CheBanca!

PRESS RELEASE

CheBanca! Board of Directors' Meeting
Financial statements for year ended 30 June 2020 approved

Despite the highly critical scenario, CheBanca! has delivered an impressive set of commercial results for FY 2019-20, as testimony to the resilience and flexibility of its business model

Increasing revenues and gross profit confirm the bank's continuing growth trend

TFAs increase to €27.8bn (up 9.5% Y.o.Y., up 5.8% in 3M) with all components growing

AUM/AUA of €12.5bn (up 21% Y.o.Y., up 11.5% in 3M), deposits of €15.3bn (up 1.6% Y.o.Y., up 1.5% in 3M)

Net inflows since start of the year €2.6bn, €2.3bn in NNM as AUM/AUA, with growth accelerating sharply in 2H

€0.8bn in 1H, €1.8bn in 2H

Distribution strongly enhanced for third year running: now 868 professionals and 192 POS

454 affluent and premier relationship managers (9 added in 12M), responsible for €1bn of NNM (AUM/AUA)
414 Financial Advisors (79 added in 12M), responsible for €1.3bn of NNM (AUM/AUA)
CheBanca! branches now total 107, with 85 FAs POS (increase of 15 in 12M)

Revenues and gross profit continue positive trend:

Revenues up 7% to €317m, reflecting increasing diversification between NII (€214m) and fees (€102m, up 19%)
Costs up 6% to €250m, due to expansion in operations and distribution
Increase of €6m in loan loss provisioning to cover impact of COVID-19 pandemic
Gross profit up 2% to €48.1m
4Q revenues trend positive (up 3% to €80.5m)

Milan – 27 July 2020 - At a Board meeting held today, the Directors of CheBanca! approved the bank's results for the twelve months ended 30 June 2020.

The early months of 2020 were marked by the spread of the COVID-19 virus, which in the space of a few weeks caused an unprecedented global sanitary crisis, compounded by major economic and social consequences for the entire population. Even in such dramatic circumstances, however, **CheBanca! has continued to demonstrate the value, resilience and effectiveness of its business model.**

The results for 4Q FY 2019-2020 reflect the **gradual resumption of activities post-lockdown.** While **guaranteeing scrupulous compliance with the rules,** and with the primary objective always to **safeguard the health of both clients and collaborators**, CheBanca! has begun to welcome clients back to its offices without having to make appointments, and a percentage of staff have returned to work at head office, while the majority continue to work effectively from home.

In an unprecedented scenario, **the results posted by CheBanca! in 3Q 2019-20 demonstrated stability and resilience**, with NNM continuing to reflect inflows (driven by growth in direct funding), with clients shielded from the worst of the sharp market reductions thanks to prudent asset management. **In 4Q there was a significant upturn in NNM (AUM/AUA), allowing clients to benefit from the market recovery as well**.

The performance for the financial year as a whole shows **results continuing to grow**:

- **Increase in client base**, with 8k new clients added for a total of 879k, with a focus on the higher potential brackets;
- **TFAs increased to €27.8bn** (up 9.5% Y.o.Y., up 5.8% in 3M); **the AUM/AUA component increased to €12.5bn** (**up €2.2bn;** up 21% Y.o.Y., up 11.5% in 3M) as a result of an enhanced product offering;
- **NNM totalled €2.6bn in 12M**; €0.8bn in 1H, €1.8bn in 2H, representing further confirmation of clients' confidence in CheBanca!, who in difficult situations like the present are looking primarily for **quality, solidity and transparency**;
- **Customer loans climbed to €10.2bn (up 13.7% Y.o.Y.; up 1.6% in 3M); CheBanca! continues to support Italian households with residential mortgages in 12M totalling €2.2bn** (€0.4bn in 4Q, €0.5bn in 3Q) with low LTV values;
- **Revenues were up 6.8%, to €317.4m.**

OPERATIONS AND PRODUCT PORTFOLIO DEVELOPMENT

- **Client base** now consists of 879k customers, with 8k added in 12M, and flows recovering in the months since the lockdown started to be lifted. 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 channels.
- **Customer relations continue to be strengthened**, as demonstrated by the high customer satisfaction levels, helped by the strong digital identity of CheBanca!, which has enabled advisors to maintain ongoing contact with clients even at a distance, to support them in their needs in terms of banking transactions and providing advice on portfolios.
- **Banking activities performed efficiently through use of remote channels**, with growing trends and approx. 98% of transactions executed digitally in the last few months.
- **Distribution structure enhanced:** overall the distribution network now consists of 454 affluent and premier relationship managers (vs 445 at end-June 2019 and 453 at end-December 2019) and 414

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Financial Advisors (vs 335 at end-June 2019 and 395 at end-December 2019), based at a total of 192 branches and/or POS (vs 180 at end-June 2019 and 190 at end-December 2019).

