

**PRESS
RELEASE**

Preliminary results at 31 December 2019

Best-ever net profit driven by growth, diversification and markets

- Net profit: €272.1 million (+51%)
- 4Q net profit: €76.1 million (+72%)
- Total revenues: €578.0 million (+28.6%)
- Operating expenses: €221.2 million (+12.5%)
- Recurring net profit¹: €150.0 (+12.7%)

Assets up €11.5 billion in 2019 and promising year-start 2020

- Total assets for 2019: €69.0 billion
- Assets under Advisory: €4.7 billion (+105%)
- 2019 net inflows: €5.1 billion
- January 2020 net inflows: €438 million

Dividend per share at €1.85, and payout at 79% at the top-end of guidance

- Two-step payment: €1.55 per share in May 2020 and €0.30 per share in January 2021

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Milan, 10 February 2020 – The Board of Directors of Banca Generali, chaired by Giancarlo Fancel, approved the preliminary consolidated results at 31 December 2019.

Chief Executive Officer and General Manager Gian Maria Mossa stated: *“2019 was the best year in our history, with results that showed strong improvements in all P&L and balance sheet items. Our customers’ returns rose as we leveraged the markets’ variable component, while maintaining our distinctive prudent approach based on volatility control. Despite the complicated context for financial markets of year-end 2018, we increased total assets by over €11 billion, further strengthening our brand and our position as a leading player within the Italian private banking sector.*

¹ Net of performance fees, non-recurring trading income, one-off costs and provisions, and M&As for 2019.



We accelerated the launch of exclusive investment and wealth management service solutions, which soon met with customers' appreciation, as confirmed by the sharp growth of Assets under Advisory and the success of the new advisory approach focussing on sustainability in line with the SDGs. This further proves our financial advisors' outstanding professionalism and the excellence of the technological platforms we provide them with. In light of these results, we look towards our three-year plan's goals and the challenges for 2020 with increasing optimism."

Consolidated P&L results at 31 December 2019

Net profit amounted to €272.1 million (+51%) in 2019, marking the Bank's best-ever result. Data confirmed that execution of the three-year plan is in well on track towards the achievement of our growth objectives aiming at sustainable development and greater revenue diversification.

In 2019, the result was driven by a more favourable global financial market context, but also by the sharp increase in recurring profit (**€150.0 million; core net profit: +12.7%**) backed by the strong and ongoing business expansion (**€69 billion total assets; +20%**), as well as the several product and service diversification initiatives.

In further detail:

Net banking income rose by 29% to €578.0 million, thanks to the healthy trend of net interest income and recurring fees (management, underwriting and banking fees). The result was also driven by the variable revenue components linked to financial market trends and the good performance generated for the Bank's customers (net performance: +7.2%; performance of managed products: +11%).

Net financial income was €88.2 million, up 4.9%. The result was attributable to the increase in **net interest income (€74 million; +23.4%)** and a sharp decline in the variable component of trading income. Net interest income benefited from both higher interest-bearing assets (€10.9 billion; +20%) and higher returns (75bps; +6bps), particularly on financial assets (82bps; +9bps) and liquidity. At the end of the year, the Bank's treasury portfolio totalled €7.8 billion (+38% for the year), with an increasingly prudent approach as confirmed by an overall duration of 1.6 years and maturity of 3.5 years.

Gross fees rose by 18.8% to €881 million. This result was partly attributable to the ongoing recovery of **management fees (€646.3 million; +1.9%)**, negatively impacted in early 2019 by the effects of the financial crisis of late 2018 and the investors' defensive decisions in the first half of the year that then began to shift to a less defensive approach starting from the summer months. **Banking and entry fees** showed an excellent performance in the period (**€87 million; +27%**), as a result of several initiatives aimed at expanding and diversifying investment and wealth protection services (advanced advisory, AUC portfolio trading, structured products). Performance fees also rose from €38.6 million to €147.4 million, owing to the positive net performance generated for customers in the period.

