

# 9M 2020 RESULTS

5 NOVEMBER 2020



**BANCA  
GENERALI**

**Our Mission:**  
To be the  
No.1 Private Bank  
unique  
by Value of Service,  
Innovation and  
Sustainability



**Preliminary remarks**



**9M 2020 Results**



**Net Inflows, Assets and Recruitment**



**Business update**



**Appendix**

# 9M 2020 RESULTS: EXECUTIVE SUMMARY

## HEALTHY AND SUSTAINABLE DELIVERY



### Total assets at €70.4bn (+7% YoY), Net inflows at €4.1bn (+8% YoY)

- **Solid assets driven by net inflows, stable financial market conditions and diversified offer.** Pure managed solutions (€34.5bn, +10%) above pre-crisis level, underscoring a step-up in demand for long-term investment planning. Advanced advisory (AuA) reached 7.7% of total assets, reinforcing a structural growth for this service.
- **Robust net inflows with high quality mix.** Managed solutions doubled YoY driven by core LUX IM and wrapper solutions. Strong contribution from existing FAs who made up for 78% of total net inflows in the period. Recruiting - after 1H20 pause due to Covid-19 - restarted briskly since June.



### Net profit stable with improved quality

- **Sound increase in the operating component with a key contribution from a well-diversified mix of revenues.** Both NII and recurring net fees moved higher with an uptick in gross management fee margins and new revenue streams (+43%). Headline costs inflated by change in perimeter, yet core operating costs increased in line with guidance (+2%).
- **Net profit proved stable after higher provisions (+45%) and higher contributions for banking funds (+53%)** mostly linked to extraordinary items<sup>1</sup>. Taxation also higher than last year, in line with new long-term guidance



### Solid capital position in any dividend scenario

- **Stated CET1 and TCR ratios at 20.4% and 21.7% including 1<sup>st</sup> tranche 2019 dividend re-allocated to equity reserves** as from the BoD resolution of 15 October 2020 coherently with the Supervisory Authority recommendation on dividend payments. Stated capital ratios calculated on the base of the dividend policy guidelines as far as 2020 dividend payment is concerned
- **Pro-forma CET1 and TCR at 15.2% and 16.5% excluding 1<sup>st</sup> tranche 2019 dividend re-allocated to equity reserves.** Banca Generali confirms its commitment to pay-out the tranche that was cancelled whenever allowed by the Authorities

# RESULTS AT A GLANCE

## KEY TAKEAWAYS

(€ mil)	9M 19	9M 20	% Chg
Net Interest Income	53.9	67.1	24.5%
Net income (loss) from trading activities and Dividends	9.3	10.1	8.2%
<b>Net Financial Income</b>	<b>63.2</b>	<b>77.1</b>	<b>22.1%</b>
Gross recurring fees	536.8	575.2	7.2%
Fee expenses	-287.9	-305.4	6.1%
<b>Net recurring fees</b>	<b>248.9</b>	<b>269.8</b>	<b>8.4%</b>
Variable fees	96.3	100.4	4.2%
<b>Total Net Fees</b>	<b>345.2</b>	<b>370.3</b>	<b>7.3%</b>
<b>Total Banking Income</b>	<b>408.4</b>	<b>447.4</b>	<b>9.6%</b>
Staff expenses	-67.6	-76.5	13.1%
Other general and administrative expense	-62.7	-67.0	6.8%
Depreciation and amortisation	-21.2	-23.5	11.0%
Other net operating income (expense)	3.1	3.0	-2.1%
<b>Total operating costs</b>	<b>-148.4</b>	<b>-163.9</b>	<b>10.5%</b>
<i>Cost /Income Ratio</i>	<i>31.2%</i>	<i>31.4%</i>	<i>0.2 p.p.</i>
<b>Operating Profit</b>	<b>260.0</b>	<b>283.5</b>	<b>9.0%</b>
Net adjustments for impair.loans and other assets	-2.3	-2.3	2.1%
Net provisions for liabilities and contingencies	-13.0	-18.9	45.5%
Contributions to banking funds	-7.3	-11.1	53.4%
Gain (loss) from disposal of equity investments	-0.2	-0.1	-46.9%
<b>Profit Before Taxation</b>	<b>237.2</b>	<b>251.0</b>	<b>5.8%</b>
Direct income taxes	-41.2	-55.2	34.1%
<i>Tax rate</i>	<i>17.4%</i>	<i>22.0%</i>	<i>4.6 p.p.</i>
<b>Net Profit</b>	<b>196.0</b>	<b>195.8</b>	<b>-0.1%</b>