- **Offering enhanced:** the bank's investment offering has been further enhanced in the twelve months with the launch of Mediobanca portfolio management products for CheBanca! Premier, a varied range of solutions which enables broad portfolio diversification, including components in securities and active management lines.

GROWTH IN BUSINESS VOLUMES
TFAs UP 9.5%, to €27.8bn, MORTGAGE LOANS UP 13.7%, TO €10.2bn

- **Total Financial Assets** ("TFAs") **reached €27.8bn, up 9.5%** on end-June 2019, with a 21% **increase in the AUM/AUA components** to €12.5bn.

- **Net New Money ("NNM") in 12M totalled €2.6bn,** reflecting a marked growth trend in both half-years (€0.8bn in 1H FY 2019-20, and €1.8bn 2H FY 2019-20), and chiefly consisting of AUM/AUA (€2.3bn), confirming the strength of the bank's distribution model even in the most critical market phases:
  - **€2.0bn in AUM** (inflows of €1.5bn in 1H FY 2019-20 and €0.5bn in 2H FY 2019-20);
  - **€0.3bn in AUA** (€0.1bn outflow in 1H FY 2019-20, €0.4bn inflow in 2H FY 2019-20);
  - **€0.3bn in direct funding** (€0.6bn outflow in 1H FY 2019-20, €0.9bn inflow in 2H FY 2019-20), with a reduction in the most expensive components (the average cost was 4 bps lower than in the same period last year). Direct funding includes the highest loyalty-retention component and totalled €9.6bn.

  Both distribution channels made strong contributions to the growth in managed assets **since the start of the year**:
  - **Relationship Managers: €1.0bn** in NNM in the AUM/AUA component. TFAs managed by the proprietary channel totalled €22.7bn, split between €9.3bn in AUM/AUA and €13.4bn in deposits;
  - **Financial advisors: €1.3bn** in NNM in the AUM/AUA component. TFAs managed by the Financial Advisors channel totalled €5.1bn, split between €3.2bn in AUM/AUA and €1.9bn in deposits.

Loans to households (residential mortgages) **climbed** during the period, **from €9.0bn to €10.2bn,** on **new mortgage loans** of **€2.2bn** (21.9% higher than last year, the slowdown in 4Q being due to the generalized lockdown). **Gross NPLs increased, from €178m to €194.9m,** and account for 1.9% of total loans (slightly lower than at 30 June 2019). **Net NPLs increased, from €102.5m to €110.3m,** and represent 1.1% of net loans with a coverage ratio of 43.4% (vs 42.4% at the start of the year). **Net bad debts increased, from €39.9m to €46.3m,** and account for 0.5% of net loans, with the coverage ratio increasing from 56.9% to 56.2%. As far as regards the **impact of mortgage repayment suspensions** as a result of the COVID-19 pandemic, a total of **6,258 applications have been received in respect of loans worth €719m, and 5,170 have been accepted (€601m).** Of these, **€35.7m have been reclassified from stage 1 to stage 2,** with approx. €1.4m added to the provisioning. Some mortgage repayment suspensions have also been granted for loans already classified as stage 2**, in an amount of €4.6m, which has led to the assets being reclassified as stage 3,** with approx. €1m added to the provisioning as a result.

PROFITABILITY CONTINUING TO IMPROVE
REVENUES UP 6.8% TO €317.4M, NET PROFIT UP 1.3% TO €31.9M

The profit and loss account reflects a healthy performance compared to the 12M last year:

- **Revenues were up 6.8%** (or €20.3m; from €297.1m to €317.4m), **due in particular to fee income which continues to grow significantly, up 18.9%** (or €16.2m; from €85.7m to €101.9m), the **recurring component especially,** with net interest income also contributing healthily, up 1.7% (or €3.5m; from €210.6m to €214.1m);
- **Operating costs rose by 5.7%** (or €13.5m; from €236.3m to €249.8m), chiefly due to **labour costs which increased by €9.9m** (up 9.4%; from €105.8m to €115.7m) linked to enhancement of the distribution structure, the increase in operations, and development of the franchise. **Administrative expenses were also slightly higher, up €3.6m** (or 2.8%; from €130.5m to €134.1m). It should be noted that part of the increase is due to costs incurred in connection with the COVID-19 pandemic, which accounted for €1.5m;
- **Loan loss provisions** rose by €5.7m (from €13.7m to €19.4m), reflecting the objective difficulties involved in credit recovery activities during the lockdown period, as well as the increase in provisioning to cover the macroeconomic scenarios, and the loans for which moratoria have been granted being reclassified in status;
- **GOP increased to €48.1m** (from €47.1m; **up 2.1%**).