Operating expenses were €221.2 million (+12.5%), mainly due to the effect of some one-off items (€9.1 million) and the consolidation of Nextam and Valeur (€6.9 million). Net of these items, **core expenses showed a 4.8%** organic growth, including the increase in the variable component of staff



expenses associated with the Bank's positive performance for the period. One-off costs, which are therefore not replicable in 2020, were mainly due to the acceleration of the three-year plan's strategic projects, M&A costs and the relocation of the administrative offices.

Operating efficiency indicators further improved to an excellent level, as the ratio of costs to total assets declined to 32 bps (34 bps at year-end 2018), with an adjusted **cost/income ratio at 38.8% (42.3% at year-end 2018)**, net of non-recurring components².

Net adjustments and provisions amounted to €31.5 million in 2019, down compared to €33.1 million for the previous year, thanks to the improved risk profile of the Italian government bonds in portfolio arising from the IFRS 9-compliant application of collective basis of measurement.

P&L results for Q4 2019

Net profit for Q4 2019 amounted to **€76.1 million, up +71.9% compared to the same period of the previous year.**

This result was driven by a sharp increase in all **recurring revenue components (€216.9 million; +15.0%)**: net interest (€20.1million; +28%), management fees (€169 million; +9%) and banking and entry fees (€27.4 million; +57%). Performance fees also contributed positively, whereas they were virtually absent in the same period of the previous year.

Operating expenses amounted to €65.5 million (€53.2 million in Q4 2018) due to both the acceleration of extraordinary strategic projects and the one-off costs for integrating and consolidating the newly acquired companies and for the relocation of the administrative offices.

Dividend proposal

The Board of Directors resolved to submit to the General Shareholders' Meeting scheduled on 23 April 2020 (first call) the proposal for distributing dividends for €216.2 million, equal to €1.85 per share (gross of legal withholdings) and a payout of 79%, which therefore is in the top-end range of the guidance confirmed upon presentation of the Three-year Plan.

Subject to the approval by the General Shareholders' Meeting, the distribution will take place in two steps:

- €1.55 per share as of 20 May 2020 (ex-date 18 May and record date 19 May) and
- €0.30 per share as of 20 January 2021 (ex-date 18 January and record date 19 January).

The possibility of using a two-step dividend distribution method will be kept also for future financial years, and will thus be included in the Dividend Policy so as to allow for a more flexible dividend distribution method.

² Cost/Income ratio net of one-off items (performance fees, BRRD bank rescue funds, M&As and the relocation of the administrative offices)



Capital ratios at 31 December 2019

At period-end, capital ratios were solid and far above those required by banking supervisory authorities: **CET1 ratio** was 14.6% and **Total Capital ratio (TCR)** was 16.1%.

This result is even more positive when considering that the Bank decided to distribute a 79% payout, as stated above, and in light of some one-off items. Two major changes occurred compared to the end of 2018: 1) the adoption of the new IFRS 16³, which led to a non-recurring impact of **93 bps on CET1 ratio** and of **98 bps on Total Capital ratio (TCR)**; 2) the consolidation of Nextam Partners and Valeur, which had an overall impact of 119 bps on CET1 ratio and of 118 bps on TCR regarding goodwill and additional capital requirements.

The Bank's liquidity ratios further improved: **LCR (Liquidity Coverage ratio)** at **441%** (393% in 2018) and **NSFR (Net Stable Funding ratio)** at **216%** (197% in 2018).

Net Inflows and Assets Under Management (AUM)

Total assets at 31 December 2019 reached a **new all-time high at €69.0 billion (+20%)**. The increase was driven by the sharp rise in net inflows (€5.1 billion for the year) and the positive effect of market performance (€4.2 billion), along with the €2.2 billion contribution arising from the consolidation of the newly acquired Nextam Partners and Valeur in Switzerland.

Assets under Advisory (BGPA) rose to **€4.7 billion (+105%) at the end of December**, accounting for 6.8% of total assets.

Despite the heightened risk aversion in the first half of 2019, **managed solutions** grew significantly in the second half of the year to €34.0 billion (+25% for the year; +16% net of the consolidation of Nextam and Valeur). Among managed solutions, the new Luxembourg-based Sicav, **LUX IM, reported the best performance, with assets at €10.7 billion (+66% for the year)** and net inflows of €2.1 billion for the retail component alone.

