

**PRESS
RELEASE****Results at 30 June 2019****Growth acceleration, greater revenue diversification and more favourable market conditions**

- Net profit: €132.8 million (+43%)
- Recurring net profit¹: €65 million (+12%)
- Total revenues: €272.7 million (+22%)
- Operating expenses: €100.9 million (+8%)

Further business expansion

- Total assets: €62.9 billion (+8%)
- Pro-forma total assets²: €65.0 billion
- Assets under Advisory: €4 billion (+75%)
- H1 2019 net inflows: €2.8 billion

Capital solidity confirmed

- CET1 ratio at 15.7% and TCR ratio at 17.1%

Milan, 30 July 2019 – The Board of Directors of Banca Generali, chaired by Giancarlo Fancel, approved the consolidated results at 30 June 2019.

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Chief Executive Officer and General Manager Gian Maria Mossa stated: “We are very satisfied with our results for the first half of the year. Thanks to the excellent work of our professionals and the market’s positive contribution, total assets grew by almost €5.5 billion YTD, bringing our total portfolio to nearly €63 billion. Despite the signs of prudence since the end of 2018 and the economic uncertainties, our professionalism and the close relations with our customers have once again made the difference. Revenue diversification and the acceleration of advanced advisory confirmed the rising interest towards investment planning and risk protection, which are increasingly recognised as our strengths. We are fully committed to developing our industrial plan, with a great focus on innovation and people value. Net inflows solidity and our ability to attract an increasing number of private customers let us to look at the second half of the year with confidence.”

¹ Net of performance fees and income (losses) from trading and dividends

² Including the assets of Valeur and Nextam.



P&L RESULTS AT 30 JUNE 2019

In the first half of 2019, Banca Generali improved all its main financial results. Market conditions improved compared to the end of 2018, thus providing new opportunities for revenue generation and business expansion.

Managed assets and AUC grew to €62.9 billion (+8%) with net inflows amounting to €2.8 billion (5.5% of initial assets) that confirmed the sustained growth rates of the first half of the year. Pro-forma assets, i.e., including those of Nextam (already acquired) and Valeur (in the process of being acquired), amounted to approximately €65 billion at the end of June.

Net profit rose by 43% to €132.8 million. This result was attributable both to the growth of recurring business (recurring net profit at +12% to €65 million, net of variable items) and the new initiatives aimed at diversifying services, as well as the contribution of non-recurring items more closely linked to financial market performance.

In further detail:

Net banking income increased by 22% to €272.7 million (+18% net of adjustments for the new accounting Standards)³. The increase was driven by the higher net interest income and stable management fees in a context that continued to favour defensive solutions and deposits, as well as by successful net fees diversification initiatives. The result was also partly attributable to the increase in revenue items linked to favourable financial market performance in the period, such as performance fees and income from trading.

Management fees totalled €313.8 million (+2.5% QoQ), gradually normalising after the Q4 2018 decline due to market volatility. **Banking and entry fees** rose (€39.9 million, +10.4%) driven by the advanced advisory service (BGPA) and the diversification initiatives, such as the solutions offered by certificate distribution and private placement.

Net financial income stood at €39.6 million compared to €48.6 million in the previous year as a result of lower net income from trading activities (€6 million compared to €20.6 million for the previous year). By contrast, **net interest income increased sharply to €33.6 million (+20%; +26% on a like-for-like basis)**⁴ thanks to the reinvestment of the expiring securities and of a large portion of liquidity at year-end 2018. At the end of H1 2019, the Bank's treasury portfolio totalled €6.9 billion (+21% YTD), showing a prudent approach with an overall duration of 1.7 years and maturity of 3.4 years.

Operating expenses grew to €100.9 million (+7.7% YoY), below revenue growth. The change is due to the strengthening of all strategic projects underway (customer digital platforms, BG SAXO). The item also includes €1.9 million net one-off charges (relocation of the administrative offices, M&A costs, application of the new IFRS 16). Net of these one-off items, **the Bank's operating expenses showed a 5.7% change.**

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³ Application of IFRS 15 and IFRS 16.