The earnings results for 4Q (i.e. three months ended 30 June 2020) reflect the following performances relative to 3Q:

- **Revenues in 4Q were up 3.5%** (€2.7m; from €77.8m to €80.5m), including a **4.5% increase in net interest income** (up €2.3m; from €51.6m to €53.9m).
- **Fee income grew by 1.2%** (or €0.3m; from €25.8m to €26.1m), reflecting a recovery from 3Q when results were impacted by the market difficulties generated by COVID-19;
- **Operating costs increased slightly, by 3%** (€1.9m; from €62.4m to €64.3m), mainly due to the increase in labour costs which were up 5.6% (or €1.6m; from €28.5m to €30.1m);
- **Loan loss provisions reflect an increase of €4.0m** (from €4.0m to €8.0m) as a result of the phenomena described above;
- **GOP came in at €9.1m,** 8.1% lower than the €9.9m posted in 3Q due to the trends previously described.

CHEBANCA! COMMITMENT TO CSR

The initiatives undertaken by CheBanca! in FY 2018-19 to support various financial education and social inclusion projects have continued in FY 2019-20 as well.

The collaboration between CheBanca! and the “Cometa” social co-operative “Contrada degli Artigiani” has continued with the **CSR initiative for young people, “CheBanca! Academy of Woodworking”**. The project aims 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.

The bank's support for **the Milan Conservatory Symphony Orchestra**, which commenced in the 2018-19 academic year with a view to serving as a link between the world of education and the workplace, continued in 2019-20 as well.
In October 2019, the month of financial education, CheBanca! renewed its collaboration with **Junior Achievement**, the business and financial education programme targeting students aged 11-14, hosting sessions with middle-school students at branch offices in Brescia, Milan and Rome.
Finally, among the initiatives adopted by the Mediobanca Group to help address the COVID-19 crisis, CheBanca!, in conjunction with the promotional campaign for the new tied deposit account offering, April and May, committed to donating the equivalent of 1x1000 of new tied deposits to **charitable initiatives to provide help in the emergency**. The first donation made to non-profit organization "Hope" allowed six ventilators and seven portable ultrasound machines to be delivered to nine hospitals in Lombardy.

COVID-19 HEALTH CRISIS

As already described in the press release for the 3Q results as at 31 March 2020, the bank's activity has been profoundly impacted by the COVID-19 emergency, which has affected both management of customer relations and the employment activities required to ensure business continuity.

The situation has developed further in 4Q. In line with the gradual resumption of activities as the lockdown has begun to be eased, **from 8 June 2020 CheBanca! branch offices started to receive customers without appointment once again, while ensuring that all measures to protect clients and staff/advisors continue to be respected. As for customer service operations, usual working hours resumed on 22 June 2020, with the service again guaranteed between 9.00 a.m. and 7.00 p.m. As regards staff employed at headquarters, the maximum capacity of the working environments has been calculated, to allow staff to work in the office simultaneously while ensuring that social distancing is practised (up to 30% of all staff may be present on the premises at any time).** With so many staff able to work effectively from home, in the month of June the number of staff present in the office was around 20%.
As far as regards **the granting of credit lines** under the so-called "Liquidity Decree", with reference specifically to loans granted pursuant to Article 13, letter m) with 100% guarantees issued by the SME Guarantee Fund (Italian Law 662/96), **as at 30 June 2020 a total of 726 applications had been received for loans worth €8.5m, and 146 had already been granted, for an amount totalling €1.9m.** CheBanca! has also signed up to the **Italian banking association agreement** on advances to **workers who qualify for supplementary income under the terms of the so-called "Heal Italy" decree: a total of 127 applications have so far been received.**

Milan, 27 July 2020

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1. RESTATED PROFIT AND LOSS ACCOUNT (€M)

