

**PRESS  
RELEASE****Results at 30 June 2020****H1 result driven by business expansion  
and revenue diversification**

- Net profit: €131.9 million (-1%)
- Recurring net profit<sup>1</sup>: €69.9 million (+2%)
- Total revenues: €302.2 million (+11%)
- 'Core' operating expenses<sup>2</sup>: €95.0 million (+3%)

**Total assets up to pre-Covid-19 levels**

- Total assets: €68.9 billion (+10%)
- Assets under Advisory: €5.1 billion (+26%)
- H1 2020 net inflows: €2.8 billion

**Capital solidity confirmed**

- CET1 ratio at 14.3% and TCR Ratio at 15.7%
- TCR at 20.7% on a pro-forma basis, following the ECB/Bank of Italy's recommendations

Milan, 29 July 2020 – The Board of Directors of Banca Generali, chaired by Giancarlo Fancel, approved the consolidated results at 30 June 2020.

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Chief Executive Officer and General Manager Gian Maria Mossa stated: *"We are very proud of the half-year result in terms of business growth and revenue quality, which confirmed the continuing trend towards asset diversification. During an extraordinarily difficult time of health and economic uncertainties, our bankers were able to demonstrate their expertise and their professional value, recording the best net inflows figures for the bank in terms of existing organisation. No less significant was the contribution by all our personnel, who ensured full operation at all times and continued the Bank's strategic projects with dedication. Among the new initiatives, the range of ESG products and innovative solutions to connect private investors to the real economy is meeting with an increasingly positive response from customers, who recognise the value of our asset management solutions. Despite the complexity and uncertainties on the horizon, thanks to the*

<sup>1</sup> Net of performance fees and income (losses) from trading, M&As and Covid-19-related costs

<sup>2</sup> 'Core' operating costs are net of costs for sales personnel, donation for Covid-19 and change in perimeter due to the inclusion of Nextam and Valeur

*bank's flexibility and solidity, we are optimally placed to continue to outpace the growth of our market of reference."*

## **P&L RESULTS AT 30 JUNE 2020**

In H1 2020, **net profit** amounted to **€131.9 million**, in line with the same period of the previous year (€132.8 million), despite the criticalities generated by the spread of the Covid-19 pandemic and its severe impact on the global economic scenario.

Financial markets exhibited particularly high volatility during the first six months of the year, to which central banks and governments responded with prompt action. Equity markets fluctuated considerably, favouring some sector themes, with the performance of many asset classes generally reflecting the impact of the crisis, apart from some exceptions such as government bonds. Banca Generali took a proactive approach to this volatility, focusing as always on protecting its customers' wealth. Thanks to its prudent and diversified strategy, the Bank was able to bring **managed assets and AUC at year-start levels to €68.9 billion, reporting a +9.5% increase in H1 2020 compared to the previous year.**

In this challenging environment, the Bank's **operating performance** improved further thanks to initiatives designed to diversify revenues, efficiency in managing net interest income and the cost discipline typical of its business model. This progress points to structural sustainability in constantly improving financial results, although in the short term the benefits achieved were largely offset by higher taxation and non-recurring components of an accounting nature relating to the macro environment.

In further detail:

**Net banking income** rose to €302.2 million (+11%). The increase was driven by the contribution of all items, and in particular the rise in net financial income (€50.8 million; +28%) and recurring net fees (€178.2 million; +10%). Variable fees also grew (€73.2 million; +3%), generating their contribution in the pre-pandemic period.

Net financial income for the period benefited from the increase in **net interest income (€42.4 million; +26%)** attributable to the growth in assets (€12.3 billion; +4% since year-end 2019), to the more efficient management of liquidity and the resilient profitability of the securities portfolio. At period-end, the Bank's treasury book totalled €8.4 billion (+7% YTD), confirming a prudent approach with an overall duration of 1.5 years and maturity of 3.7 years.

