

**PRESS
RELEASE****Results at 30 June 2018**

H1 results driven by business expansion, revenue sustainability and cost effectiveness

- Total assets at €58.1 billion (+11%)
- Management fees at €317.9 million (+14%)
- Operating costs at €93.6 million (+0.4%)
- Net profit: €92.6 million (-14%)
- Recurring net profit¹: €58.1 million (+65%)

Capital ratios well above SREP requirements

- First Time Adoption (FTA) approved
- CET1 ratio at 18.2% and TCR ratio at 19.8%

Milan, 26 July 2018 – The Board of Directors of Banca Generali, chaired by Giancarlo Fancel, approved the consolidated results at 30 June 2018.

Chief Executive Officer and General Manager Gian Maria Mossa stated: “*This very strong result shows our ability to attract new customers even in challenging market contexts. Assets reached a new all-time high at the end of June, posting double-digit growth over the past year and thus confirming the quality of our financial advisors and the versatility of our portfolio protection solutions. The bank also continues to focus on the strategy aimed at strengthening the recurrent components of results, with a view to increasing their sustainability regardless of financial market trends. The strong response to our new investment and advanced advisory solutions, along with the implementation of several new strategic projects, is reason for confidence in our performance for the coming quarters and in our ability to achieve our goals*”.

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¹ Adjusted for performance fees and income (losses) from trading and dividends

P&L RESULTS AT 30 JUNE 2018

In the first half of 2018, Banca Generali continued its long-term growth trend in assets managed and administered on behalf of our clients, which rose to €58.1 billion (+11%), with net inflows amounting to €3.15 billion (11% of initial assets on an annualised basis).

As in the first quarter, this growth was achieved in a scenario of uneven financial market performance for both equities and bonds that led to a decline in net profit for the period (€92.6 million, -14%) as performance fees — the most variable, market-driven components of revenues — fell quite sharply (-70% YoY). This trend was partly offset by the significant increase in recurring business and the tight cost discipline. Net of the most volatile items, **recurring net profit grew by 65% to €58.1 million.**

In further detail:

Net banking income totalled €223.4 million compared to €235.3 million in the previous year. It slightly decreased thanks to the positive performance of recurring fees and net financial income, which offset the considerably less favourable performance of financial markets compared to the previous year.

Amongst recurring components, **management fees** continued to grow steadily (€317.9 million, +14%) as a result of the increase in assets. **Banking and entry fees** (€36.1 million, +25%) also rose strongly benefitting from the new products and services launched by the Bank over the past year to provide a comprehensive offer and diversify revenues. **Variable performance fees**, on the contrary, decreased significantly (€22.6 million, -70%) due to the financial market trend for the period.

Net financial income amounted to €48.6 million (+18.7%), benefiting primarily from the decision to increase the defensive profile of the treasury portfolio at the beginning of the year, with the resulting increase in profits from trading in the period. The decision to reinvest liquidity in the second quarter led to a recovery of net interest income (€14.8 million, +12% QoQ) that is expected to continue in the rest of the year. At the end of June, the treasury portfolio (99% in bonds) rose by €6.0 billion (+5% YoY), due to both the gradual reinvestment of liquidity in recent months and the acquisition of new assets during the period (deposits: +22%). The portfolio profile continued to be prudent, with total duration of 2.3 years and maturity of 3.5 years.

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Operating costs totalled €93.6 million (+0.4%), virtually unchanged compared to the previous year. The figure includes €3.8 million paid to the bank rescue funds (€1.8 million in the same period of last year).

The ratio of costs to total assets shrank further to 32 bps (34 bps at year-end 2017) and the **reported cost/income ratio** remained on excellent levels at 40%.

The cost/income ratio, net of variable performance fees, improved significantly reaching 42.7% (54.3% in H1 2017 and 52.3% at year-end 2017).

H1 2018 reported **net adjustments** of €3.6 million (€3.2 million in H1 2017), of which collective adjustments of €3.3 million to the Bank's securities portfolio in application of IFRS 9. The adjustments refer almost entirely to the Italian government bond portfolio, due to the heightened risk for the period.

