

**PRESS
RELEASE**

Preliminary results at 31 December 2017

GROWTH, OPERATING LEVERAGE AND MARKETS DRIVE NET PROFIT TO RECORD LEVELS

- Net profit: €204.1 million (+31%)
- Net profit for Q4: €56.8 million (+52.2%)
- Management fees at €587.1 million (+19%)
- Other recurring fees at €58.3 million (+29%)
- Operating expenses at €187.9 million (+3.2%)

ACCELERATION OF BUSINESS EXPANSION

- Total assets at €55.7 billion (+17%)
- Net inflows for 2017 at €6.9 billion (+21%); net inflows of managed solutions more than doubled (€5.8 billion; +129%)
- Net inflows totalled €465 million in January

HIGHER DIVIDEND AND GREATER SOLIDITY

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- BoD proposal for a DPS of €1.25 (+17%)
- CET 1 ratio at 18.5% (+180 bps), Total Capital ratio at 20.2% (+180 bps)



Milan, 9 February 2018 – The Board of Directors of Banca Generali, chaired by Giancarlo Fancel, approved the preliminary consolidated results at 31 December 2017.

Chief Executive Officer and General Manager Gian Maria Mossa stated: *“2017 was the best year in the Bank’s history, with a remarkable double-digit increase in all key indicators, besides commercial ones. Operating efficiency and the development of recurring business are proof of the soundness of a business model that ensures sustainable growth over time. The sharp rise in net inflows and total assets was accompanied by targeted investments focusing on the quality of our people and innovative projects that allow us to best meet regulatory and market challenges, thereby assuring us an increasingly central role in Italy’s private banking industry.”*

Consolidated P&L results at 31 December 2017

The year 2017 closed with the **best ever net profit at €204.1 million**, up 31% compared to 2016. The acceleration of net profit growth was driven by the expansion of business, with total assets up by 17% to €55.7 billion, and was accompanied by a thorough and efficient operating management (operating expenses to total assets: 34 bps) and the ability to develop sustainable investment solutions (wrapper products accounted for 51% of managed solutions). **Capital position** ratios were at the highest levels in the industry: +180 basis points for both CET1 (18.5%) and TCR (20.2%).

In further detail, **net banking income** amounted to €450.6 million (+18.9%), mainly sustained by the marked increase in net fees (+29.9%).

With regard to gross fees, **management fees** grew steadily (€587.1 million, +19%) and **banking and entry fees** rose significantly (**58.3 million, +29%**), thus bearing the first results of the new initiatives aimed at diversifying recurring revenues, some of which already launched (advanced advisory, in particular), and some to be soon introduced.

The positive performance of **variable fees** linked to financial markets (€115 million vs €67 million in the previous year) was partially offset by a reduction in net income from **trading activities** (€18.1 million, -47.9%) due to a prudent investment approach and lower volatility compared to the previous year.

Net interest income rose by 5% to €61.4 million. In recent months, the treasury portfolio became more defensive, therefore leading to an increase in deposits by ECB (€500 million at the end of December, and €850 million in early 2018). At the end of 2017, the Bank’s bond portfolio confirmed its traditionally prudent positions at €5.7 billion (+8%), with total duration of 1.7 years and maturity of 3.7 years.

Operating expenses remained significantly below revenue growth, increasing by 3.2% to €187.9 million. This item was offset by a 17% increase in total assets and a 19% rise in recurring fees, thus confirming the Bank’s ability to maximise its operating leverage. The excellent result also includes other digital development costs, in addition to the business expansion. Costs also included €4.7 million ordinary contribution to the national Single Resolution Fund (BRRD) and the Interbank Deposit Protection Fund (FITD). €3.0 million included in adjustments to non-recurring items related to participation in BRRD should be added to this amount.



The ratio of **costs to total assets shrank further to 34 bps** (38 bps at year-end 2016), whereas **reported cost/income ratio reached 39.9%** (down by 6.5 percentage points). Net of variable fees, cost/income ratio was 53.6% (56.4% in 2016).

In 2017, the Bank's capital position further strengthened: consolidated **net equity** further improved to **€736 million (+14% YTD)**.