**Gross recurring fees** rose significantly overall, despite the changed market scenario. The overall result continued to be driven by **management fees** (€326.3 million, +4%); however, **banking and entry fees (€55.6 million; +39%)** contributed to a greater extent in the period, as they benefited from the new Assets under Advisory (BGPA) initiatives, the placement of structured products and the contribution of trading activities. Management fees — which were most affected by the financial market correction — showed a constant monthly recovery over the last quarter, confirming customers' renewed interest in managed solutions and the gradual return of total assets to pre-Covid-19 levels.

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**Operating expenses** totalled €113.4 million (+12%). The change was chiefly attributable to the contribution of the Nextam and Valeur acquisitions, and to other Covid-19-related non-recurring items. Net of these items, organic growth of 'core' expenses was 2.5%.

The Bank confirmed its excellent operating efficiency, with a ratio of **total costs to total assets** at 33 bps (slightly up compared to 32 bps at the end of 2019, due to the changed consolidation scope) and a **cost/income ratio** that, even net of <sup>3</sup> the non-recurring items such as the performance fees, remained a benchmark in the sector at **38.1%** (38.8% at the end of 2019).

The half-year includes **provisions and net adjustments** of €19.1 million, a figure almost twice the €10.5 million of H1 2019. The change primarily relates to items of an accounting nature of €5.8 million, of which €4 million is associated with the change in the discount rate applied to the statistical-actuarial assessment of pension funds and network loyalty plans. The remaining €1.8 million of non-recurring items relates to the change in the valuation parameters applied to the measurement of the loan portfolio due to changes in the macro-economic environment.

In addition, the **average tax rate was 22.2%** compared to 17.7% for the previous year, in light of the projections for the end of 2020.

#### **P&L RESULTS OF Q2 2020**

The Q2 2020 results reflected the effects of the financial market crisis and the gradual recovery started in March.

**Net banking income** amounted to €133.5 million, down compared to €139.1 million for the previous year, due to the sharp decline in variable fees (€19.8 million; -44%) linked to the market performance. The results were driven both by net interest income (€22.2 million; +25%) and net recurring fees (€87.1 million; +4%).

**Operating expenses** totalled €56.3 million (+11%; +2% net of the changed consolidation scope and the Covid-19-related donations). The core expenses component reported a particularly modest increase (+1%) in the period, thus confirming the efficiency and scalability of the Bank's operations.

**Net profit was €52.9 million** thanks to a renewed interest in managed solutions and to the revenue mix. The overall result was impacted by the increased tax rate (from 17.2% to 21.5%), in addition to the decline in variable fees.

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#### **CAPITAL RATIOS AT 30 JUNE 2020**

At 30 June 2020, **CET1** ratio was 14.3% and **Total Capital ratio (TCR)** 15.7%. Capital ratios have been calculated by fully excluding the Bank's net profit for the period, in line with the approved dividend policies presented with the three-year strategic plan 2019-2021<sup>4</sup>

<sup>3</sup> Cost/Income ratio net of one-off items (performance fees, BRRD bank rescue funds, one-off components).

<sup>4</sup> The 2019-2021 dividend policy approved by Banca Generali envisages a 70-80% pay-out ratio of net profit generated in the period, with a floor of €1.25. Dividend distribution is subject to the TCR level defined in the targets of the Risk-Adjusted Framework and cannot exceed payout by 100%.

On 27 and 28 July 2020, respectively, the European Central Bank (ECB) and the Bank of Italy issued new recommendations regarding the distribution of dividends by credit institutions, along the lines of those dated 27 March 2020. The recommendations included in particular a request that banks refrain from paying dividends until 1 January 2021.

The measure seeks to strengthen the ability of the Italian and European banks to provide credit within the complex economic framework caused by the effects of Covid-19.

On 29 July, Banca Generali's Board of Directors acknowledged the **ECB** and Bank of Italy's **new recommendations**, and therefore that the risks arising from the health emergency will not end at least until the end of 2020. Accordingly, it reserves the right to take the resulting decisions at the upcoming session of the Board of Directors immediately prior to the first available date originally planned for payment of the first instalment of the dividend.

In light of the ECB/Bank of Italy's recommendations, CET1 ratio and TCR ratio would amount to 19.3% and 20.7%, respectively, on a pro-forma basis, as a result of the reallocation to equity reserves of the €181 million allocated for the payment of the first tranche of the dividend.

