

**PRESS  
RELEASE****Preliminary results at 31 December 2018****SOLID GROWTH: RECURRING PROFITS  
INCREASED**

- Management fees: €634 million (+8%)
- Other recurring fees: €69 million (+18%)
- Net profit: €180 million (-12%)
- Recurring net profit<sup>1</sup>: €128 million (+48%)
- Operating expenses: €196.6 million (+4.6%)
- Adjusted operating expenses<sup>2</sup>: €189 million (+0.9%)

**BUSINESS EXPANSION DRIVES ASSET  
GROWTH**

- Total assets: €57.5 billion (+3%)
- Pro-forma assets<sup>3</sup>: approximately €60 billion
- 2018 net inflows: €5.0 billion
- January 2019 net inflows: €430 million

**EXCELLENT CAPITAL RATIOS AND  
DIVIDEND**

- BoD's proposal for a DPS of €1.25
- CET1 ratio at 17.5%; Total Capital Ratio at 19.0%

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Milan, 7 February 2019 – The Board of Directors of Banca Generali, chaired by Giancarlo Fancel, approved the preliminary consolidated results at 31 December 2018.

Chief Executive Officer and General Manager Gian Maria Mossa stated: *“We are highly satisfied with this very solid result as the strength of all recurring items bears witness to the validity and sustainability of our business model. In a year of severe volatility, which had an impact on variable revenues, we succeeded not only in expanding our assets and customer base, but also in laying*

<sup>1</sup> Profits net of variable components (performance fees and trading income).

<sup>2</sup> Net of one-off costs amounting to €7.1 million.

<sup>3</sup> Including recent non-organic growth transactions (Valeur, Nextam).



*the groundwork for future growth, by signing two M&A deals and striking an important partnership with Saxo. We expanded our investment solution range making it more distinctive and competitive. We also launched numerous new cutting-edge projects and nearly doubled our assets under advisory, drawing increasing interest to our wealth management services and thus strengthening our relationships with entrepreneurs. Despite the prudent approach required by global economy and the uncertainties on the future geopolitical scenario, we continue to record a dynamic demand thanks to our quality and professionalism. This makes us confident in our ability to continue to grow and gain market share in the investment sector.”*

### **Consolidated P&L results at 31 December 2018**

**Net profit amounted to €180 million** in 2018, down by 12% on the previous year, which benefitted from the strong contribution from financial markets. However, net of variable components<sup>4</sup>, **recurring net profit rose by 48% to €128 million**, thus proving the efficacy of the many initiatives taken to increase the sustainability of revenues and our operating efficiency.

The results for 2018 reflect some amortisation schedule changes<sup>5</sup> for ordinary incentives paid to Financial Advisors on the basis of net inflow targets. These changes had a positive P&L impact of €13.5 million<sup>6</sup>. This was partially offset by one-off charges of €8.0 million<sup>6</sup> at the level of operating expenses and provisions. The €5.5 million balance of these one-off items was thus marginal, amounting to 3% of total net profit.

In further detail:

**Net banking income** remained essentially unchanged at €449.4 million (-0.1%; -4.6% like-for-like<sup>7</sup>).

**Net financial income** rose by 5.8% to €84.1 million, of which €60 million referring to net interest income (-2.4%). Net interest income continued to grow, even as liquidity levels reached new highs (€1.5 billion at 31 December 2018, of which €1.0 billion deposited with the ECB). This high liquidity position began to be reduced immediately at the start of the new year, while maintaining the traditional prudent investment approach. The Bank's bond portfolio (€5.7 billion) confirmed a short total duration of 2.0 years and maturity of 3.5 years. In addition, €1.3 billion Italian government bonds will expire in 2019.

**Gross fees** showed a strong performance benefitting from the **8% increase in management fees** (to €634 million) and the **18% growth of banking and entry fees (to €69.0 million)**, driven by several successful initiatives regarding wealth diversification and protection services. Variable fees more than halved compared with the previous year, decreasing by 66% to €38.6 million, impacted

<sup>4</sup> Performance fees and trading income.

<sup>5</sup> These changes, implemented in part owing to the greater flexibility of the accounting standard IFRS 15, made it possible to align the accounting treatment of incremental costs paid to Financial Advisors in relation to the organic growth of assets under management with the treatment of recruitment incentives tied to the acquisition of new customers (amortised over five years), thereby ensuring a more effective correlation between total fee expenses and the fee income generated by customer investments.

