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Oggetto : Mediobanca Group Press Release

Testo del comunicato

Attached the press release regarding the closing of Mediobanca Group's acquisition of Barclay's Italian retail business through its subsidiary CheBanca!



MEDIOBANCA

CheBanca!

Press release

Acquisition of Barclays' Italian retail business now complete

CheBanca! doubles in size; funding over €20bn

CheBanca! structured to benefit from increasing use of online banking with yellow advisory platform

Mediobanca Group acquires enhanced visibility in asset management industry and improves already excellent asset quality

The Mediobanca Group's acquisition of Barclays' Italian retail business through its subsidiary CheBanca! was completed on Friday, 26 August. CheBanca! has acquired a selected retail business line operating in Italy from Barclays with:

- ◆ 220,000 retail clients, over 50,000 of whom in the "premium" bracket;¹
- ◆ direct funding of €2.9bn;
- ◆ indirect funding of €2.9bn, €2.0bn of which AuM;
- ◆ residential mortgage loans totalling €2.5bn, all performing and aligned with CheBanca! quality standards;
- ◆ 85 branches in Italy;
- ◆ 564 commercial retail staff and 68 financial advisors.

Under the terms of the deal, Barclays will pay CheBanca! €240.5m in respect of a business unit with balanced assets and liabilities.

With this deal CheBanca! has doubled in size and now has total funding of above €20bn, taking a further step in its process of growth and development in the asset management segment for Italian households.

The acquisition has driven substantial increases in the number of clients (up 38% to 800,000), AuM (up 74% to €6.8bn), direct funding (up 27% to €13.6bn), and mortgage loans (up 50% to €7.5bn).

The deal also **further strengthens the company's multi-channel distribution model**: the number of branches rises to 143 and the FAs network fits with and complements Yellow Advice, the financial advisory service for investments, unique in Italy, which combines robo-advisory technology with human presence to create a genuine "human digital bank".

"With this deal we wanted to provide **strong impetus** to the CheBanca! growth plan", **added GianLuca Sichel, CheBanca! CEO**. "The acquisition of Barclays' Italian retail activities will enable us to significantly enhance our client base while maintaining high quality levels, and to strengthen our capabilities and multi-channel business model which is unique on the market in terms of accessibility and innovation."

Consolidation of €2.5bn in former Barclays' residential mortgage loans, all of which performing, has further improved the Mediobanca Group's already distinguished asset quality: consolidating these items pro forma, NPLs now decline from 2.9% of the total loan book (consolidated data at 30 June 2016) to 2.7%, comfortably below the average figures of 10.7% for Italian banks and 3.5% for European banks.

¹ Clients with total assets of over €50,000 in the past three years.



MEDIOBANCA

CheBanca!

The deal comes at the end of a three-year period (2014-2016) in which the Mediobanca Group has been strongly committed to becoming simpler and easier to value by the market, able to ensure sustainable profitability in the medium term by investing in three specialized banking activities (CIB, consumer credit, and wealth management), all three high fee-generating, low capital-absorbing businesses. In the three years the Group has:

- ♦ **reduced its exposure to equities and the volatility associated with it:** stakes worth €1.5bn sold, yielding gains of €0.5bn; volatility associated with valuation of AFS stakes removed from earnings; disposal of 3pp of AG stake launched
- ♦ **invested in high fee-generating, low capital-absorbing businesses:** Group AUM doubled to reach €35bn as a result of organic growth (CheBanca! and private banking) and acquisitions (Cairn Capital and Barclays); investment banking activities strengthened in Italy and elsewhere
- ♦ **increased profitability:** GOP doubled to €736m (30/6/13: €370m), aggregate net profits of €1.7bn generated, dividends worth €600m distributed, ROTE above 7%
- ♦ **capital solidity preserved** (capital ratios above 12%) **and outstanding asset quality** (Texas ratio - NPLs/common equity - 16%), **factors which strongly distinguish Mediobanca in the panorama of other Italian banks.**

CheBanca!, in particular, **has definitively evolved from deposit gatherer to profitable wealth manager and is now a source of recurring fee generation for the Group.** In the three years it has collected AUM worth €4bn, while keeping deposits at a level of over €10bn; in FY 2015/16 the bank reported revenues up 15.4% to €192.4m, and a net profit of €7.5m; ROAC from negative now stands at 5%.

"This deal confirms the Mediobanca Group's desire to push CheBanca! to become the Italian householders' asset management partner of choice", **said Alberto Nagel, CEO of Mediobanca.** "**CheBanca!** has confirmed its position **as a strategic asset for the Mediobanca Group** on the back of its position as a source of significant and increasing fees as well as of diversification in terms of forms of funding. **CheBanca!** is also **unique** in the Italian financial panorama on account of the **innovativeness of its business model**, which continues to anticipate consumer behaviour with the help of its strong technological component. The deal also confirms the Mediobanca Group's commitment to proceeding with acquisitions that will strengthen its competitive positioning in areas of strategic interest while preserving its high capital ratios and outstanding asset quality."

Milan, 30 August 2016

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