## Comments

### Sound increase in Total Banking Income (+10%)

- Net Financial Income (+22%) with a strong NII (+25%) for higher volumes and resilient yield on banking book
- Total net recurring Fees (+8%) moving higher on growing managed assets and new revenue streams
- Variable fees (+4%) posted a small increase thanks to positive financial markets' performance in 3Q
- Headline operating costs<sup>1</sup> inflated by the change in perimeter (€14.5m). Core operating costs instead posted a limited increase (+2.0%).

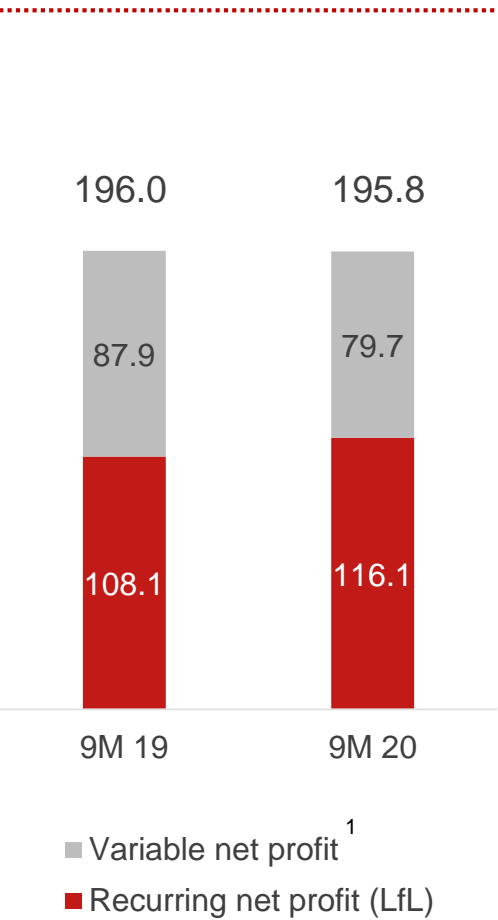
### Net profit in line with record result of last year amid higher provisions and higher tax charge

- Provisions were higher primarily for the change in the discount rate applied on actuarial valuation (€4m).
- Contributions to banking funds (+53%) included €2.2m of extraordinary contribution to the Interbank Deposit Protection Fund
- Tax-rate increased to 22% (+4.6ppts YoY), in line with new long-term guidance