CheBanca!	12 months 30/6/19	12 months 30/6/20	Chg. Y.o.Y.%	Chg. Y.o.Y.
Net interest income	210.6	214.1	1.7%	3.5
Net treasury income	0.8	1.4	75.0%	0.6
Net fee and commission income	85.7	101.9	18.9%	16.2
Total income	**297.1**	**317.4**	**6.8%**	**20.3**
Labour costs	-105.8	-115.7	9.4%	9.9
Administrative expenses	-130.5	-134.1	2.8%	3.6
Operating costs	**-236.3**	**-249.8**	**5.7%**	**13.5**
Loan loss provisions (writebacks)	-13.7	-19.4	41.6%	5.7
GOP	**47.1**	**48.2**	**2.3%**	**1.1**
Other items	0.0	-0.1	n.m.	-0.1
Profit before tax	**47.1**	**48.1**	**2.1%**	**1.0**
Income tax	-15.6	-16.2	3.8%	0.6
Net profit	**31.5**	**31.9**	**1.3%**	**0.4**
Statutory net profit	**17.2**	**22.4**	**30.2%**	**5.2**

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

CheBanca!	3M 30/6/19	3M 30/9/19	3M 31/12/19	3M 31/3/20	3M 30/6/20
Net interest income	53.2	54.6	54.0	51.6	53.9
Net treasury income	0.2	0.2	0.3	0.4	0.5
Net fee and commission income	23.5	22.3	27.7	25.8	26.1
Total income	**76.9**	**77.1**	**82.0**	**77.8**	**80.5**
Labour costs	-26.7	-28.2	-28.9	-28.5	-30.1
Administrative expenses	-35.0	-32.2	-33.8	-33.9	-34.2
Operating costs	**-61.7**	**-60.4**	**-62.7**	**-62.4**	**-64.3**
Loan loss provisions	-4.6	-4.2	-3.2	-4.0	-8.0
GOP	**10.6**	**12.5**	**16.1**	**11.4**	**8.2**
Other items	0.1	0.5	0.0	-1.5	0.9
Profit before tax	**10.7**	**13.0**	**16.1**	**9.9**	**9.1**
Income tax	-3.1	-4.5	-5.6	-3.3	-2.8
Net profit	**7.6**	**8.5**	**10.5**	**6.6**	**6.3**
Statutory net profit	**2.2**	**8.7**	**5.4**	**5.9**	**2.4**

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

CheBanca!	30/6/19	30/9/19	31/12/19	31/3/20	30/6/20
AUM	7,711	8,440	9,349	8,795	9,622
AUA	2,623	2,629	2,656	2,422	2,882
Deposits	15,032	14,776	14,460	15,052	15,277
Total TFAs	**25,366**	**25,845**	**26,465**	**26,269**	**27,781**

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

CheBanca!	30/6/19	30/9/19	31/12/19	31/3/20	30/6/20
AUM	1,725	2,082	2,571	2,429	2,873
AUA	258	272	287	278	340
Deposits	1,125	1,354	1,429	1,803	1,861
Total TFAs	**3,108**	**3,708**	**4,287**	**4,511**	**5,074**

5. NET NEW MONEY (NNM, €M)

CheBanca!	3M 30/6/19	3M 30/9/19	3M 31/12/19	3M 31/3/20	3M 30/6/20
AUM	413	642	807	170	366
AUA	70	-96	15	91	317
Deposits	-125	-256	-316	592	225
Total net new money (NNM)	**358**	**290**	**506**	**853**	**909**

6. NET NEW MONEY – FAs NETWORK (€M)

CheBanca!	3M 30/6/19	3M 30/9/19	3M 31/12/19	3M 31/3/20	3M 30/6/20
AUM	256	326	446	191	219
AUA	48	5	16	37	45
Deposits	98	229	75	374	58
Total net new money (NNM)	**402**	**560**	**536**	**602**	**322**

7. OTHER ASSET INFORMATION (€M)

CheBanca!	30/6/19 12M	30/9/19 3M	31/12/19 6M	31/3/20 9M	30/6/20 12M
Mortgage loans (cumulative new loans)	1,783	556	1,313	1,791	2,173
Loans to customers (stock)	9,002	9,459	9,814	10,069	10,235

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8. INDICATORS/RATIOS

CheBanca!	30/6/19	30/9/19	31/12/19	31/3/20	30/6/20
Customers loans/customer deposits	60%	64%	68%	67%	67%
NPLs/total loans	1.1%	1.1%	1.0%	1.0%	1.1%
Net bad debts/total loans	0.4%	0.4%	0.4%	0.4%	0.5%
Cost/income ratio	79.5%	78.3%	77.4%	78.3%	78.7%

9. STRUCTURAL DATA

CheBanca!	30/6/19	30/9/19	31/12/19	31/3/20	30/6/20
No. of staff	1.364	1.380	1.392	1.415	1.430
o/w affluent-premier relationship managers	445	451	453	454	454
No. of FAs	335	365	395	409	414
No. of branch offices	110	107	107	107	107
No. of FAs POS	70	76	83	83	85