## **COMMERCIAL RESULTS**

At the end of the period, **total assets** amounted to **€68.9 billion**, essentially in line with €69.0 billion at the end of 2019 and up 10% compared to the same period of the previous year. The trend of total assets showed a constant recovery from the lows of February and March. This improving trend is continuing in July as well.

**Managed and insurance products** amounted to €50.0 billion overall, accounting for 72.5% of total assets (73.2% at year-end 2019), as a result of the customers' renewed interest for managed solutions and a recovering performance in the period.

At the end of H12020, **Assets under Advisory** (BGPA) grew to €5.1 billion (€4.1 billion for H1 2019), accounting for 7.4% of total assets.

**Net inflows** in the first half of 2020 amounted to €2.8 billion, in line with the previous year, despite the initial lockdown measures and the subsequent social distancing implemented.

Net inflows in Q2 2020 resumed its focus on managed and insurance solutions, which accounted for over 90% of net inflows for the three months.

The record net inflows gathered by the Bank's existing network accounted for 80% of the total, with €2.2 million. In the period, worthy of notice was the strong focus on ESG managed solutions, which recorded €390 million net inflows, confirming the leadership of Banca Generali's platform in sustainable advisory.

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## **BUSINESS OUTLOOK**

In the second half of 2020, global growth is expected to slowdown due to the pandemic crisis, which continues to create uncertainty regarding the conditions and timing of the recovery. The central banks' monetary initiatives and the governments' fiscal initiatives are ensuring liquidity for the financial markets, thus easing risk-aversion among investors. Within this scenario, Banca Generali's positioning in private banking, its open-banking model with the development of personalised technological solutions and the quality of its network of Financial Advisors represent competitive factors for the coming months. The uncertainties of the recession and pressure on zero-rate savings in credit are leading households to seek solid institutions with strong expertise in asset planning and protection. The breadth of its range, innovation of instruments, and, not least, the new opportunities in trading and AUC solutions offered by the BG Saxo platform are increasing opportunities and services for a growing segment of customers.

The rising trend towards revenue diversification confirms the sustainability of our development and our ability to attract talented bankers is a further distinctive factor.

Despite the dramatically changed scenario due to the Covid-19 pandemic, Banca Generali **confirmed the previously outlined strategic guidelines and the main targets for 2021, already disclosed to the market.** Our emphasis on operating efficiency, our focus on technology and vocation for developing leading-edge investment solutions go hand-in-hand with our goal of developing sustainable advisory service and ESG products that benefit not only households and the most transparent businesses, but also the system, by seeking to continue to contribute to the recovery by connecting private investments to the real economy.

## **PRESENTATION TO THE FINANCIAL COMMUNITY**

The financial results at 30 June 2020 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 2020
2. Banca Generali - Consolidated Profit and Loss Statement for the Second Quarter of 2020
3. Banca Generali - Reclassified Consolidated Balance Sheet at 30 June 2020
4. Total Assets at 30 June 2020