<sup>6</sup> Net of tax effect.

<sup>7</sup> Excluding the accounting change mentioned in the previous note.



by the complexity of markets in which the traditional decorrelation between the various asset classes ceased to apply.

**Operating expenses** amounted to €196.6 million (+4.6%), of which €7.1 million of one-off charges relating to non-organic growth, such as the relocation of the administrative offices to the futuristic Hadid Tower in Milan, the development of strategic projects and the additional contributions to the National Resolution Funds for previous bank bail-outs. Net of these one-off items, operating expenses were essentially unchanged (+0.9%), proof of the ability to maximise the operating leverage in a context of constant business expansion.

Operating efficiency is confirmed by the low ratio of **costs to total assets** (34 bps in 2018; 32 bps net of one-off costs) and by the cost/income ratio (41.7% in 2018; 42.3% net of one-off costs).

In 2018, **net adjustments** amounted to €7.3 million (€5.4 million in 2017), mainly referring to collective adjustments in measuring the Bank's securities portfolio in accordance with the new IFRS 9. In detail, adjustments regard the Italian government bond portfolio.

In 2018, **provisions** totalled €25.4 million, of which €4.7 million one-off provisions for the network reorganisation that will lead to a prospective reduction of the recurring cost base.

With regard to capital ratios, the **Bank's assets** grew significantly as a result of the ongoing expansion of retail deposits and amounted to €9,736 million, up 8.3% compared to 2017. **Customers' deposits** increased by 18.8% to €8,547 million.

At 31 December, **capital ratios** remained at excellent levels, despite the exposure to sovereign debt trends: **CET1 ratio** was **17.5%**, **Total Capital Ratio** stood at **19.0%** and excess capital amounted to €311 million.

The solidity of capital ratios also takes into account the **proposed dividend of €1.25 per share** that the Board of Directors decided to submit to the General Shareholders' Meeting called on 18 April 2019 (first call).

The Bank's liquidity ratios remained at significantly high levels: **LCR (Liquidity Coverage ratio) at 393%** (from 414% in 2017) and **NSFR (Net Stable Funding ratio) at 197%** (from 207% in 2017).

### **P&L results for Q4 2018**

**Net profit for Q4 2018** totalled €44.3 million compared to €56.8 million in the previous year. The change was due to the financial markets' exceptional volatility in recent months which led to a reduction in performance fees (€2 million compared to €32.3 million in Q4 2017).

In the reporting quarter, one-off costs and provisions amounted to €5.3 million, offset by the new accounting treatment of ordinary incentives.

Recurring revenues benefited from higher net interest income (€15.7 million; +9.8%) and resilient recurring gross fees (€173 million) thanks to the success of revenue diversification activities.

Despite the numerous initiatives launched, **operating expenses**, net of one-off items, remained virtually flat, thus confirming the Bank's tight cost discipline.



As mentioned above, **net profit** was impacted by the decline in variable components, as well as the one-off provisions for network reorganisation.

### **Net Inflows and Assets Under Management at 31 December 2018**

At year-end, **total assets** rose by **3% to €57.5 billion**. Including the companies in the process of being acquired (Valeur and Nextam), total assets amounted to €60 billion.

In 2018, **liquidity components and AUC** grew sharply (€14.8 billion; +15.6%). The increase in liquidity and AUC is natural at times of severe financial market volatility, as in 2018, and tends to subside in favour of diversified portfolio solutions in subsequent quarters, creating opportunities for further growth. In further detail:

- **deposits (demand current accounts)** rose to €7.1 billion (+20% YoY), accounting for 12% of total assets;
- **AUC** totalled €7.6 billion (+12% YoY), accounting for 13% of total assets;

**managed and insurance solutions** reached €42.7 billion. Specifically:

- **wrapper solutions** reached €14.1 billion (€14.4 billion at year-end 2017), accounting for 25% of total assets;
- **traditional life policies** grew to €15.4 billion (+3% YoY), accounting for 27% of total assets.
- **funds/Sicavs** amounted to €13.2 billion (€13.6 billion at year-end 2017), accounting for 23% of total assets.

