

Bit Market Services

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Oggetto : PR: Preliminary results 2016

Testo del comunicato

Vedi allegato.

PRESS RELEASE

Preliminary results at 31 December 2016

Record growth and solidity in 2016

- 2016 net inflows: €5,667 million (+22%)
- Total assets at €47.5 billion (+14%)
- CET 1 ratio at 16.7% (+240 bps), Total Capital ratio at 18.4% (+250 bps)

Growth in recurring results despite market volatility

- Management fees at €492.3 million
- Q4 net profit at €37.3 million
- 2016 net profit at €155.9 million
- Operating expenses at €182.3 million

Board of Directors' proposal for a DPS of €1.07

Milan, 10 February 2017 – The Board of Directors of Banca Generali, chaired by Giancarlo Fancel, analysed the preliminary consolidated results at 31 December 2016.

General Manager Gian Maria Mossa stated: *“These highly satisfactory results testify to our position as an industry leader and to the quality of our business as confirmed by the trend in recurring items. Even in a complicated market context, we stood out for our steady growth and our ability to generate profits. Our strategy oriented to bespoke products and solutions enhances our financial advisors' skills, as shown by our current professionals' strong contribution to net inflows. The new products and solutions to be launched this year will strengthen our exclusive positioning as a private bank specialised in households' investments, so that we will be ready to grasp the interesting opportunities that will arise in the coming months.”*

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PRESS RELEASE

Consolidated P&L results at 31 December 2016

Banca Generali's results for 2016 highlighted the company's ability to grow and its operating efficiency, even in less favourable market contexts than the year before. The political and economic uncertainties as well as pressures on retail banks also impacted the financial advisor industry that, after years of strong development, showed overall signs of stabilisation. Banca Generali stood out in this context not only thanks to its **business expansion**, marked by double-digit increase in net inflows (+22% to €5.7 billion) and AUM (+14% to 47.5 billion), but also because it achieved these results while building its **capital ratios** to record levels (CET 1 ratio: +240 basis points to 16.7% and Total Capital ratio: +250 basis points to 18.4%).

The constant business expansion and improvement of operating efficiency resulted in **net profit of €37.3 million** for **Q4 2016**, in line with net profit for Q4 2015, which however had been influenced by the extraordinary contribution of high performance fees. The FY result showed the same trend with **net profit of €155.9 million** (compared to €203.6 million for 2015, which included higher performance fees for €60 million). Net profit also takes into account €8.2 million paid to the Resolution Fund (BRRD) and the Interbank Deposit Protection Fund (FITD).

In detail, **management fees** rose by **7% (€492 million)**, thus confirming the quality of the business model and the growth potential of recurring business characterised by stable margins and growing assets. **Management fees have been steadily increasing for 20 consecutive quarters (since Q4 2011)**. Net banking income amounted to €402.8 million compared to €465.9 million for the previous year, which had benefitted from the above-mentioned extraordinary contribution of the high performance fees for the first months of 2015.

Similarly, net interest income totalled €58.7 million (€66.2 million in 2015), due to a lower contribution from external components, with just €0.9 million generated by the LTRO/TLTRO compared to €3.1 million for the previous year. However, **interest-bearing assets** rose sharply (**€7.0 billion; +35% YoY**), thus partially offsetting the downtrend of bond yields. The Bank continued to adopt a prudent investment profile for the banking book, which mainly focused on government bonds and short durations (2.1 years on average).

Operating **expenses grew in line with expectations (€182.3 million; +3.8%)** even after the speed-up of innovation-oriented development projects and last spring's company reorganisation. Overall, **the ratio of costs to total assets further declined (0.37% compared to 0.40% for the previous year)**, thus confirming the tight cost management. The 43.8% cost/income ratio was again one of the best in the industry.

Banca Generali Group's total balance sheet assets at 31 December 2016 rose by 36.6% to €8,357 million, thanks to the acquisition of new customers. The contribution of the ECB's TLTRO amounted to €400 million.

At year-end 2016, consolidated **net equity** further increased to **€646.4 million** (compared to €636.8 million at year-end 2015). At the forthcoming Shareholders' Meeting, in light of the capital position the Board of Directors will propose a dividend payout of €1.07 per share, with an implied dividend yield of 4.6%, based on the closing price on 8 February.

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The Bank's solidity is therefore even stronger than the previous year. On a phased-in basis, **CET 1 ratio** stood at **16.7% (+240 bps in the year)** and **Total Capital ratio** at **18.4% (+250 bps in the year)**. With reference to regulatory requirements, excess capital on a phased-in basis amounted to €262 million (+22%), accounting for 57% of total Basel 3-compliant own funds.

Capital ratios were much higher than the regulatory requirements the Bank of Italy set for the company (CET 1 ratio at 7% and Total Capital Ratio at 10.4%, as minimum requirements set by the periodic Supervisory Review and Evaluation Process - SREP).

Consolidated P&L Results for Q4 2016

Net profit for Q4 2016 amounted to €37.3 million, in line with Q4 2015, despite the sharp decrease in the variable fees component (performance fees), which declined from €26.9 million for the previous year to the current €14.5 million.