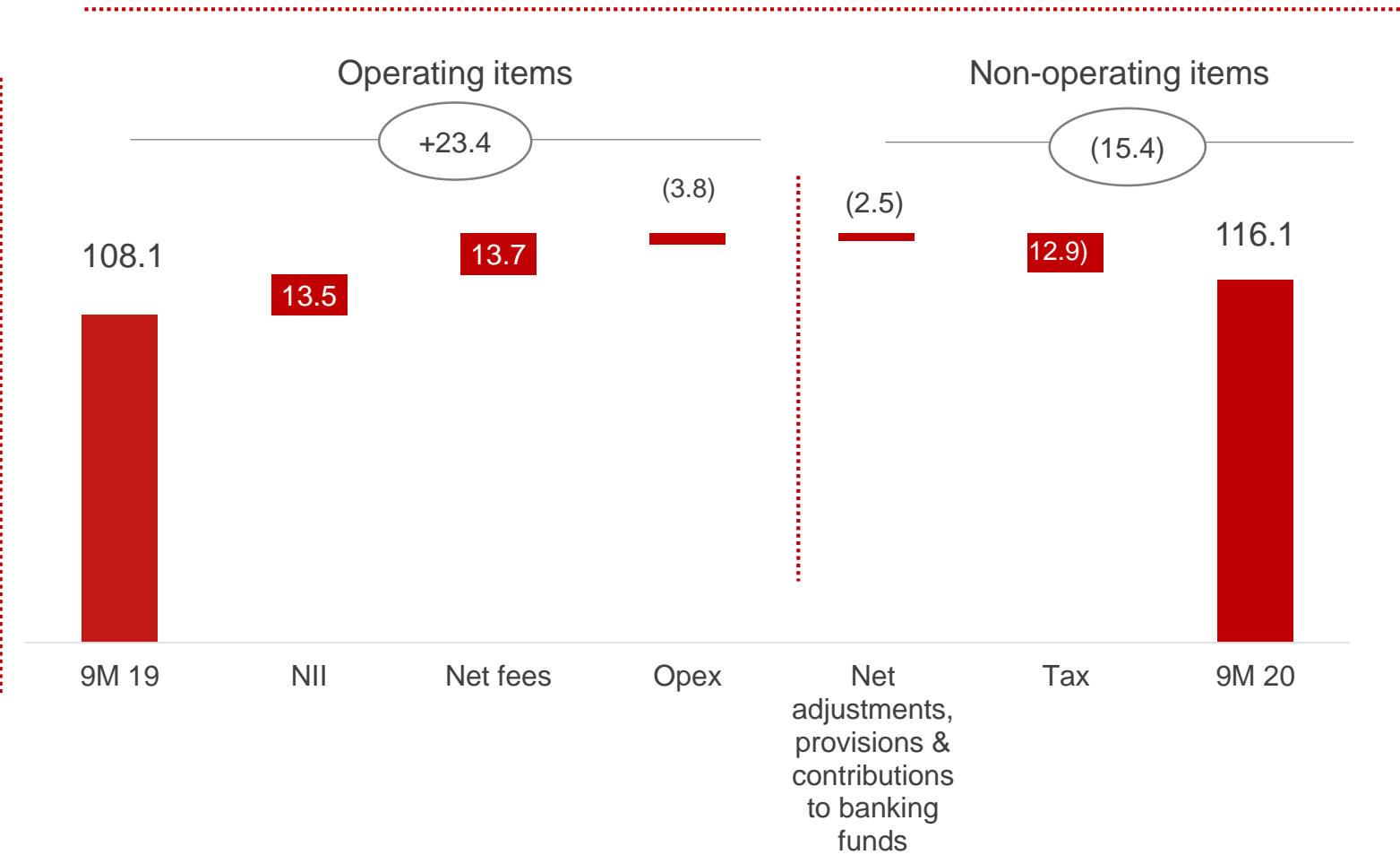
# NET PROFIT BREAKDOWN

## POSITIVE OPERATING TREND OFFSET BY HIGHER TAXATION

Net profit breakdown m/€



Build-up of recurring net profit m/€



Note 1) Variable net profit including performance fees, trading income (ex-dividend and forex), change in perimeter (Nextam and Valeur), change in discount rate on actuarial reserves (€4.4m) and extraordinary contribution to banking funds (€2.2m)

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Net inflows, Assets and Recruitment



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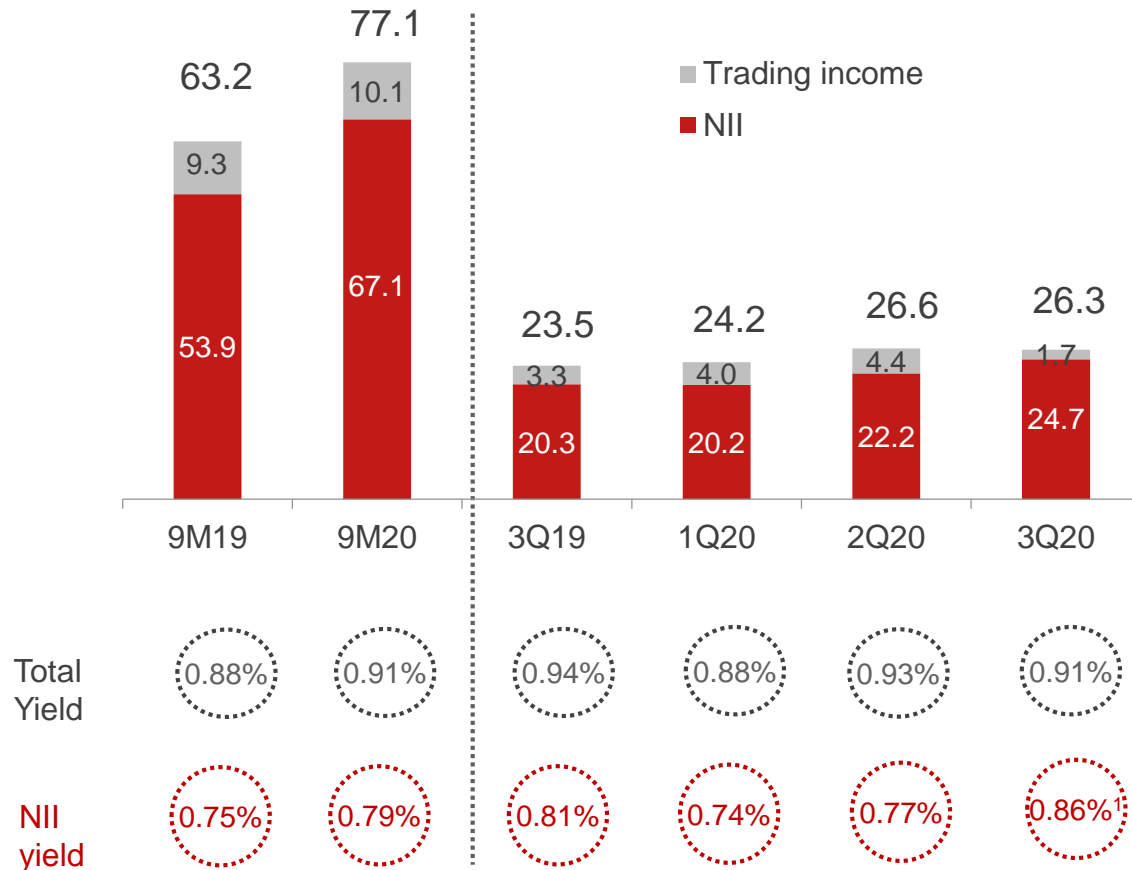