On a phased-in basis, **CET 1 ratio** grew to **18.5% (+180 bps YTD)** and **Total Capital ratio** to **20.2% (+180 bps YTD)**. With reference to regulatory requirements, excess capital amounted to €314 million (+20%), accounting for 60% of total Own Funds pursuant to Basel 3.

Capital ratios far exceeded the specific requirements set by the Bank of Italy for the company (a CET1 ratio of 7% and a Total Capital Ratio of 10.4%, as the minimum required by the SREP – Supervisory Review and Evaluation Process).

P&L results for Q4 2017

Net profit for Q4 2017 was €56.8 million, up 52.2% thanks to the increase in gross fees (€206.3 million; +30.3%), both recurring and variable.

Among recurring fees, **management fees** have remarkably shown growth for 24 consecutive quarters (since 2012), excluding the fractional exception at year-start 2016. These fees reached €156.5 million (+20%).

Net operating expenses amounted to €48.7 million compared to €43.4 million in the previous year, mainly due to a higher percentage of the variable component of staff expenses.

Operating profit grew significantly to €67.5 million (+43.1%), and pre-tax result also increased (€63.5 million; +46.5%), after including provisions and adjustments which remained stable compared to the same period of the previous year.

Net Inflows and Assets Under Management at 31 December 2017

In 2017, **net inflows** set a new record in the Bank's history, reaching **€6,866 million, up 21%** compared to the previous year

Banca Generali thus remained among the industry leaders with market share of 17.5% (source: Assoreti), which increases to 21.1% if the contributions of salaried private banker networks are excluded.

The composition of net inflows showed a preponderance of **managed solutions**, which more than doubled in the year to **€5.8 billion (+129%) and accounted for 84% of overall net inflows**.

The success of the **innovative financial and insurance wrapper products** largely contributed to the sharp growth of managed solutions, recording €4.4 billion total net inflows (+69% YOY). Clients



and Financial Advisors mostly appreciated their operating flexibility and wide range of investment diversification opportunities.

Like net inflows, also **assets under management and administration** reached their highest ever level at **€55.7 billion** (+17% YOY).

Financial **managed solutions** rose by 30% YOY to €28.0 billion, accounting for 50% of total assets, up 5 percentage points for the year.

Among managed solutions, both insurance and financial wrapper products reached €14.4 billion (+40% compared to the previous year) accounting for over 25% of total assets and 50% of managed solutions.

Also funds and Sicavs reported growth of €8.1 billion (+47%) excluding in-house FoFs.

Net inflows at 31 January 2018

Net inflow performance remained strong in the New Year, amounting to €465 million in January, an improvement on the beginning of 2017, a year that set a new business expansion record.

Net inflows of managed products were €484 million, up 51% compared to the previous year, thus confirming a strong interest in managed solutions. Of these, financial and insurance wrapper solutions recorded €301 million net inflows. As in the previous months, funds and Sicavs were also in great demand and recorded €161 million net inflows for the period.

Net inflows of traditional policies amounted to €70 million, whereas the outflow from current and securities accounts continued, due to low and negative interest rates.

Business Outlook

Following the long market rally in a low-volatility environment, we took a prudent approach to the start of the New Year, focusing our attention on thorough diversification and protection of our clients' portfolios. The abrupt market swings and rising volatility and government rates in recent days are more a reflection of investors' uncertainty regarding the monetary policy outlook than regarding economic fundamentals, and thus provide an opportunity to consolidate gains. However, the coming months still have in store geo-political unknowns and key elections at the global level, which could influence market sentiment. Against this background, there is room for further growth for asset management, given the combination of still low nominal rates and the tail end of a long crisis in the real-estate sector, with Financial Advisors playing a key role supporting investors not only with diversification, but also — in Banca Generali's case — with comprehensive wealth protection solutions. Demand for advanced advisory services is rising rapidly, enhancing the importance of the distinctive elements of the Bank's business. The development of digital products and projects continues and will move swiftly in the coming months, contributing to increasing our competitive advantages, also in light of the new MiFID II regulations. The recent reorganisation of our networks brings the Bank's services closer to Financial Advisors, supporting their business potential and their ability to reach local market targets in the coming months.



