0.4% of total net loans, with the coverage ratio decreasing from 60.9% to 56.9%.

PROFITABILITY CONTINUING TO IMPROVE

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

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- Revenues were up 1.6% (from €292.5m to €297.1m) **due in particular to fee income which continues to grow significantly** (up 7.5%, from €79.7m to €85.7m), offsetting the slight reduction in net interest income generated mainly by the increase in funding costs as a result of the promotion for deposit accounts.
- **Operating costs were basically flat**, rising just 0.4%, from €235.3m to €236.3m; with different trends between labour costs and administrative expenses. In particular there was an increase in labour costs of €3.2m (from €102.6m to €105.8m) linked to expansion of the distribution structure and despite the increase in operations and development of the franchise, while administrative expenses reduced by €2.2m (from €132.7m to €130.5m).
- **Loan loss provisions were down €2.8m**, from €16.5m to €13.7m (a decrease of 17.0%), helped by lower new NPLs plus the risk parameters being adapted to the new internal models; the cost of risk fell from 21 bps to 16 bps, despite reflecting the net losses deriving from the disposal of bad debts generated by the former Micos Banca (Italy and France).
- **GOP** came in at **€47.1m**, 15.7% higher than the €40.7m reported in FY 2017-18.
- **Net profit continues to increase, reaching €31.5m** (up 13.7% from €27.7m), reflecting the trends described above.
- **ROAC increased from 8.4% to 11.1%**, helped by the reduction in RWAs deriving from application of the AIRB to the mortgage lending portfolio.

PRINCIPAL INITIATIVES AND AWARDS

YourClub

During the year 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 programme is based on rewarding client' actions and behaviour along three main axes: use of digital channels, cross-selling and increasing share of wallet. At 30 June 2019 the scheme already had some 55,000 members.

Milan Conservatory Orchestra

CheBanca! has always sought to partner its clients, even the youngest, in realizing their projects. For this reason we have chosen to support **the Milan Conservatory Symphony Orchestra**, inaugurated with the 2018-19 academic year, to serve as a link between the world of education and the workplace.

Cometa – Academy of Woodworking

On 16 October 2018 a major **CSR initiative for young people** 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 Woodworking. 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.

Fuoricinema

CheBanca! was also a **sponsor of Fuoricinema 2018 and Fuoricinema 2019**. At the event, the CheBanca! Movie Contest was an attempt to spread the culture of Italian cinema, which included the award of the

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CheBanca! Fuoricinema prize as further testimony to the support which CheBanca! intends to provide for the talented new generations in this area.

Superbrands

CheBanca! – **for the fourth year running – has confirmed its position in the “Superbrands club”**, the programme which rewards and celebrates brands of excellence which succeed in building emotional attachments with their clients resulting in relationships of trust.

Milan, 24 July 2019

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1. RESTATED PROFIT AND LOSS ACCOUNT (€m)

CheBanca!	12 months		Chg. Y.o.Y. (%)
	30/6/18	30/6/19	
Net interest income	212.0	210.6	-0.7%
Net treasury income	0.8	0.8	0.0%
Net fee, commission and other income	79.7	85.7	7.5%
Total income	292.5	297.1	1.6%
Labour costs	-102.6	-105.8	3.1%
Administrative expenses	-132.7	-130.5	-1.7%
Operating costs	-235.3	-236.3	0.4%
Loan loss provisions/writebacks	-16.5	-13.7	-17.0%
GOP	40.7	47.1	15.7%
Other items	0.0	0.0	n.m.
Profit before tax	40.7	47.1	15.7%
Income tax	-13.0	-15.6	20.0%
Net profit	27.7	31.5	13.7%
Statutory net profit¹	19.0	17.2	-9.5%

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

CheBanca!	3M	3M	3M	3M	3M
	30/6/18	30/9/18	31/12/18	31/3/19	30/6/19
Net interest income	53.3	52.5	51.7	53.2	53.2
Net treasury income	0.2	0.1	0.3	0.2	0.2
Net fee, commission and other income	22.8	19.3	22.3	20.7	23.5
Total income	76.3	71.9	74.3	74.1	76.9
Labour costs	-27.5	-26.2	-26.4	-26.6	-26.7
Administrative expenses	-34.0	-31.8	-31.1	-32.6	-35.0
Operating costs	-61.5	-58.0	-57.5	-59.2	-61.7
Loan loss provisions	-4.4	-4.0	-3.2	-1.9	-4.6
GOP	10.4	9.9	13.6	13.0	10.6
Other items	0.0	-0.1	-0.2	0.2	0.1
Profit before tax	10.4	9.8	13.4	13.2	10.7
Income tax	-4.9	-3.5	-3.8	-5.2	-3.1
Net profit	5.	6.3	9.6	8.0	7.6
Statutory net profit¹	5.5	6.3	-0.1	8.8	2.2

- 1) Statutory net profit as stated here differs from the net profit stated for the affluent-premier segment of the Mediobanca Group, as it includes the contributions made to the interbank deposit guarantee fund and value adjustments made in respect of accounts outstanding with parent company Mediobanca S.p.A.

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

CheBanca!	30/6/18	30/9/18	31/12/18	31/3/19	30/6/19
AUM	6,320	6,503	6,650	7,252	7,711
AUA	2,116	2,170	2,262	2,517	2,623
Deposits	14,163	14,493	14,414	15,157	15,032
Total TFAs	22,598	23,166	23,326	24,926	25,366

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

CheBanca!	30/6/18	30/9/18	31/12/18	31/3/19	30/6/19
AUM	942	1,061	1,147	1,451	1,725
AUA	149	165	179	209	258
Deposits	644	779	896	1,027	1,125
Total TFAs	1,735	2,005	2,222	2,687	3,108

5. NET NEW MONEY (NNM, €m)

CheBanca! 12M	TOTAL 30/6/18	of which FAs	TOTAL 30/6/19	of which FAs
AUM	1,036	715	1,308	753
AUA	389	108	458	109
Deposits	810	549	869	481
Total net new money (NNM)	2,235	1,372	2,635	1,343

6. OTHER ASSET INFORMATION (€m)

CheBanca!	30/6/18 12M	30/9/18 3M	31/12/18 6M	31/3/19 9M	30/6/19 12M
Mortgage loans (cumulative new loans)	1,594	377	829	1,234	1,783
Loans to customers (stock)	8,107	8,184	8,382	8,625	9,002

7. INDICATORS/RATIOS

CheBanca!	30/6/18	30/9/18	31/12/18	31/3/19	30/6/19
Customers loans/customer deposits	57%	56%	58%	57%	60%
NPLs/total loans	1.9%	1.7%	1.5%	1.5%	1.1%
Net bad debts/total loans	1.1%	0.9%	0.8%	0.8%	0.4%
Cost/income ratio	80.4%	80.7%	79.0%	78.7%	79.5%

8. STRUCTURAL DATA

CheBanca!	30/6/18	30/9/18	31/12/18	31/3/19	30/6/19
No. of staff	1,321	1,326	1,330	1,339	1,364
o/w affluent-premier relationship managers	416	413	418	431	445
No. of FAs	226	244	288	319	335
No. of branch offices	111	111	110	110	110
No. of FAs POS	46	51	59	64	70