\* \* \*

*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 2020

(€ mil.)	6M 19	6M 20	% Chg
Net Interest Income	33.6	42.4	26.3%
Net income (loss) from trading activities and Dividends	6.0	8.4	38.9%
<b>Net Financial Income</b>	<b>39.6</b>	<b>50.8</b>	<b>28.2%</b>
Gross recurring fees	353.7	382.0	8.0%
Fee expenses	-191.4	-203.8	6.5%
<b>Net recurring fees</b>	<b>162.3</b>	<b>178.2</b>	<b>9.8%</b>
Variable fees	70.8	73.2	3.4%
<b>Total Net Fees</b>	<b>233.1</b>	<b>251.4</b>	<b>7.9%</b>
<b>Total Banking Income</b>	<b>272.7</b>	<b>302.2</b>	<b>10.8%</b>
Staff expenses	-45.0	-51.3	13.9%
Other general and administrative expense	-44.5	-48.8	9.6%
Depreciation and amortisation	-13.8	-15.5	12.5%
Other net operating income (expense)	2.5	2.2	-12.0%
<b>Total operating costs</b>	<b>-100.9</b>	<b>-113.4</b>	<b>12.4%</b>
<b>Operating Profit</b>	<b>171.8</b>	<b>188.8</b>	<b>9.9%</b>
Net adjustments for impair.loans and other assets	-1.1	-4.7	n.m.
Net provisions for liabilities and contingencies	-9.3	-14.4	54.1%
Gain (loss) from disposal of equity investments	-0.1	-0.1	-13.2%
<b>Profit Before Taxation</b>	<b>161.3</b>	<b>169.7</b>	<b>5.2%</b>
Direct income taxes	-28.5	-37.7	32.5%
<b>Net Profit</b>	<b>132.8</b>	<b>131.9</b>	<b>-0.6%</b>
<b>Cost /Income Ratio</b>	<b>31.9%</b>	<b>32.4%</b>	<b>0.5 p.p.</b>
<b>EBITDA</b>	<b>185.6</b>	<b>204.3</b>	<b>10.1%</b>
<b>Tax rate</b>	<b>17.7%</b>	<b>22.2%</b>	<b>4.5 p.p.</b>

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## 2) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE SECOND QUARTER OF 2020

(€ mil.)	2Q 2019	2Q 2020	% Chg
Net Interest Income	17.7	22.2	25.1%
Net income (loss) from trading activities and Dividends	2.1	4.4	n.m.
<b>Net Financial Income</b>	<b>19.8</b>	<b>26.6</b>	<b>34.5%</b>
Gross recurring fees	180.9	186.5	3.1%
Fee expenses	-97.1	-99.4	2.4%
<b>Net recurring fees</b>	<b>83.8</b>	<b>87.1</b>	<b>4.0%</b>
Variable fees	35.6	19.8	-44.4%
<b>Total Net Fees</b>	<b>119.4</b>	<b>106.9</b>	<b>-10.5%</b>
<b>Total Banking Income</b>	<b>139.1</b>	<b>133.5</b>	<b>-4.1%</b>
Staff expenses	-23.2	-25.6	10.2%
Other general and administrative expense	-22.7	-24.4	7.2%
Depreciation and amortisation	-7.0	-7.8	11.0%
Other net operating income (expense)	2.1	1.4	-31.4%
<b>Total operating costs</b>	<b>-50.8</b>	<b>-56.3</b>	<b>10.7%</b>
<b>Operating Profit</b>	<b>88.3</b>	<b>77.2</b>	<b>-12.6%</b>
Net adjustments for impair.loans and other assets	-5.1	-3.6	-29.8%
Net provisions for liabilities and contingencies	-3.2	-6.2	91.4%
Gain (loss) from disposal of equity investments	0.0	0.0	42.4%
<b>Profit Before Taxation</b>	<b>79.9</b>	<b>67.4</b>	<b>-15.7%</b>
Direct income taxes	-13.7	-14.5	5.5%
<b>Net Profit</b>	<b>66.2</b>	<b>52.9</b>	<b>-20.1%</b>
<b>Cost /Income Ratio</b>	<b>31.5%</b>	<b>36.3%</b>	<b>4.8 p.p.</b>
<b>EBITDA</b>	<b>95.3</b>	<b>85.0</b>	<b>-10.8%</b>
<b>Tax rate</b>	<b>17.2%</b>	<b>21.5%</b>	<b>4.3 p.p.</b>

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### 3) BANCA GENERALI – RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2020 (€M)

(€ millions)

Assets	Dec 31, 2019	Jun 30, 2020	Change	% Change
Financial assets at fair value through P&L (FVPL)	65.0	46.4	-18.6	-28.5%
Financial assets at fair value through other comprehensive income (FVOCI)	2,778.8	2,430.8	-348.0	-12.5%
Financial assets at amortised cost	8,206.5	9,107.0	900.5	11.0%
<i>a) Loans to banks</i>	1,130.7	1,347.3	216.6	19.2%
<i>b) Loans to customers</i>	7,075.8	7,759.7	683.9	9.7%
Equity investments	2.1	2.0	-0.1	-4.9%
Property equipment and intangible assets	298.4	286.2	-12.2	-4.1%
Tax receivables	51.2	47.7	-3.4	-6.7%
Other assets	363.6	402.5	38.9	10.7%
Assets under disposal	0.0	0.0	0.0	0.0%
<b>Total Assets</b>	<b>11,765.6</b>	<b>12,322.7</b>	<b>557.1</b>	<b>4.7%</b>