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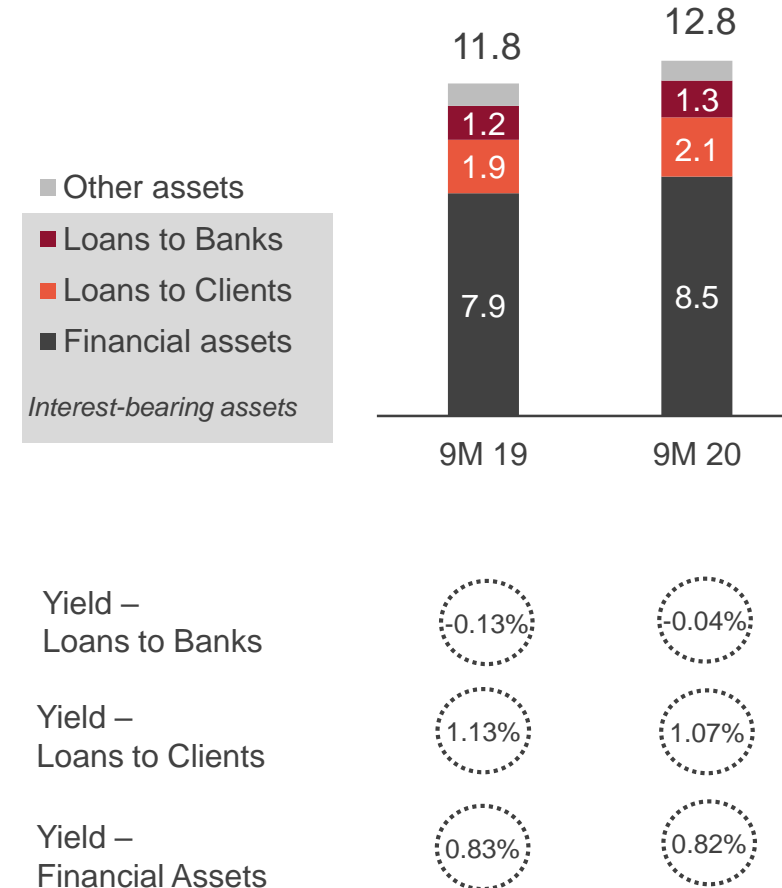
# NET FINANCIAL INCOME