The strong improvement in the number of new customers, thanks to the strengthened positioning within the private banking segment, generated an increase in **deposits** (€9.0 billion; +26% for the year), which remain the customers' first choice while awaiting better investment opportunities. Enhanced advisory activities and the development of new products and services (trading, illiquid solution, structured products) led to an increase in **AUC solutions** (€9.5 billion; +25%).

The ongoing risk aversion shown by most of customers, mainly in the first half of the year, led to an increase in **traditional life policies** as well (€16.5 billion; +7% for the year).

Net inflows for 2019 totalled €5.1 billion for the year, of which €2.8 billion generated by managed and insurance solutions, and €2.3 billion by deposits and AUC. Net inflows of managed products

³ The new IFRS 16 entailed the recognition of new items of property, plant and equipment amounting to €136 million, and the ensuing extraordinary effect on the relevant capital ratio.



accelerated in the third and fourth quarters in particular, mainly driven by the Luxembourg-based Sicav, LUX IM, and the new insurance wrapper BG Stile Libero 50Plus.

Net Inflows at 31 January 2020

January net inflows amounted to €438 million, in line with the strong uptrend of the previous months.

Net inflows of managed solutions more than tripled compared to the same month of the previous year, with €166 million generated by the Luxembourg-based Sicav LUX IM and €99 million by the insurance wrappers.

With regard to AUC solutions, newly issued certificates and securitisations totalled €89.5 million. New deposits totalled €216 million.

At the end of January, **Assets under Advisory grew by €140 million reaching €4.86 billion.**

Directors' independence requirements verified

The Board of Directors ascertained that the following Directors meet the independence requirements pursuant to Article 148, paragraph 3, of Legislative Decree No. 58/1998, in compliance with the criteria set forth in the Corporate Governance Code of Listed Companies, Bank of Italy Circular No. 285/2013, and Article 16, paragraph 1(d)), of Consob Regulation No. 20249/2017: Giovanni Brugnoli, Anna Gervasoni, Massimo Lapucci, Annalisa Pescatori, and Vittorio Emanuele Terzi. It was thus determined that the majority of the members of Banca Generali's Board of Directors meets independence requirements.

Business Outlook

In the first month of the year the Bank reported very good operating and commercial results despite the ongoing geopolitical tensions. Demand continued to be strong, as confirmed by the data and product mix of January net inflows. Network and manager meetings have taken place in the first three weeks of the month to rapidly and efficiently define the important strategic initiatives in the pipeline. At the same time, the activities aimed at developing the Swiss market have been further defined. In detail, BG International Advisory was launched to support Italian customers who have deposits in Switzerland. In addition, the Bank approved the new high-standing Board of Directors of BG Valeur, which is the focus of the growth plans on that market. Banca Generali's commitment to sustainable development is also worthy of mention: in the past two years, the Bank has already achieved important milestones that have benefited its competitive positioning in the private banking segment and the growing segment of ESG investments. Projects aimed at offering customers new tools linked to the real economy are being defined in the first months of 2020, expanding the Bank's distinctive features and enhancing its competitiveness, for an expected solid growth trend in the coming months.



Presentation to the Financial Community

The preliminary financial results at 31 December 2019 will be presented to the financial community during a **conference call** scheduled today at **2:00 p.m. CET**.

It will be possible to follow the event by dialling the following telephone numbers:

from Italy and other non-specified countries: +39 02 805 88 11;
from the United Kingdom +44 121 281 8003;
from the USA +1 718 705 8794 (toll-free +1 855 265 6959).