In addition, **Assets under Advisory reached €2.3 billion at the end of December**, accounting for 4% of total assets.

In **2018, net inflows** amounted to €5.0 billion, broken down as follows:

- €2.8 billion from current accounts and AUC;
- €1.7 billion from managed solutions;
- €0.5 billion from traditional life policies.

The net inflows mix was impacted by the financial markets' strong volatility, which leads to a postponement of investment decisions and a more defensive investment profile.

### **Net Inflows at 31 January 2019**

In January, net inflows amounted to €430 million, increasing significantly compared to late 2018.

Net inflows continued to be mainly generated by more defensive solutions: liquidity (€248 million in current accounts), AUC (€137 million) and traditional life policies (€69 million). The volatility recorded at the end of 2018 calls for a prudent investment approach, also in light of the economic cycle uncertainties.



As regard AUC, €48.8 million were generated by newly issued certificates/private placements and primary market transactions.

In January 2019, Assets under Advisory **grew by €180 million reaching €2.5 billion.**

### **Business Outlook**

Fears of normalisation of central bank monetary policies and a slowing economy stoked investors' concerns in late 2018, severely penalising assets under active management, due to unexpected lack of correlation between the various asset classes. The solidity of business was set against a very uncertain macro scenario, which, while suggesting a prudent approach, also point to opportunities arising from a careful selection of the geographical areas and sectors most influenced by development policies.

Within this framework, Banca Generali is well positioned to face the challenges posed by the market thanks to the quality and innovative features of its even broader and more diversified range of solutions, including those designed for businesses and entrepreneurs, in addition to an unprecedented, highly distinctive approach to sustainability. The extensive digital efforts include a renewed brand presence that will further reinforce and support the advice provided by private bankers at a local level. Increasingly bespoke solutions based on the family office model, and diversification at the geographical level, with opportunities on the Swiss market, point to new private-banking opportunities and new customer acquisition. These are the two pillars of the three-year industrial plan that aims to position Banca Generali as a benchmark in sustainable growth in the finance industry.

### **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.

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### **Presentation to the Financial Community**

The preliminary financial results at 31 December 2018 will be presented to the financial community during a **conference call** scheduled today at **3:00 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 2018
2. Banca Generali - Consolidated Profit and Loss Statement for the Fourth Quarter of 2018
3. Banca Generali - Reclassified Consolidated Balance Sheet at 31 December 2018
4. Total AUM at 31 December 2018
5. Net Inflows and Life New Business at 31 January 2019

\* \* \*

*The Manager responsible for preparing the company's financial reports (Tommaso di Russo) declares, pursuant to Paragraph 2 of Art. 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 2018**

<b>(€ mil.)</b>	<b>12M 17</b>	<b>12M 18</b>	<b>% Chg</b>
Net Interest Income	61.4	60.0	-2.4%
Net income (loss) from trading activities and Dividends	18.1	24.1	33.3%
<b>Net Financial Income</b>	<b>79.5</b>	<b>84.1</b>	<b>5.8%</b>
Gross fees	760.5	741.7	-2.5%
Fee expenses	-390.0	-376.3	-3.5%
<b>Net Fees</b>	<b>370.5</b>	<b>365.3</b>	<b>-1.4%</b>
<b>Net Banking Income</b>	<b>450.0</b>	<b>449.4</b>	<b>-0.1%</b>
Staff expenses	-84.8	-84.2	-0.7%
Other general and administrative expense	-149.8	-162.5	8.5%
Depreciation and amortisation	-8.1	-9.3	14.2%
Other net operating income (expense)	54.9	59.4	8.3%
<b>Net Operating Expenses</b>	<b>-187.9</b>	<b>-196.6</b>	<b>4.6%</b>
<b>Operating Profit</b>	<b>262.2</b>	<b>252.8</b>	<b>-3.6%</b>
Net adjustments for impair.loans and other assets	-5.4	-7.3	33.9%
Net provisions for liabilities and contingencies	-18.0	-25.4	41.0%
Gain (loss) from disposal of equity investments	-0.2	-0.4	159.6%
<b>Profit Before Taxation</b>	<b>238.6</b>	<b>219.8</b>	<b>-7.9%</b>
Direct income taxes	-34.5	-39.6	15.0%
<b>Net Profit</b>	<b>204.1</b>	<b>180.1</b>	<b>-11.7%</b>
<b>Cost/Income Ratio</b>	<b>39.9%</b>	<b>41.7%</b>	<b>1.8 p.p.</b>
<b>EBITDA</b>	<b>270.3</b>	<b>262.1</b>	<b>-3.0%</b>
<b>Tax rate</b>	<b>14.4%</b>	<b>18.0%</b>	<b>3.6 p.p.</b>