Recurring fees grew further, and **management** fees in particular (**€130.0 million; +9.5% YoY and +4% compared to the previous quarter**).

Operating expenses dropped significantly to **€43.7 million (-17.4%)**. They were affected by the different accounting method applied to contributions paid to the Resolution Fund (BRRD) and the Interbank Deposit Protection Fund (FITD) during the year. Even net of this component, expenses decreased sharply to €39.6 million (-10% YoY) in absolute terms.

Net Inflows, AUM and Assets under Administration and Custody

In 2016, Banca Generali recorded its highest net inflows ever, totalling **€5,677 million (+22% YoY)**. The Assoreti figure instead decreased by 5% compared to the previous year (net of Banca Generali's contribution).

While the year-start was impacted the weak financial markets, the net inflows mix gradually shifted towards managed solutions during the year, particularly focusing on the innovative "wrappers" solutions BG Stile Libero and BG Solution, which gathered €1,285 million and €1,344 million, respectively (66% of managed and insurance products and 46% of total net inflows). Net inflows of administered products also grew, reflecting new customers' appreciation of these products. Instead, traditional insurance solutions declined gradually throughout the year, as expected and in line with falling interest rates.

The uptrend in net inflows continued in the first weeks of 2017. **In January, net inflows totalled €460 million**, of which €353 million were gathered by the "wrappers" of products BG Stile Libero (€116 million) and BG Solution (€237 million). The managed products component accounted for 69% of total net inflows (in January 2016, it accounted for about 20%), thus further improving compared to the excellent average figure for 2016 (59%).

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At year-end 2016, **managed assets and assets under administration grew by 14% to €47.5 billion**, confirming an acceleration compared to the average development rate of last decade (8.7% per year). The ratio of managed products to total assets (€36.1 billion) was 76% (+13% YoY).

Business outlook

Market uncertainties, such as the forthcoming elections in several European countries, the shift in the U.S. economic policies and the measures taken by the Central Banks due to inflation expectations, are reasons for a prudent and careful investment approach. We also believe that the risk aversion that has characterised the Italian banking system over the past few months can gradually decrease, leading to households' renewed confidence, which will positively influence the growing wealth planning opportunities. All of this will open up excellent prospects for Banca Generali's qualified advisory services, which include not only a versatile and flexible range of solutions for investment protection, but also a range of exclusive tools designed to reduce implicit and explicit portfolio risks. In addition to even greater specialisation in alternative investments for qualified customers, there are the opportunities offered by the new evolved advisory contract, which is drawing much attention from high-standing professionals and households with more complex needs. The first few weeks of 2017 confirmed the Bank's uptrend among financial advisor networks and in the private sector.

Banca Generali: Directors' independence requirements verified by the Board of Directors

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 Governance Code of Listed Companies, Bank of Italy Circular Letter No. 285/2013, and Article 37, paragraph 1 d) of Consob Regulation No. 16191/97: Giovanni Brugnoli, Anna Gervasoni, Massimo Lapucci, Annalisa Pescatori and Vittorio Emanuele Terzi. It was thus determined that the majority of the members of the Company's Board of Directors meets independence requirements.

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Presentation to the Financial Community

The preliminary financial results at 31 December 2016 will be presented to the financial community during a **conference call** scheduled today at **2:00 p.m. CET**.

To attend the conference call please dial one of the following numbers:

from Italy and other non-specified countries: +39 02 805 8811;

from the United Kingdom +44 121 281 8003;

from the USA +1 718 705 8794 (toll-free: +1 855 265 6958)

PRESS RELEASE

The Manager responsible for preparing Banca Generali's financial reports (Paolo Tamagnini) 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. Paolo Tamagnini (Banca Generali CFO)

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Annexes:

- 1) Banca Generali – Consolidated Profit and Loss Statement at 31 December 2016
- 2) Banca Generali – Consolidated Profit and Loss Statement for the Fourth Quarter 2016
- 3) Banca Generali – Reclassified Consolidated Balance Sheet at 31 December 2016
- 4) Total AUM at 31 December 2016

The approval of Banca Generali's Draft Financial Statements at 31 December 2016 is scheduled on 10 March 2017.

The data presented herein are still being audited by the appointed Audit Company.