Presentation to the Financial Community

The preliminary financial results at 31 December 2017 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 2017
2. Banca Generali Group - Consolidated Profit and Loss Statement for the Fourth Quarter of 2017
3. Banca Generali – Reclassified Consolidated Balance Sheet at 31 December 2017
4. Total AUM at 31 December 2017
5. Net Inflows and Life New Business at 31 January 2018

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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)

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1) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT AT 31 DECEMBER 2017 ¹

(€ mil.)	12M 16	12M 17	% Chg
Net Interest Income	58.7	61.4	4.7%
Gross fees	604.7	760.5	25.8%
Fee expenses	-319.0	-389.4	22.1%
Net Fees	285.7	371.1	29.9%
Net income (loss) from trading activities	32.8	15.3	-53.1%
Dividends	2.0	2.7	39.8%
Net income (loss) from trading activities and Dividends	34.7	18.1	-47.9%
Net Banking Income	379.1	450.6	18.9%
Staff expenses	-80.5	-84.8	5.4%
Other general and administrative expense	-140.1	-149.8	6.9%
Depreciation and amortisation	-5.9	-8.1	37.1%
Other net operating income (expense)	44.5	54.9	23.2%
Net Operating Expenses	-182.0	-187.9	3.2%
Operating Profit	197.1	262.8	33.3%
Net adjustments for impair.loans and other assets	-0.8	-5.4	599.1%
Net provisions for liabilities and contingencies	-11.4	-18.6	62.8%
Gain (loss) from disposal of equity investments	-0.1	-0.2	210.7%
Profit Before Taxation	184.8	238.6	29.1%
Direct income taxes	-28.9	-34.5	19.1%
Net Profit	155.9	204.1	30.9%
Cost/Income Ratio	46.4%	39.9%	-6.5 p.p.
EBITDA	203.0	270.9	33.4%
Tax rate	15.7%	14.4%	-1.3 p.p.

¹ In order to ensure a better understanding of operating performance, the interim balances of 'fee expenses' and 'net provisions' have been restated. In detail, €40.6 million for 2017 and €23.6 million for 2016, previously recognised in net provisions, have been recognised as fee expenses. The restatement does not entail any changes in the balances of 'profit before taxation' and 'net profit'

2) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE FOURTH QUARTER OF 2017²

(€ mil.)	4Q 16	4Q 17	% Chg
Net Interest Income	14.4	14.3	-0.5%
Gross fees	158.3	206.3	30.3%
Fee expenses	-86.2	-108.5	25.8%
Net Fees	72.1	97.8	35.7%
Net income (loss) from trading activities	3.8	3.0	-19.6%
Dividends	0.3	1.0	225.6%
Net income (loss) from trading activities and dividends	4.1	4.0	-1.6%
Net Banking Income	90.5	116.1	28.3%
Staff expenses	-15.8	-21.5	36.0%
Other general and administrative expense	-41.8	-43.2	3.5%
Depreciation and amortisation	-2.4	-2.3	-3.4%
Other net operating income (expense)	16.6	18.4	10.9%
Net Operating Expenses	-43.4	-48.7	12.2%
Operating Profit	47.1	67.5	43.1%
Net adjustments for impair.loans and other assets	0.0	0.6	n.a.
Net provisions for liabilities and contingencies	-3.7	-4.4	18.2%
Gain (loss) from disposal of equity investments	0.0	-0.1	91.8%
Profit Before Taxation	43.4	63.5	46.5%
Direct income taxes	-6.1	-6.8	11.2%
Net Profit	37.3	56.8	52.2%
Cost/Income Ratio	45.3%	39.9%	-5.4 p.p.
EBITDA	49.5	69.8	40.8%
Tax rate	14.1%	10.7%	-3.4 p.p.

² In order to ensure a better understanding of operating performance, the interim balances of 'fee expenses' and 'net provisions' have been restated. In detail, €40.6 million for 2017 and €23.6 million for 2016, previously recognised in net provisions, have been recognised as fee expenses. The restatement does not entail any changes in the balances of 'profit before taxation' and 'net profit'.