## 2) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE FOURTH QUARTER OF 2018

(€ mil.)	4Q 17	4Q 18	% Chg
Net Interest Income	14.3	15.7	9.8%
Net income (loss) from trading activities and Dividends	4.0	2.1	-48.8%
<b>Net Financial Income</b>	<b>18.3</b>	<b>17.8</b>	<b>-3.0%</b>
Gross fees	206.3	175.0	-15.2%
Fee expenses	-108.8	-75.2	-30.9%
<b>Net Fees</b>	<b>97.5</b>	<b>99.8</b>	<b>2.4%</b>
<b>Net Banking Income</b>	<b>115.8</b>	<b>117.6</b>	<b>1.5%</b>
Staff expenses	-21.5	-21.5	-0.2%
Other general and administrative expense	-43.2	-49.0	13.3%
Depreciation and amortisation	-2.3	-3.0	31.7%
Other net operating income (expense)	18.4	20.3	10.2%
<b>Net Operating Expenses</b>	<b>-48.7</b>	<b>-53.2</b>	<b>9.4%</b>
<b>Operating Profit</b>	<b>67.1</b>	<b>64.3</b>	<b>-4.2%</b>
Net adjustments for impair.loans and other assets	0.6	-1.2	-317.6%
Net provisions for liabilities and contingencies	-4.1	-10.8	162.7%
Gain (loss) from disposal of equity investments	-0.1	-0.3	277.5%
<b>Profit Before Taxation</b>	<b>63.5</b>	<b>52.1</b>	<b>-18.0%</b>
Direct income taxes	-6.8	-7.8	15.3%
<b>Net Profit</b>	<b>56.8</b>	<b>44.3</b>	<b>-22.0%</b>
<b>Cost/Income Ratio</b>	<b>40.0%</b>	<b>42.7%</b>	<b>2.7 p.p.</b>
<b>EBITDA</b>	<b>69.4</b>	<b>67.4</b>	<b>-3.0%</b>
<b>Tax rate</b>	<b>10.7%</b>	<b>15.0%</b>	<b>4.3 p.p.</b>



### 3) BANCA GENERALI – RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018 (€M)

(€ millions)

Assets	Dec 31, 2017	Dec 31, 2018	Change	% Change
Financial assets at fair value through P&L (FVPL)	49.8	90.6	40.8	82.0%
Financial assets at fair value through other comprehensive income (FVOCI)	4,612.7	1,987.3	-2,625.4	-56.9%
Financial assets at amortised cost	3,831.1	7,166.2	3,335.1	87.1%
<i>a) Loans to banks</i>	<i>923.1</i>	<i>1,434.5</i>	<i>511.4</i>	<i>55.4%</i>
<i>b) Loans to customers</i>	<i>2,908.0</i>	<i>5,731.6</i>	<i>2,823.6</i>	<i>97.1%</i>
Equity investments	1.8	1.7	-0.2	-8.7%
Property equipment and intangible assets	98.4	101.8	3.5	3.5%
Tax receivables	45.7	52.8	7.1	15.4%
Other assets	351.4	335.5	-16.0	-4.5%
<b>Total Assets</b>	<b>8,991.0</b>	<b>9,735.9</b>	<b>744.9</b>	<b>8.3%</b>