⁴ Excluding the impact of IFRS 16.

The Bank's operating efficiency was confirmed by the ratio of costs to total assets, down to 32 bps (34 bps at year-end 2018), and the **cost/income ratio** that, even net⁵ of non-recurring items such as performance fees, remained at a particularly excellent level reaching **40.1%** (42.3% at year-end 2018).

In H1 2019, **net adjustments and provisions** amounted to €10.5 million (€14.2 million for H1 2018) down compared to the same period of the previous year as a result of the improved risk profile of the Italian government bonds in portfolio arising from the application of collective basis of measurement in accordance with IFRS 9.

P&L RESULTS OF Q2 2019

The results for the second quarter of the year were achieved in a context that favoured the growth of managed assets.

Net banking income totalled €139 million (+27%) thanks to the positive contribution of net fees (€119.4 million, +34%) and net interest income (€17.7 million, +19.5%) in the period. The result also benefitted from revenues linked to financial market performance (income from trading and performance fees), which amounted to €37.6 million compared to €20.3 million in the previous year.

Operating expenses grew by 8% to €50.8 million, mainly due to the strengthening of strategic projects, such as the development and launch of customer digital platforms and the launch of BG SAXO.

Net profit rose by 52% to €66.2 million (€43.5 million in Q2 2018) after provisions and adjustments amounting to €8.3 million (€9.6 million for the previous year).

CAPITAL RATIOS AT 30 JUNE 2019

Capital ratios take into account two main changes occurred after 2018 year-end, namely:

- the extraordinary increase in capital absorbed for credit risk arising from the adoption with effect from 1 January 2019 of the new IFRS 16 that 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, i.e., **80 bps to CET1 ratio** and **87 bps to Total Capital ratio (TCR), respectively** based on First Time Adoption;
- In accordance with the dividend policy approved, the Bank prudently elected not to include the H1 2019 net profit in consolidated and separate own funds ⁶.

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⁵ Cost/Income ratio net of one-off items (performance fees, BRRD bank rescue funds, one-off components)

⁶ Banca Generali's 2018-2021 dividend policy envisages a payout ratio in the range of 70%-80%, with a floor of €1.25 per share in line with the risk profile defined by the Risk Appetite Framework, and however below the threshold of 100% of consolidated net profit for the year.



In light of the foregoing, at 30 June 2019, **CET 1 ratio** was 15.7% (16.5% based on the traditional dividend policy) and **Total Capital ratio (TCR)** was 17.1% (17.9% based on the traditional dividend policy).

COMMERCIAL RESULTS

Total assets at 30 June 2019 reached a new **all-time high at €62.9 billion** (+8% YoY, +9% YTD). Pro-forma total assets, i.e., including those of Nextam (already acquired) and Valeur (in the process of being acquired), amounted to approximately €65 billion.

Clients continued to show a low risk appetite that led to a sharp increase in **traditional life policies** (€16.2 billion; +7% YoY; +5% YTD) and in **AUC and deposits** (€17.1 billion; +21% YoY; +16% YTD), reflecting customers' strong risk aversion in the past 12 months.

Managed solutions rose to €29.6 billion (+2.6% YoY; +8% YTD), mainly driven by the positive effect of the performances reported for the period also thanks to the favourable market conditions. In Q2 2019, assets managed by the new SICAV, LUX IM, rose to €8.7 billion overall. **Wrapper solutions** reached €14.8 billion, chiefly attributable to their good performances.

Assets under Advisory (BGPA) grew to €4.0 billion at the end of June, up by €1,700 million YTD and accounting for 6.5% of total assets.

Net inflows for H1 2019 were €2.8 billion, of which €1.2 billion generated by managed and insurance solutions, and €1.6 billion by deposits and AUC. The breakdown of net inflows in Q2 2019 reflects a gradual recovery of managed solutions, particularly in the retail classes of the Luxembourg-based SICAV, LUX IM.