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PRESS RELEASE

**1) BANCA GENERALI – CONSOLIDATED PROFIT AND LOSS
STATEMENT AT 31 DECEMBER 2016**

(€ mil.)	12M 15	12M 16	% Chg
Net Interest Income	66.2	58.7	-11.4%
Gross fees	652.0	604.7	-7.3%
Fee expenses	-281.2	-295.7	5.1%
Net Fees	370.8	309.0	-16.7%
Net income (loss) from trading activities	25.8	32.8	27.0%
Dividends	3.1	2.4	-23.3%
Net income (loss) from trading activities and Dividends	28.9	35.1	21.6%
Net Banking Income	465.9	402.8	-13.5%
Staff expenses	-80.9	-80.7	-0.3%
Other general and administrative expense	-134.0	-140.1	4.6%
	-215.0	-220.8	2.7%
Depreciation and amortisation	-5.3	-5.9	11.9%
Other net operating income (expense)	44.7	44.5	-0.5%
Net Operating Expenses	-175.6	-182.3	3.8%
Operating Profit	290.3	220.5	-24.0%
Net adjustments for impair.loans and other assets	-6.5	-0.8	-88.0%
Net provisions for liabilities and contingencies	-45.6	-34.9	-23.5%
Profit Before Taxation	238.2	184.8	-22.4%
Direct income taxes	-34.7	-28.9	-16.6%
Net Profit	203.5	155.9	-23.4%
Cost/Income Ratio	36.5%	43.8%	7.3 p.p.
EBITDA	295.7	226.5	-23.4%
Tax rate	14.6%	15.7%	1.1 p.p.

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PRESS RELEASE

2) BANCA GENERALI– CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE FOURTH QUARTER 2016

(€ mil.)	4Q 15	4Q 16	% Chg
Net Interest Income	14.9	14.4	-3.7%
Gross fees	160.6	158.3	-1.5%
Fee expenses	-79.2	-96.9	22.4%
Net Fees	81.4	61.3	-24.7%
Net income (loss) from trading activities	0.6	3.8	n.m.
Dividends	1.9	0.7	-62.6%
Net income (loss) from trading activities and Dividends	2.6	4.5	74.4%
Net Banking Income	99.0	80.3	-18.9%
Staff expenses	-21.2	-16.1	-24.3%
Other general and administrative expense	-39.7	-41.8	5.1%
	-60.9	-57.8	-5.1%
Depreciation and amortisation	-1.9	-2.4	25.1%
Other net operating income (expense)	10.0	16.5	65.6%
Net Operating Expenses	-52.9	-43.7	-17.4%
Operating Profit	46.1	36.6	-20.7%
Net adjustments for impair.loans and other assets	-0.7	0.0	n.m.
Net provisions for liabilities and contingencies	-8.1	6.8	-183.8%
Profit Before Taxation	37.2	43.4	16.4%
Direct income taxes	0.2	-6.1	n.m.
Net Profit	37.4	37.3	-0.4%
Cost/Income Ratio	51.5%	51.4%	-0.1 p.p.
EBITDA	48.0	39.0	-18.8%
Tax rate	-0.5%	14.1%	14.6 p.p.

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PRESS RELEASE

3) BANCA GENERALI – RECLASSIFIED CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016 (€M)

(€ millions)

Assets	Dec 31, 2016	Dec 31, 2015	Change	% Change
Financial assets held for trading	38.6	28.0	10.6	37.7%
Financial assets available for sale	4,409.3	2,939.2	1,470.1	50.0%
Financial assets held to maturity	731.4	423.6	307.8	72.7%
Loans to banks	894.0	419.5	474.5	113.1%
Loans to customers	1,881.9	1,922.0	-40.1	-2.1%
Equity investments	2.0	2.2	-0.2	-7.6%
Property equipment and intangible assets	97.8	93.1	4.7	5.0%
Tax receivables	44.6	62.0	-17.4	-28.1%
Other assets	257.2	226.4	30.8	13.6%
Total Assets	8,356.8	6,116.0	2,240.7	36.6%

Liabilities and Shareholders' Equity	Dec 31, 2016	Dec 31, 2015	Change	% Change
Due to banks	802.7	334.0	468.8	140.4%
Direct inflows	6,648.2	4,839.6	1,808.6	37.4%
Financial liabilities held for trading	1.2	0.5	0.7	152.5%
Tax payables	17.0	22.6	-5.6	-24.7%
Other liabilities	119.0	163.2	-44.2	-27.1%
Special purpose provisions	122.4	119.4	3.0	2.5%
Valuation reserves	8.7	22.4	-13.8	-61.4%
Reserves	314.4	247.2	67.2	27.2%
Additional paid-in capital	53.8	50.1	3.7	7.5%
Share capital	116.4	116.1	0.3	0.3%
Treasury shares (-)	-2.9	-2.6	-0.4	14.8%
Net income (loss) for the period (+/-)	155.9	203.6	-47.7	-23.4%
Total Liabilities and Shareholders' Equity	8,356.8	6,116.0	2,240.7	36.6%

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**PRESS
RELEASE**
4) TOTAL AUM AT 31 DECEMBER 2016

<i>Billion of Euros</i>	<u>Dec 2016</u>	<u>Sept 2016</u>	<u>Abs. Chg</u>
Mutual Funds	11.18	10.83	0.35
Portfolio Management	4.68	4.23	0.45
Managed Assets	15.86	15.06	0.80
Life Insurance	20.21	19.49	0.72
<i>of which BG STILE LIBERO</i>	5.61	5.16	0.45
Non Managed Assets	11.47	10.77	0.70
<i>of which: Securities</i>	6.19	6.12	0.07
Total	47.54	45.32	2.22

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