Liabilities and Shareholders' Equity	Dec 31, 2017	Dec 31, 2018	Change	% Change
Financial liabilities at amortised cost	7,879.8	8,675.6	795.8	10.1%
<i>a) Due to banks</i>	<i>682.5</i>	<i>128.7</i>	<i>-553.8</i>	<i>-81.1%</i>
<i>b) Direct inflows</i>	<i>7,197.2</i>	<i>8,546.9</i>	<i>1,349.6</i>	<i>18.8%</i>
Financial liabilities held for trading	0.2	0.4	0.2	86.4%
Tax payables	35.6	18.0	-17.5	-49.3%
Other liabilities	185.2	142.2	-43.0	-23.2%
Special purpose provisions	154.2	164.8	10.7	6.9%
Valuation reserves	21.6	-11.6	-33.3	-153.8%
Reserves	348.5	414.4	65.8	18.9%
Additional paid-in capital	58.2	57.9	-0.3	-0.6%
Share capital	116.9	116.9	0.0	0.0%
Treasury shares (-)	-13.3	-22.7	-9.5	71.2%
Net income (loss) for the period (+/-)	204.1	180.1	-24.0	-11.7%
<b>Total Liabilities and Shareholders' Equity</b>	<b>8,991.0</b>	<b>9,735.9</b>	<b>744.9</b>	<b>8.3%</b>



#### 4) TOTAL AUM AT 31 DECEMBER 2018

<i>Billion of Euros</i>	<b>Dec 2018</b>	<b>Dec 2017</b>	<b>Abs. Chg</b>	<b>Chg.</b>
Mutual Funds	13,219	13,611	-392	-2.9%
Portfolio Management	6,426	7,102	-676	-9.5%
<b>Managed Assets</b>	<b>19,645</b>	<b>20,713</b>	<b>-1,068</b>	<b>-5.2%</b>
<b>Life Insurance</b>	<b>23,098</b>	<b>22,178</b>	<b>920</b>	<b>4.1%</b>
<i>of which BG STILE LIBERO</i>	7,693	7,282	411	5.6%
	15,405	14,897	508	3.4%
<b>Non Managed Assets</b>	<b>14,791</b>	<b>12,793</b>	<b>1,999</b>	<b>15.6%</b>
<i>of which: Securities</i>	7,647	6,851	796	11.6%
<i>of which: Current accounts</i>				
<b>Total</b>	<b>57,534</b>	<b>55,684</b>	<b>1,850</b>	<b>3.3%</b>
<b>Assets Under Management (YTD)</b>				
<i>Billion of Euros</i>	<b>Dec 2018</b>	<b>Dec 2017</b>	<b>Abs. Chg</b>	<b>Chg.</b>
Mutual Funds	13,219	13,611	-392	-2.9%
Portfolio Management	6,426	7,102	-676	-9.5%
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	15,405	14,897	508	3.4%
<b>Non Managed Assets</b>	<b>14,791</b>	<b>12,793</b>	<b>1,999</b>	<b>15.6%</b>
<i>of which: Securities</i>	7,647	6,851	796	11.6%
<i>of which: Current accounts</i>	7,144	5,942	1,202	20.2%
<b>Total</b>	<b>57,534</b>	<b>55,684</b>	<b>1,850</b>	<b>3.3%</b>



## 5. NET INFLOWS AND LIFE NEW BUSINESS AT 31 JANUARY 2019

<i>Million of Euros</i>	<b>Jan 2019</b>	<b>Dec 2018</b>	<b>Abs. Chg</b>
Mutual Funds	63	82	-19
Managed Portfolio	-97	14	-111
<b>Mutual Funds and Managed Portfolio</b>	<b>-34</b>	<b>96</b>	<b>-130</b>
Life Insurance	79	149	-70
<i>of which BG STILE LIBERO</i>	10	59	-49
<b>Managed Assets</b>	<b>45</b>	<b>245</b>	<b>-200</b>
<b>Non Managed Assets</b>	<b>385</b>	<b>225</b>	<b>160</b>
<i>of which: Securities</i>	137	115	22
<b>Total</b>	<b>430</b>	<b>470</b>	<b>-40</b>
	<b>Jan-2019</b>	<b>Jan- 2018</b>	<b>Abs. Chg</b>
Mutual Funds	63	161	-98
Managed Portfolio	-97	142	-239
<b>Mutual Funds and Managed Portfolio</b>	<b>-34</b>	<b>303</b>	<b>-337</b>
Life Insurance	79	182	-103
<i>of which BG STILE LIBERO</i>	10	112	-102
<b>Managed Assets</b>	<b>45</b>	<b>484</b>	<b>-439</b>
<b>Non Managed Assets</b>	<b>385</b>	<b>-19</b>	<b>404</b>
<i>of which: Securities</i>	137	-13	150
<b>Total</b>	<b>430</b>	<b>465</b>	<b>-35</b>