3) BANCA GENERALI – RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017 (€M)

(€ millions)

Assets	Dec 31, 2016	Dec 31, 2017	Change	% Change
Financial assets held for trading	38.6	49.8	11.3	29.2%
Financial assets available for sale	4,409.3	4,612.7	203.4	4.6%
Financial assets held to maturity	731.4	979.8	248.4	34.0%
Loans to banks	894.0	880.9	-13.1	-1.5%
Loans to customers	1,881.9	1,970.4	88.4	4.7%
Equity investments	2.0	1.8	-0.2	-8.5%
Property equipment and intangible assets	97.8	98.4	0.6	0.6%
Tax receivables	44.5	45.7	1.2	2.7%
Other assets	257.2	351.4	94.2	36.6%
Total Assets	8,356.7	8,991.0	634.3	7.6%

Liabilities and Shareholders' Equity	Dec 31, 2016	Dec 31, 2017	Change	% Change
Due to banks	802.7	682.5	-120.2	-15.0%
Direct inflows	6,648.2	7,197.2	549.0	8.3%
Financial liabilities held for trading	1.2	0.2	-1.0	-82.4%
Tax payables	17.1	35.6	18.4	107.8%
Other liabilities	118.9	185.2	66.4	55.8%
Special purpose provisions	122.2	154.2	32.0	26.2%
Valuation reserves	9.0	21.6	12.7	141.1%
Reserves	314.4	348.5	34.2	10.9%
Additional paid-in capital	53.8	58.2	4.4	8.2%
Share capital	116.4	116.9	0.4	0.4%
Treasury shares (-)	-2.9	-13.3	-10.3	352.5%
Net income (loss) for the period (+/-)	155.9	204.1	48.2	30.9%
Total Liabilities and Shareholders' Equity	8,356.7	8,991.0	634.3	7.6%



4) TOTAL AUM AT 31 DECEMBER 2017

<i>Billion of Euros</i>	<u>Dec 2017</u>	<u>Sept 2017</u>	<u>Abs. Chg</u>	<u>Chg.</u>
Mutual Funds	13.61	12.90	0.71	5.5%
Portfolio Management	7.10	6.68	0.42	6.4%
Managed Assets	20.71	19.58	1.13	5.8%
Life Insurance	22.18	21.76	0.42	1.9%
<i>of which BG STILE LIBERO</i>	7.28	6.95	0.33	4.7%
Non Managed Assets	12.79	12.49	0.30	2.4%
<i>of which: Securities</i>	6.85	6.93	-0.08	-1.1%
Total	55.68	53.83	1.86	3.5%
Assets Under Management (YoY)				
<i>Billion of Euros</i>	<u>Dec 2017</u>	<u>Dec 2016</u>	<u>Abs. Chg</u>	<u>Chg.</u>
Mutual Funds	13.61	11.18	2.43	21.7%
Portfolio Management	7.10	4.68	2.42	51.8%
Managed Assets	20.71	15.86	4.85	30.6%
Life Insurance	22.18	20.21	1.97	9.7%
<i>of which BG STILE LIBERO</i>	7.28	5.61	1.67	29.8%
Non Managed Assets	12.79	11.47	1.32	11.5%
<i>of which: Securities</i>	6.85	6.19	0.66	10.6%
Total	55.68	47.55	8.14	17.1%



5. NET INFLOWS AND LIFE NEW BUSINESS AT 31 JANUARY 2018

<i>Million of Euros</i>	Jan 2018	Dec 2017	Abs. Chg
Mutual Funds	161	174	-13
Managed Portfolio	142	79	63
Mutual Funds and Managed Portfolio	303	253	50
Life Insurance	182	154	28
<i>of which BG STILE LIBERO</i>	112	140	-28
Managed Assets	484	407	77
Non Managed Assets	-19	227	-246
<i>of which: Securities</i>	-13	50	-63
Total	465	634	-169
	Jan-2018	Jan- 2017	Abs. Chg
Mutual Funds	161	64	97
Managed Portfolio	142	124	18
Mutual Funds and Managed Portfolio	303	188	115
Life Insurance	182	131	51
<i>of which BG STILE LIBERO</i>	112	116	-4
Managed Assets	484	319	165
Non Managed Assets	-19	141	-160
<i>of which: Securities</i>	-13	65	-78
Total	465	460	5
Life New Business	Jan 2018	Dec 2017	Abs. Chg
Life New Business	255	206	49
	Jan-2018	Jan- 2017	Abs. Chg
Life New Business	255	234	21