

CheBanca! Board of Directors' Meeting Financial statements for year ended 30 June 2021 approved

**CheBanca! has accelerated on its growth path in FY21,
in accordance with the direction outlined in the 2019-23 Strategic Plan**

The bank's specialized business model, with its advisory-based approach integrated with best-in-class technologies, backed by ongoing enhancement of both distribution and product offering, has enabled it to come through the continuing pandemic successfully and deliver record results

**TFAs up 17% to €32.5bn, with AUM up 25% to €15.6bn
NNM of €3.7bn, up 45%
Revenues up 13%, to €358m, with fees up 24% to €127m
Net profit up 53%, to €49m**

**TFAs increased to €32.5bn (up 17.2% YoY, up 3.7% QoQ), in all segments
AUM/AUA up to €15.6bn (up 25% YoY, up 6.8% QoQ), deposits up to €16.9bn (up 10.8% YoY, up 1.0% QoQ)**

**NNM of €3.7bn in 12M, €2.1bn of which AUM/AUA,
on substantial growth in AUM in 2H
€1.6bn in 1H, €2.1bn in 2H, with NNM of €0.7bn in AUM/AUA in 4Q**

Customer loans totalling €11.1bn (up 8.1% YoY; up 1.5% in 4Q), with new loans in residential mortgages at high levels (€2.2bn, stable YoY), €0.5bn of which in 4Q (vs €0.6bn in 3Q)

Strong investments in distribution for the fourth year running, with recruitment resuming after the Covid-related slowdown:

951 professionals and 205 POS

**Premier relationship managers total 486 (7 added in 4Q, 32 in 12M), responsible for €1.1bn of AUM/AUA in 12M
Financial advisors total 465 (18 added in 4Q, 51 in 12M), responsible for €1.0bn of AUM/AUA in 12M
107 CheBanca! branches and 98 FAs offices (13 in 12M)**

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Revenues, profit and cost/income ratio continue their positive trajectory:

*Revenues total €358m (up 13%), on net interest income of €229m (up 7%)
and fee income of €127m (up 24%)*

Growth in fee income is testimony to ongoing enhancement of the product offering and asset profitability

*Cost/income ratio down from 79% to 75%, despite the continuing investments in distribution and expansion in
the scope of operations (operating costs up 7%, to €268m)*

Loan loss provisions flat, cost of risk 0.17%

Net profit up 52.7%, to €48.7m

*4Q results show continuing growth in revenues (to €93.9m) and fee income (to €34m), and consolidation at the
net profit level (€12.3m) due to the seasonal nature of operating costs*

OPERATIONS AND PRODUCT PORTFOLIO DEVELOPMENT

The programme of investments continued in the twelve months, in accordance with the direction outlined in the Mediobanca Group 2019-23 Strategic Plan, with ongoing commitment to the areas of **digital innovation**, **distribution**, by refurbishing existing branch offices and selecting new openings, and **communications**, in particular with the “Alza la tua visione” campaign (“Raise your vision”), to differentiate CheBanca! as a long-term partner of choice in financial advisory and planning services).

In accordance with the measures required to address the ongoing medical emergency, operations at the branches and the FAs’ offices have been by appointment only, leveraging on the use of remote collaboration instruments where possible, guaranteeing continuous and ongoing coverage or relations with clients.

Customer relations continue to strengthen, as demonstrated by the high and increasing customer satisfaction levels reported.

The increase in **investments** has been carried on with a view to **requalifying** the portfolio with a view to increasing **diversification**.

The portfolio management platform has been further expanded in the past year, with seven new distribution agreements signed. The following placements have been successfully completed: Mediobanca SGR’s “Mediobanca Diversified Credit Portfolio 2026 Target Maturity Fund”, raising subscriptions of €112m; RAM’s “Sustainable Flexible Fund”, raising subscriptions of €100m; plus 24 issues of bonds and certificates, giving priority to structures that offer high levels of protection consistent with the market trend in the last year.

A strategic partnership in the area of **digital payments** has been entered into with Nexi during the twelve months. This agreement enables CheBanca! to expand the range of payment cards offered to clients and provide access to new advanced services and features.