P&L RESULTS OF Q2 2018

The results for the second quarter were achieved in a highly different scenario than the same period of the previous year, chiefly in terms of financial market performance.

Net banking income remained essentially unchanged at €109.3 million in the period compared to €112.8 million in the previous year. Net recurring fees showed an excellent performance in the period (€74.2 million, +24%), almost entirely offsetting the decline in variable fees due to financial market trends (€14.9 million, -52%).

Operating costs grew slightly (€47 million, +1.6%), in line with expectations.

Net profit amounted to €43.5 million (€51.9 million in Q2 2017), following €3.8 million adjustments as a result of the application of the new IFRS 9 in a scenario marked by the Italian government bonds' exceptional volatility.

CAPITAL RATIOS AT 30 JUNE 2018

At 30 June 2018, **CET1 ratio**, including the impact of IFRS 9 and IFRS 15, was 18.2%.

Total Capital ratio (TCR) was 19.8%.

The two ratios significantly exceeded the **SREP minimum requirements** set by the Bank of Italy for 2018 (CET1 ratio at 6.5% and Total Capital Ratio at 10.2%).

With reference to regulatory requirements, **excess capital** reached €305 million.

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FIRST TIME ADOPTION (FTA) OF IFRS 9 AND IFRS 15

The Bank's Board of Directors formally approved the Report on the transition to the new accounting standard IFRS 9, which includes a description of the operating decisions made and an analysis of the capital, P&L and regulatory impact of the application of the new rules. For complete details, please refer to the "IFRS 9 and IFRS 15 Transition Report" published on the corporate website.

Due to accounting and regulatory considerations, when publishing its results at 31 March 2018, the Bank had provided an initial provisional account of the expected impact of the above FTA. More recently, a review of the Bank's growth strategies and the implementation of a new risk framework have suggested that it is appropriate to modify the classification of the financial instruments in the Bank's portfolio at 1 January 2018 and 31 March 2018 provided in provisional FTA. More

specifically, the final FTA entailed the reclassification of €1.4 billion to assets measured at amortised cost and previously classified among assets measured at fair value.

On the whole, the adjustment of the choices made resulted in a reduction in equity of €7.1 million in the opening balance sheet at 1 January 2018 compared with the provisional classification, and a reduction in equity of €13.2 million at 31 March 2018 compared with the provisional classification. There was no significant impact on the P&L.

Following the approval of the final First Time Adoption on 30 June 2018, CET 1 ratio was 19.2% at 1 January 2018 and 19.8% at 31 March 2018, whereas TCR was 20.9% and 21.5%, respectively.

The final First Time Adoption entailed a decrease of 30 bps in the CET 1 ratio at 1 January 2018 (TCR: -30 bps) and a decrease of 50 bps in the CET1 at 31 March 2018 (TCR: -50 bps) compared with the provisional FTA.

BUSINESS RESULTS

Total assets at 30 June 2018 hit a new high at **€58.1 billion** (+11% compared to the previous year; +4% YTD), broken down as follows:

- **managed solutions (50% of total assets)** rose to €28.8 billion (+13% YoY; +3% YTD). Among these solutions, **wrapper solutions** totalled €14.9 billion (+15% over the previous year) accounting for 52% of managed solutions (26% of total assets);
- **traditional insurance solutions (26% of total assets)** grew to €15.2 billion (+3% YoY; +2% YTD);
- **deposits and AUC (24% of total assets)** amounted to €14.1 billion (+18% YoY; +10% YTD). Deposits (demand current accounts) were €6.8 billion (+22%) and AUC amounted to €7.4 billion (+14%).

In addition, **Assets under Advisory reached €2.2 billion at the end of June**, accounting for 3.8% of total assets.

In Q1 2018, net inflows had amounted to €3.1 billion, broken down as follows:

- €1.4 billion from managed solutions;
- €0.2 billion from traditional insurance policies;
- €1.5 billion from current accounts and AUC.