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BUSINESS OUTLOOK

The second half of 2019 is likely to be characterised by a slowing global growth, offset by the expansionary monetary policies adopted by the main central banks. Within this scenario, an approach focused on product and service innovation, the implementation of stronger investment planning and advisory skills, increased network quality and internationalisation will be of fundamental importance to ensure that Banca Generali will continue on the path towards sustainable growth that has always set it apart.

In the second half of 2019, in continuity with its industrial plan the Banking Group will focus its attention on households, strengthening its position as a private bank and increasing its commitment towards risk protection and sustainability themes, while constantly ensuring greater dedication to developing bespoke solutions in both investment products and advisory services.

Finally, in the second half of 2019, the Bank will continue to pursue its current strategy aimed at containing operating costs well below revenue growth. More specifically, the increase in costs will primarily refer to the development of useful products and services instrumental to further improving the quality of advisory service offered to customers and the network's productivity, with specific focus on technology investments.

PRESENTATION TO THE FINANCIAL COMMUNITY

The financial results at 30 June 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 30 June 2019
2. Banca Generali – Consolidated Profit and Loss Statement for the Second Quarter of 2019
3. Banca Generali – Reclassified Consolidated Balance Sheet at 30 June 2019
4. Total AUM at 30 June 2019

* * *

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)

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1) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT AT 30 JUNE 2019

€ million	1H 18	1H 19	% Chg
Net Interest Income	28.1	33.6	19.7%
Net income (loss) from trading activities and Dividends	20.6	6.0	-70.6%
Net Financial Income	48.6	39.6	-18.5%
Gross fees	376.6	424.5	12.7%
Fee expenses	-201.9	-191.4	-5.2%
Net Fees	174.7	233.1	33.4%
Net Banking Income	223.4	272.7	22.1%
Staff expenses	-42.3	-45.0	6.4%
Other general and administrative expense	-74.2	-71.4	-3.8%
Depreciation and amortisation	-4.2	-13.8	231.6%
Other net operating income (expense)	27.1	29.4	8.5%
Net Operating Expenses	-93.6	-100.9	7.7%
Operating Profit	129.8	171.8	32.4%
Net adjustments for impair.loans and other assets	-3.6	-1.1	-68.3%
Net provisions for liabilities and contingencies	-10.6	-9.3	-12.0%
Gain (loss) from disposal of equity investments	-0.1	-0.1	-39.3%
Profit Before Taxation	115.4	161.3	39.7%
Direct income taxes	-22.8	-28.5	24.7%
Net Profit	92.6	132.8	43.5%
Cost/Income Ratio	40.0%	31.9%	-8.1 p.p.
EBITDA	133.9	185.6	38.6%
Tax rate	19.8%	17.7%	-2.1 p.p.

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

(€ mil.)	2Q 18	2Q 19	% Chg
Net Interest Income	14.8	17.7	19.5%
Net income (loss) from trading activities and Dividends	5.4	2.1	-61.7%
Net Financial Income	20.2	19.8	-2.0%
Gross fees	194.2	216.5	11.5%
Fee expenses	-105.1	-97.1	-7.6%
Net Fees	89.1	119.4	33.9%
Net Banking Income	109.3	139.1	27.3%
Staff expenses	-21.2	-23.2	9.7%
Other general and administrative expense	-36.9	-36.2	-1.8%
Depreciation and amortisation	-2.1	-7.0	231.3%
Other net operating income (expense)	13.1	15.6	19.2%
Net Operating Expenses	-47.1	-50.8	8.0%
Operating Profit	62.2	88.3	41.9%
Net adjustments for impair.loans and other assets	-3.8	-5.1	35.1%
Net provisions for liabilities and contingencies	-5.8	-3.2	-44.8%
Gain (loss) from disposal of participations	-0.1	0.0	-49.8%
Profit Before Taxation	52.5	79.9	52.1%
Direct income taxes	-9.0	-13.7	52.5%
Net Profit	43.5	66.2	52.1%
Cost/Income Ratio	41.1%	31.5%	-9.6 p.p.
EBITDA	64.3	95.3	48.2%
Tax rate	17.2%	17.2%	0 p.p.