Liabilities and Shareholders' Equity	Dec 31, 2019	Jun 30, 2020	Change	% Change
Financial liabilities at amortised cost	10,504.0	10,788.3	284.3	2.7%
<i>a) Due to banks</i>	94.8	580.6	485.8	n.m.
<i>b) Direct inflows</i>	10,409.2	10,207.6	-201.6	-1.9%
Financial liabilities held for trading	8.7	27.2	18.6	n.m.
Tax payables	13.6	27.1	13.5	99.0%
Other liabilities	147.1	472.4	325.3	n.m.
Liabilities under disposal	0.0	0.0	0.0	0.0%
Special purpose provisions	174.5	176.3	1.8	1.0%
Valuation reserves	3.8	0.9	-2.9	-77.0%
Capital instruments	50.0	50.0	0.0	0.0%
Reserves	454.5	507.8	53.4	11.7%
Additional paid-in capital	57.7	57.2	-0.5	-0.9%
Share capital	116.9	116.9	0.0	0.0%
Treasury shares (-)	-37.4	-33.4	4.0	-10.6%
Shareholders' equity attributable to minority interest	0.0	0.0	0.0	0.0%
Net income (loss) for the period (+/-)	272.1	131.9	-140.2	-51.5%
<b>Total Liabilities and Shareholders' Equity</b>	<b>11,765.6</b>	<b>12,322.7</b>	<b>557.1</b>	<b>4.7%</b>

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#### 4) TOTAL ASSETS AT 30 JUNE 2020

		June 2020	June 2019	Abs. Chg	Chg.
<i>Milion of Euros</i>					
Mutual Funds		17,022	14,767	2,254	15.3%
	<i>of which Lux IM</i>	4,458	2,420	2,038	84.2%
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Portfolio Management		7,684	6,536	1,148	17.6%
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Insurance Wrappers		8,711	8,275	436	5.3%
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<b>Managed Assets</b>		<b>33,416</b>	<b>29,579</b>	<b>3,838</b>	<b>13.0%</b>
<hr/>					
<b>Traditional Life Policies</b>		<b>16,559</b>	<b>16,186</b>	<b>372</b>	<b>2.3%</b>
<hr/>					
<b>Non Managed Assets</b>		<b>18,920</b>	<b>17,128</b>	<b>1,792</b>	<b>10.5%</b>
	<i>of which Securities</i>	9,899	8,978	921	10.3%
<hr/>					
<b>Total</b>		<b>68,895</b>	<b>62,893</b>	<b>6,003</b>	<b>9.5%</b>

#### Assets Under Management (YTD)

		June 2020	December 2019	Abs. Chg	Chg.
<i>Milion of Euros</i>					
Mutual Funds		17,022	16,916	106	0.6%
	<i>of which Lux IM</i>	4,458	3,593	865	24.1%
<hr/>					
Portfolio Management		7,684	8,428	-744	-8.8%
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Insurance Wrappers		8,711	8,672	39	0.4%
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<b>Managed Assets</b>		<b>33,416</b>	<b>34,016</b>	<b>-600</b>	<b>-1.8%</b>
<hr/>					
<b>Traditional Life Policies</b>		<b>16,559</b>	<b>16,534</b>	<b>25</b>	<b>0.2%</b>
<hr/>					
<b>Non Managed Assets</b>		<b>18,920</b>	<b>18,482</b>	<b>438</b>	<b>2.4%</b>
	<i>of which Securities</i>	9,899	9,510	389	4.1%
<hr/>					
<b>Total</b>		<b>68,895</b>	<b>69,032</b>	<b>-137</b>	<b>-0.2%</b>

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