Net inflows breakdown for H1 2018 mirrors the successful acquisition of new clients, accompanied by a more conservative approach in light of market volatility.

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FORESEEABLE EVOLUTION

Uncertainty regarding the monetary policy of central banks, currently committed to gradually normalising their interventions, continues to dominate financial markets, particularly the credit segment. Discussions on trade policies originating in the United States are giving rise to concerns as to the medium-term sustainability of global growth. Within this scenario, the risk of volatility remains high, due in part to the complexities of international geopolitical interests and the EU's difficulties in responding to new nationalist policy pressures in Europe. These variables are also creating uncertainty amongst Italian households, who nonetheless are also showing increasing sensitivity to wealth protection and a continuing propensity to seek advice from qualified professionals. Banca Generali's net inflows for H1 2018 remained high, further increasing compared to the average for the last three years. Assets under Advisory continue to develop, exceeding year-start forecasts. The new investment diversification instruments, such as private certificates and alternative investments, are meeting with increasing success among customers. Accordingly, we expect the business growth trend to continue in the second half of the year, driven in part by the expanded range of solutions and services to be launched in the coming months.

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PRESENTATION TO THE FINANCIAL COMMUNITY

The financial results at 30 June 2018 will be presented to the financial community during a **conference call** scheduled today at **1:30 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 2018
2. Banca Generali – Consolidated Profit and Loss Statement for the Second Quarter of 2018
3. Banca Generali – Reclassified Consolidated Balance Sheet at 30 June 2018
4. Total AUM at 30 June 2018

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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)

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**1) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT AT
30 JUNE 2018**

(€ mil.)	6M 17	6M 18	% Chg
Net Interest Income	31.6	28.1	-11.1%
Net income (loss) from trading activities and Dividends	9.4	20.6	119.3%
Net Financial Income	41.0	48.6	18.7%
Gross fees	382.8	376.6	-1.6%
Fee expenses	-188.5	-201.9	7.1%
Net Fees	194.4	174.7	-10.1%
Net Banking Income	235.3	223.4	-5.1%
Staff expenses	-43.9	-42.3	-3.5%
Other general and administrative expense	-69.6	-74.2	6.7%
Depreciation and amortisation	-3.8	-4.2	9.7%
Other net operating income (expense)	24.0	27.1	12.8%
Net Operating Expenses	-93.2	-93.6	0.4%
Operating Profit	142.1	129.8	-8.7%
Net adjustments for impair.loans and other assets	-3.2	-3.6	14.0%
Net provisions for liabilities and contingencies	-10.8	-10.6	-2.1%
Gain (loss) from disposal of equity investments	-0.1	-0.1	n.m.
Profit Before Taxation	128.0	115.4	-9.9%
Direct income taxes	-19.9	-22.8	14.5%
Net Profit	108.1	92.6	-14.4%
Cost/Income Ratio	38.0%	40.0%	2 p.p.
EBITDA	145.9	133.9	-8.2%
Tax rate	15.6%	19.8%	4.2 p.p.

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**2) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT
FOR THE SECOND QUARTER OF 2018 (€M)**

(€ mil.)	2Q 17	2Q 18	% Chg
Net Interest Income	15.8	14.8	-6.5%
Net income (loss) from trading activities and Dividends	6.0	5.4	-11.1%
Net Financial Income	21.9	20.2	-7.8%
Gross fees	190.4	194.2	2.0%
Fee expenses	-99.5	-105.1	5.7%
Net Fees	90.9	89.1	-2.0%
Net Banking Income	112.8	109.3	-3.1%
Staff expenses	-23.1	-21.2	-8.5%
Other general and administrative expense	-34.6	-36.9	6.6%
Depreciation and amortisation	-2.1	-2.1	2.1%
Other net operating income (expense)	13.5	13.1	-2.8%
Net Operating Expenses	-46.3	-47.1	1.6%
Operating Profit	66.5	62.2	-6.4%
Net adjustments for impair.loans and other assets	0.0	-3.8	n.m.
Net provisions for liabilities and contingencies	-4.8	-5.8	21.3%
Gain (loss) from disposal of equity investments	0.0	-0.1	19.8%
Profit Before Taxation	61.6	52.5	-14.8%
Direct income taxes	-9.8	-9.0	-7.8%
Net Profit	51.9	43.5	-16.1%
Cost/Income Ratio	39.2%	41.1%	1.9 p.p.
EBITDA	68.6	64.3	-6.2%
Tax rate	15.9%	17.2%	1.3 p.p.