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3) BANCA GENERALI – RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2019 (€M)

€ million

Assets	Dec 31, 2018	June 30, 2019	Change	% Change
Financial assets at fair value through P&L (FVPL)	90.6	78.3	-12.3	-13.6%
Financial assets at fair value through other comprehensive income (FVOCI)	1,987.3	2,435.8	448.5	22.6%
Financial assets at amortised cost	7,166.2	7,652.7	486.5	6.8%
<i>a) Loans to banks</i>	<i>1,434.5</i>	<i>1,138.1</i>	<i>-296.5</i>	<i>-20.7%</i>
<i>b) Loans to customers</i>	<i>5,731.6</i>	<i>6,514.6</i>	<i>783.0</i>	<i>13.7%</i>
Equity investments	1.7	1.6	-0.1	-3.1%
Property equipment and intangible assets	101.8	232.4	130.5	128.2%
Tax receivables	52.8	44.0	-8.8	-16.6%
Other assets	335.5	418.1	82.6	24.6%
Total Assets	9,735.9	10,862.9	1,127.0	11.6%

Liabilities and Shareholders' Equity	Dec 31, 2018	June 30, 2019	Change	% Change
Financial liabilities at amortised cost	8,675.6	9,767.4	1,091.8	12.6%
<i>a) Due to banks</i>	<i>128.7</i>	<i>100.1</i>	<i>-28.6</i>	<i>-22.2%</i>
<i>b) Direct inflows</i>	<i>8,546.9</i>	<i>9,667.4</i>	<i>1,120.5</i>	<i>13.1%</i>
Financial liabilities held for trading	0.4	3.5	3.1	808.9%
Tax payables	18.0	27.8	9.8	54.4%
Other liabilities	142.2	175.5	33.3	23.4%
Special purpose provisions	164.8	153.9	-10.9	-6.6%
Valuation reserves	-11.6	-1.7	9.9	-85.4%
Reserves	414.4	449.8	35.5	8.6%
Additional paid-in capital	57.9	57.6	-0.3	-0.5%
Share capital	116.9	116.9	0.0	0.0%
Treasury shares (-)	-22.7	-20.7	2.0	-9.0%
Net income (loss) for the period (+/-)	180.1	132.8	-47.3	-26.3%
Total Liabilities and Shareholders' Equity	9,735.9	10,862.9	1,127.0	11.6%

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4) TOTAL AUM AT 30 JUNE 2019

<i>Milion of Euros</i>	Jun 2019	Mar 2019	Abs. Chg	Chg.
Mutual Funds	14,767	14,365	402	2.8%
Portfolio Management	6,536	6,518	18	0.3%
Managed Assets	21,304	20,883	420	2.0%
Life Insurance <i>of which BG STILE LIBERO</i>	24,461 8,275	24,051 8,102	410 173	1.7% 2.1%
Non Managed Assets <i>of which: Securities</i>	17,128 8,978	16,116 8,615	1,012 363	6.3% 4.2%
Total	62,893	61,051	1,842	3.0%

Assets Under Management (YoY) *Milion of Euros*

<i>Milion of Euros</i>	Jun 2019	Jun 2018	Abs. Chg	Chg.
Mutual Funds	14,767	13,887	881	6.3%
Portfolio Management	6,536	7,134	-598	-8.4%
Managed Assets	21,304	21,021	283	1.3%
Life Insurance <i>of which BG STILE LIBERO</i>	24,461 8,275	22,918 7,797	1,543 478	6.7% 6.1%
Non Managed Assets <i>of which: Securities</i>	17,128 8,978	14,130 7,365	2,998 1,613	21.2% 21.9%
Total	62,893	58,069	4,824	8.3%

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