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Annexes:

1. Banca Generali - Consolidated Profit and Loss Statement at 31 December 2019
2. Banca Generali - Consolidated Profit and Loss Statement for the Fourth Quarter of 2019
3. Banca Generali - Reclassified Consolidated Balance Sheet at 31 December 2019
4. Total Financial Assets at 31 December 2019
5. Net Inflows and Life New Business at 31 January 2020

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The Manager responsible for preparing the company's financial reports (Tommaso di Russo) declares, pursuant to Paragraph 2 of Article 154-bis, of the Italian Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documentary results, books and accounting records. Tommaso di Russo (CFO of Banca Generali)

1) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT AT 31 DECEMBER 2019

(€ mln)	2018	2019	% Chg
Net Interest Income	60.0	74.0	23.4%
Net income (loss) from trading activities and Dividends	24.1	14.2	-41.2%
Net Financial Income	84.1	88.2	4.9%
Gross fees	741.7	881.0	18.8%
Fee expenses	-376.3	-391.2	4.0%
Net Fees	365.3	489.8	34.1%
Net Banking Income	449.4	578.0	28.6%
Staff expenses	-84.2	-97.2	15.4%
Other general and administrative expense	-107.1	-99.5	-7.2%
Depreciation and amortisation	-9.3	-30.0	n.m.
Other net operating income (expense)	4.1	5.4	32.9%
Net Operating Expenses	-196.6	-221.2	12.5%
Operating Profit	252.8	356.8	41.1%
Net adjustments for impair.loans and other assets	-7.3	-5.4	-26.1%
Net provisions for liabilities and contingencies	-25.4	-24.2	-4.4%
Gain (loss) on equity investments	-0.4	-1.9	n.m.
Profit Before Taxation	219.8	325.3	48.0%
Direct income taxes	-39.6	-53.2	34.2%
Net Profit	180.1	272.1	51.1%
Cost/Income Ratio	41.7%	33.1%	-8.6 p.p.
EBITDA	262.1	386.7	47.5%
Tax rate	18.0%	16.3%	-1.7 p.p.

2) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE FOURTH QUARTER OF 2019

(€ mln)	4Q 18	4Q 19	% Chg
Net Interest Income	15.7	20.1	28.0%
Net income (loss) from trading activities and Dividends	2.1	4.9	n.m.
Net Financial Income	17.8	25.0	40.6%
Gross fees	175.0	247.9	41.7%
Fee expenses	-75.2	-103.3	37.4%
Net Fees	99.8	144.6	44.9%
Net Banking Income	117.6	169.6	44.2%
Staff expenses	-21.5	-29.6	37.8%
Other general and administrative expense	-30.7	-29.5	-4.2%
Depreciation and amortisation	-3.0	-8.8	n.m.
Other net operating income (expense)	2.0	2.4	18.2%
Net Operating Expenses	-53.2	-65.5	23.0%
Operating Profit	64.3	104.1	61.8%
Net adjustments for impair.loans and other assets	-1.2	-3.1	n.m.
Net provisions for liabilities and contingencies	-10.8	-11.3	4.6%
Gain (loss) on equity investments	-0.3	-1.6	n.m.
Profit Before Taxation	52.1	88.1	69.1%
Direct income taxes	-7.8	-12.0	53.6%
Net Profit	44.3	76.1	71.9%
<i>Cost/Income Ratio</i>	<i>42.7%</i>	<i>33.4%</i>	<i>-9.3 p.p.</i>
EBITDA	67.4	112.9	67.6%
<i>Tax rate</i>	<i>15.0%</i>	<i>13.6%</i>	<i>-1.4 p.p.</i>

3) BANCA GENERALI – RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019 (€M)

(€ mln)

Assets	2018	2019	Change	% Change
Financial assets at fair value through P&L (FVPL)	90,6	65,0	-25,6	-28,3%
Financial assets at fair value through other comprehensive income (FVOCI)	1.987,3	2.778,8	791,5	39,8%
Financial assets at amortised cost	7.166,2	8.206,5	1.040,4	14,5%
<i>a) Loans to banks</i>	1.434,5	1.130,7	-303,8	-21,2%
<i>b) Loans to customers</i>	5.731,6	7.075,8	1.344,2	23,5%
Equity investments	1,7	2,1	0,4	24,1%
Property equipment and intangible assets	101,8	298,4	196,5	n.m.
Tax receivables	52,8	51,2	-1,6	-3,1%
Other assets	335,5	363,6	28,2	8,4%
Total Assets	9.735,9	11.765,6	2.029,7	20,8%