Enhancement of the distribution structure has continued, with **32 premier relationship managers** and **51 FAs recruited** during the twelve months. Overall the distribution network now consists of 486 premier relationship

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managers (vs 454 at end-June 2020) and 465 FAs (vs 414 at end-June 2020), working at 205 branches and POS (vs 192 at end-June 2020).

GROWTH IN BUSINESS VOLUMES

TFAs UP 17.2% TO €32.5bn, CUSTOMER LOANS UP 8.1% TO €11.1bn

- **Total Financial Assets (“TFAs”)** totalled **€32.5bn**, up **17.2%** YoY, with a **25% increase in AUM/AUA** to reach €15.6bn. The market effect was positive (€1.1bn), confirming the balanced asset allocation.
- **Net New Money (“NNM”) for 12M** totalled **€3.7bn**, reflecting a marked growth trend in the second half-year (€1.6bn in 1H 2020-21, €2.1bn in 2H 2020-21), mostly consisting of AUM/AUA (€2.1bn). The positive trend was confirmed in 4Q, with more than €0.7bn of NNM in AUM/AUA. The main items performed as follows:
 - **AUM: €1.8bn AUM** (€0.8bn in 1H 2020-21, €1.0bn in 2H 2020-21);
 - **AUA: €0.3bn** (€0.1bn in 1H 2020-21, €0.2bn in 2H 2020-21);
 - **Direct funding: €1.6bn** (€0.7bn in 1H 2020-21, €0.9bn in 2H 2020-21), **with a reduction in the more expensive components**. Of the various items, the highest loyalty-retaining transactional component continues to grow, reaching €11.3bn (up €1.7bn; or 15%).

Both distribution channels made strong and balanced **contributions to the growth in managed assets:**

- **Premier relationship managers: €1.1bn in NNM in the AUM/AUA component**. TFAs managed by the proprietary channel totalled €25.8bn, €11.0bn of which in AUM/AUA;
- **Financial Advisors: €1.0bn in NNM in the AUM/AUA component**. TFAs managed by the Financial Advisors channel totalled €6.8bn, €4.6bn of which in AUM/AUA.

Loans to households (residential mortgages) **climbed** during the period, **from €10.2bn to €11.1bn**, on **new mortgage loans** of **€2.2bn** (unchanged from last year). **Gross NPLs increased, from €194.9m to €210.5m**, and account for 1.9% of total loans (also unchanged versus last year). **Net NPLs increased from €110.3m to €112.5m**, and represent 1% of net loans with a **coverage ratio of 46.6% (vs 43.4% at the start of the year)**. **Net bad debts** account for 0.4% of net loans and **decreased from €46.3m to €43.2m** due mainly to an **increase in the coverage ratio, which rose from 56.2% to 60.3%**. As far as regards the **impact of mortgage repayment suspensions** due to the Covid-19 pandemic, **of the €652.9m total amount granted €210.6m is outstanding** (1.9% of total loans); **91%** of this has been **prudentially reclassified to stage 2 or stage 3** in view of the ongoing pandemic and having regard to the ECB guidance in this area. Of the moratoria that have expired, 80% have resumed regular repayments, with just 1.7% recording instances of non-payment.

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PROFITABILITY CONTINUES TO IMPROVE

REVENUES UP 12.8% TO €358.0m, NET PROFIT UP 52.7% TO €48.7m

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

- **Revenues were up 12.8%** (or €40.6m; from €317.4m to €358m), **due in particular to fee income which continues to grow significantly, up 24.2%** (or €24.7m; from €101.9m to €126.6m), in particular **recurring fees (up 23.2%) and management fees (up 21.6%)**. Net interest income also rose by 7.1% (or €15.2m; from €214.1m to €229.3m);
- **Operating costs rose by 7.2%** (or €18.0m; from €249.8m to €267.8m), chiefly due to **labour costs which increased by €6.4m** (up 5.5%; from €115.7m to €122.1m) linked to enhancement of the distribution structure, the increase in operations, and development of the franchise, plus also **administrative expenses, up €11.6m** (or 8.7%; from €134.1m to €145.7m), driven by investments in communications, the rebranding activities, the increase in POS and expansion of activities;
- The **cost/income ratio improved** significantly, from 78.7% to **74.8%**;
- **Loan loss provisions** reduced slightly, down €0.8m (from €19.4m to €18.6m), reflecting the fact that the difficulties encountered in credit recovery activities during the lockdown period last year are now largely over, plus the good performance in terms of the moratoria that have been successfully completed, despite higher provisioning due to reclassifications of loans still under moratoria arrangements; the cost of risk decreased from 0.19% to 0.17%;
- **GOP grew to €73.0m, up 51.8%** on the €48.1m reported last year;
- **Net profit climbed to €48.7m, up 52.7%** on the €31.9m reported last year.