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3) BANCA GENERALI – RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2018 (€M)

(€ millions)

Assets	Dec 31, 2017	Jun 30, 2018	Change	% Change
Financial assets at fair value through P&L (FVPL)	49.8	104.4	54.5	109.5%
Financial assets at fair value through other comprehensive income (FVOCI)	4,612.7	2,379.5	-2,233.2	-48.4%
Financial assets at amortised cost	3,831.1	6,550.8	2,719.7	71.0%
a) Loans to banks	923.1	1,133.9	210.8	22.8%
b) Loans to customers	2,908.0	5,416.8	2,508.8	86.3%
Equity investments	1.8	1.7	-0.1	-5.7%
Property equipment and intangible assets	98.4	95.3	-3.1	-3.1%
Tax receivables	45.7	54.7	9.0	19.7%
Other assets	351.4	328.5	-22.9	-6.5%
Total Assets	8,991.0	9,514.9	523.9	5.8%
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Liabilities and Shareholders' Equity	Dec 31, 2017	Jun 30, 2018	Change	% Change
Financial liabilities at amortised cost	7,879.8	8,521.3	641.5	8.1%
a) Due to banks	682.5	498.0	-184.5	-27.0%
b) Direct inflows	7,197.2	8,023.3	826.0	11.5%
Financial liabilities held for trading	0.2	0.5	0.3	151.5%
Tax payables	35.6	37.0	1.5	4.2%
Other liabilities	185.2	147.8	-37.5	-20.2%
Special purpose provisions	154.2	158.9	4.8	3.1%
Valuation reserves	21.6	-19.4	-41.0	-189.4%
Reserves	348.5	411.4	62.9	18.0%
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	-9.9	3.3	-25.1%
Net income (loss) for the period (+/-)	204.1	92.6	-111.5	-54.6%
Total Liabilities and Shareholders' Equity	8,991.0	9,514.9	523.9	5.8%

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4) TOTAL AUM AT 30 JUNE 2018

	<i>Billion of Euros</i>	Jun 2018	Jun 2017	Abs. Chg	Chg.
Mutual Funds		13,887	12,426	1,460.24	11.8%
Portfolio Management		7,134	6,262	872.53	13.9%
Managed Assets		21,021	18,688	2,332.77	12.5%
Life Insurance <i>of which BG STILE LIBERO</i>	22,918 7,797	21,417 6,749	1,501.22 1,048.51	7.0% 15.5%	
Non Managed Assets <i>of which: Securities</i>	14,130 7,365	12,008 6,482	2,122.51 882.77	17.7% 13.6%	
Total	58,069	52,113	5,956.50	11.4%	
Assets Under Management (YTD) <i>Billion of Euros</i>		Jun 2018	Dec 2017	Abs. Chg	Chg.
Mutual Funds		13,887	13,611	275.24	2.0%
Portfolio Management		7,134	7,102	32.64	0.5%
Managed Assets		21,021	20,713	307.87	1.5%
Life Insurance <i>of which BG STILE LIBERO</i>	22,918 7,797	22,178 7,282	739.89 515.50	3.3% 7.1%	
Non Managed Assets <i>of which: Securities</i>	14,130 7,365	12,793 6,851	1,337.46 514.15	10.5% 7.5%	
Total	58,069	55,684	2,385.23	4.3%	

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