Liabilities and Shareholders' Equity	2018	2019	Change	% Change
Financial liabilities at amortised cost	8,675,6	10,504,0	1,828,4	21,1%
<i>a) Due to banks</i>	128,7	94,8	-33,9	-26,3%
<i>b) Direct inflows</i>	8,546,9	10,409,2	1,862,3	21,8%
Financial liabilities held for trading	0,4	8,7	8,3	n.m.
Tax payables	18,0	13,6	-4,4	-24,4%
Other liabilities	142,2	147,1	4,9	3,5%
Special purpose provisions	164,8	174,5	9,7	5,9%
Valuation reserves	-11,6	3,8	15,4	n.m.
Capital instruments	0,0	50,0	50,0	0,0%
Reserves	414,4	454,5	40,1	9,7%
Additional paid-in capital	57,9	57,7	-0,2	-0,3%
Share capital	116,9	116,9	0,0	0,0%
Treasury shares (-)	-22,7	-37,4	-14,6	64,4%
Assets of third parties	0,0	0,0	0,0	0,0%
Net income (loss) for the period (+/-)	180,1	272,1	92,0	51,1%
Total Liabilities and Shareholders' Equity	9.735,9	11.765,6	2.029,7	20,8%



4) TOTAL FINANCIAL ASSETS AT 31 DECEMBER 2019⁴

<i>Milion of Euros</i>		Dec 2019	Sept 2019 i	Abs. Chg	Chg.
Mutual Funds		16,916	15,805	1,111	7.0%
	<i>of which Lux IM</i>	3,593	2,916	677	23.2%
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Portfolio Management		8,428	7,296	1,132	15.5%
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Managed Assets		25,344	23,101	2,243	9.7%
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Life Insurance		25,206	24,736	470	1.9%
	<i>of which BG STILE LIBERO</i>	8,665	8,265	400	4.8%
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Non Managed Assets		18,482	18,280	202	1.1%
	<i>of which Securities</i>	9,510	9,146	364	4.0%
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Total		69,032	66,117	2,914	4.4%
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Assets Under Management (YoY)					
<i>Milion of Euros</i>		Dec 2019	Dec 2018	Abs. Chg	Chg.
Mutual Funds		16,916	13,219	3,697	28.0%
	<i>of which Lux IM</i>	3,593	1,421	2,172	152.9%
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Portfolio Management		8,428	6,426	2,003	31.2%
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Managed Assets		25,344	19,645	5,699	29.0%
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Life Insurance		25,206	23,098	2,107	9.1%
	<i>of which BG STILE LIBERO</i>	8,665	7,693	972	12.6%
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Non Managed Assets		18,482	14,791	3,691	25.0%
	<i>of which Securities</i>	9,510	7,647	1,863	24.4%
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Total		69,032	57,534	11,498	20.0%
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⁴ Total AUM include the newly acquired Nextam and Valeur



5) NET INFLOWS AND LIFE NEW BUSINESS AT 31 JANUARY 2019

<i>Million of Euros</i>		Jan 2020	Dec 2019	Abs. Chg
Mutual Funds		109	215	-106
	<i>of which LUX IM</i>	166	216	-50
Managed Portfolio		-25	89	-114
Mutual Funds and Managed Portfolio		84	304	-220
Life Insurance		59	84	-25
	<i>of which insurance wrappers</i>	99	89	10
Managed Assets		143	388	-245
Non Managed Assets		295	226	69
	<i>of which: Securities, Structured products, Securitisations</i>	79	-21	100
Total		438	614	-176
		Jan 2020	Jan 2019	Abs. Chg
Mutual Funds		109	63	46
	<i>of which LUX IM</i>	166	50	116
Managed Portfolio		-25	-97	72
Mutual Funds and Managed Portfolio		84	-34	118
Life Insurance		59	79	-20
	<i>of which insurance wrappers</i>	99	10	89
Managed Assets		143	45	98
Non Managed Assets		295	385	-90
	<i>of which: Securities, Structured products, Securitisations</i>	79	137	-58
Total		438	430	8
Life New Business		Jan 2020	Dec 2019	Abs. Chg
Life New Business		144	219	-75
		Jan 2020	Jan 2019	Abs. Chg
Life New Business		144	189	-45