The earnings results for 4Q (i.e. three months ended 30 June 2021) reflect the following performances relative to 3Q:

- **Revenues in 4Q were up 3.4%** (or €3.1m; from €90.8m to €93.9m): of the main revenue items, net interest income increased by 2.8% (or €1.6m; from €57.9m to €59.5m), as did fees, by 5.9% (€1.9m; from €32.1m to €34.0m). The management fee component continues to be substantial;
- **Operating costs were up 9.3% QoQ (or €6.2m; from €66.6m to €72.8m)**, chiefly due to seasonal factors related to operations and expansion;
- **Loan loss provisions decreased by €1.0m (down 23.8%, from €4.2m to €3.2m)**, despite the accounts with moratoria still outstanding being reclassified to stage 2 and stage 3;
- **GOP decreased** by €2.1m QoQ (from €20.3m to €18.2m; a reduction of 10.3%);
- **Net profit decreased** by €1.4m QoQ (from €13.7m to €12.3m; a reduction of 10.2%).

CHEBANCA! COMMITMENT TO CSR

CheBanca!'s commitment to supporting the community has been strengthened during the year. Following the launch of two projects in 2020 (the first in conjunction with the "Hope" non-profit organization to acquire medical machinery and equipment to help the hospitals of Lombardy, the second with the Progetto Arca Onlus

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Foundation to support a thousand families in difficulty by regularly delivering food parcels and necessity goods to them), in January 2021 CheBanca! repeated the solidarity initiative linked to the deposit account promotion, with the Bank committing to use 1x1000 of the amounts tied to support charitable initiatives.

The first project launched from funds raised in 2021 has been the partnership with Dynamo Camp Onlus, in which CheBanca! has financed a year of aquatic play therapy and climbing/adventure park activities for more than 1,800 children and young people with serious and/or chronic illnesses or disabilities.

The bank also continues to support the Academy of Woodwork, a social craft business set up from the partnership between CheBanca! and the “Contrada degli Artigiani” social co-operative, to counter the phenomenon of young people leaving school early by facilitating the inclusion of young people with social economic and personal difficulties in the workplace.

The partnership with the *Teatro Nazionale di Milano* has also been renewed: a prestigious institution in terms of its social and cultural value, the Milan National Theatre supports and promotes shows, musicals, concerts, and training initiatives for the young generations in these disciplines.

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1. RESTATED PROFIT AND LOSS ACCOUNT (€)

CheBanca!	12M 2019-20	12M 2020-21	Chg.	Chg.
	30/6/20	30/6/21	YoY%	YoY
Net interest income	214.1	229.3	7.1%	15.2
Net treasury income	1.4	2.1	50.0%	0.7
Net fee and commission income	101.9	126.6	24.2%	24.7
Total income	317.4	358.0	12.8%	40.6
Labour costs	-115.7	-122.1	5.5%	6.4
Administrative expenses	-134.1	-145.7	8.7%	11.6
Operating costs	-249.8	-267.8	7.2%	18.0
Loan loss provisions (writebacks)	-19.4	-18.6	-4.1%	-0.8
GOP	48.2	71.6	48.5%	23.4
Other items	-0.1	1.4	n.s.	1.5
Profit before tax¹	48.1	73.0	51.8%	24.9
Income tax	-16.2	-24.3	50.0%	8.1
Net profit	31.9	48.7	52.7%	16.8

¹ Amount stated does not include €19.3m paid to DGS and €4m in adjustments to amounts receivable from parent company Mediobanca S.p.A. included in the statutory net profit.

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

CheBanca!	3M	3M	3M	3M	3M
	30/6/20	30/9/20	31/12/20	31/3/21	30/6/21
Net interest income	53.9	55.5	56.4	57.9	59.5
Net treasury income	0.5	0.3	0.6	0.8	0.4
Net fee and commission income	26.1	27.2	33.3	32.1	34.0
Total income	80.5	83.0	90.3	90.8	93.9
Labour costs	-30.1	-30.4	-29.6	-30.3	-31.8
Administrative expenses	-34.2	-33.0	-35.4	-36.3	-41.0
Operating costs	-64.3	-63.4	-65.0	-66.6	-72.8
Loan loss provisions (writebacks)	-8.0	-6.0	-5.2	-4.2	-3.2
GOP	8.2	13.6	20.1	20.0	17.9
Other items	0.9	0.3	0.5	0.3	0.3
Profit before tax	9.1	13.9	20.6	20.3	18.2
Income tax	-2.8	-4.7	-7.1	-6.6	-5.9
Net profit	6.3	9.2	13.5	13.7	12.3

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

CheBanca!	30/6/20	30/9/20	31/12/20	31/3/21	30/6/21
AUM	9,622	10,029	10,818	11,402	12,208
AUA	2,882	2,916	3,102	3,234	3,421
Deposits	15,277	15,746	15,983	16,744	16,920
Total TFAs	27,781	28,691	29,903	31,380	32,549

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

CheBanca!	30/6/20	30/9/20	31/12/20	31/3/21	30/6/21
AUM	6,749	6,963	7,391	7,683	8,040
AUA	2,543	2,567	2,728	2,835	3,002
Deposits	13,415	13,782	13,959	14,640	14,742
Total TFAs	22,707	23,312	24,078	25,158	25,784

5. CUSTOMER TOTAL FINANCIAL ASSETS – FA NETWORK (TFAs, €M)

CheBanca!	30/6/20	30/9/20	31/12/20	31/3/21	30/6/21
AUM	2,873	3,066	3,427	3,719	4,168
AUA	340	349	374	399	419
Deposits	1,861	1,964	2,025	2,104	2,178
Total TFAs	5,074	5,379	5,826	6,222	6,765

6. NET NEW MONEY (NNM, €M)

CheBanca!	3M 30/6/20	3M 30/9/20	3M 31/12/20	3M 31/3/21	3M 30/6/21
AUM	366	302	515	442	561
AUA	317	47	28	12	153
Deposits	225	469	238	761	176
Total Net New Money (NNM)	909	818	782	1,215	889

7. NET NEW MONEY – PROPRIETARY NETWORK (€M)

CheBanca!	3M 30/6/20	3M 30/9/20	3M 31/12/20	3M 31/3/21	3M 30/6/21
AUM	147	161	291	206	235
AUA	272	34	24	5	139
Deposits	167	367	177	682	102
Total Net New Money (NNM)	586	561	493	892	476

8. NET NEW MONEY – FAs NETWORK (€M)

CheBanca!	3M 30/6/20	3M 30/9/20	3M 31/12/20	3M 31/3/21	3M 30/6/21
AUM	219	141	224	236	325
AUA	45	13	4	7	13
Deposits	58	103	61	79	74
Total Net New Money (NNM)	322	257	289	323	413

9. OTHER ASSET INFORMATION (€M)

CheBanca!	30/6/20 12M	30/9/20 3M	31/12/20 6M	31/3/21 9M	30/6/21 12M
Mortgage loans (cumulative new loans)	2,173	416	1,070	1,674	2,220
Loans to customers (stock)	10,235	10,382	10,698	10,897	11,063

10. INDICATORS/RATIOS

CheBanca!	30/06/20	30/9/20	31/12/20	31/3/21	30/06/21
Customer loans/customer deposits	67%	66%	67%	65%	65%
NPLs/total loans	1.1%	1.1%	1.0%	0.97%	1.02%
Net bad debts/total loans	0.5%	0.5%	0.5%	0.4%	0.4%
Cost/income ratio	78.7%	76.4%	74.1%	73.8%	74.8%

11. STRUCTURAL DATA

CheBanca!	30/6/20	30/9/20	31/12/20	31/3/21	30/06/21
No. of staff	1,430	1,438	1,436	1,453	1,461
of which premier relationship managers	454	472	467	479	486
No. of FAs	414	422	429	447	465
No. of branches	107	108	107	107	107
No. of FAs POS	85	91	93	94	98