## NET INTEREST INCOME MOVING HIGHER

### Net financial income m/€



### Interest-bearing Assets bn/€



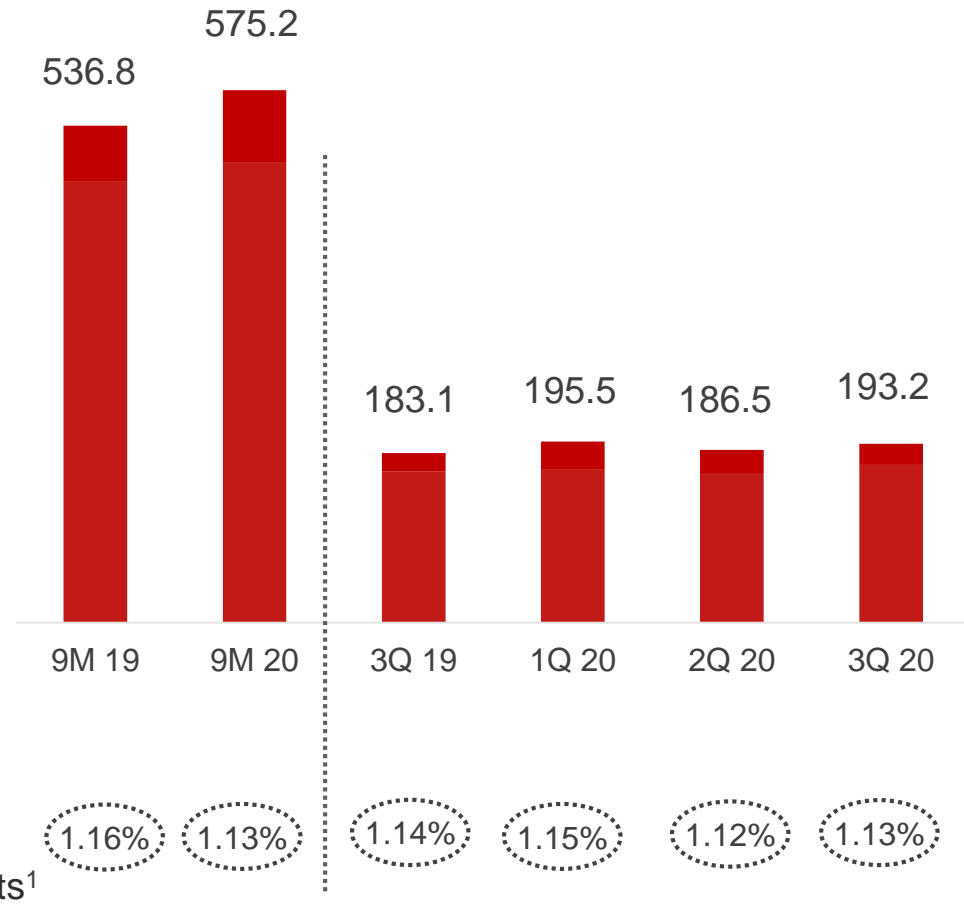
**NII** increased both YoY and QoQ driven by higher assets, sticky investment return and €1.3m contribution from the €500m TLTRO loan in 3Q

**Investment yield** on financial assets (+3bps QoQ, -1bps YoY) was steady, with duration at 1.5yrs, maturity at 3.7yrs and more diversified mix

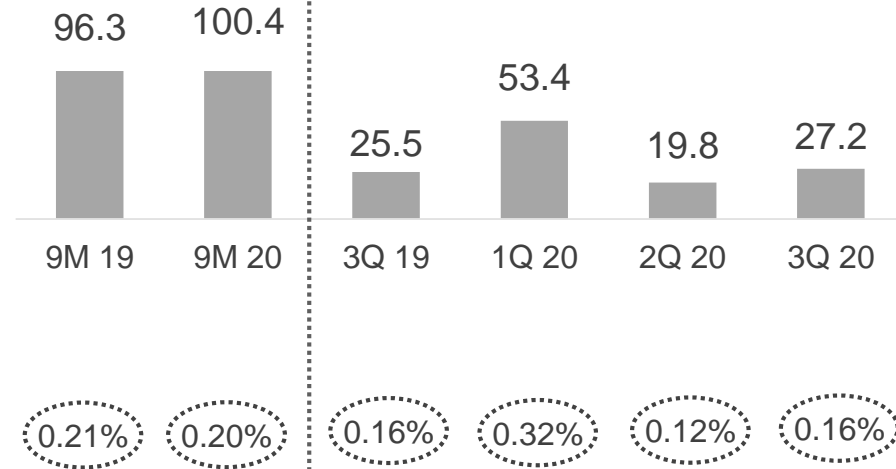
# GROSS FEES (1/3)

## POSITIVE CONTRIBUTION FROM ALL REVENUE LINES

### Gross recurring fees m/€



### Variable fees m/€



**Sound increase in recurring fees (+7% YoY, +4% QoQ)** driven by higher managed assets and more revenue streams

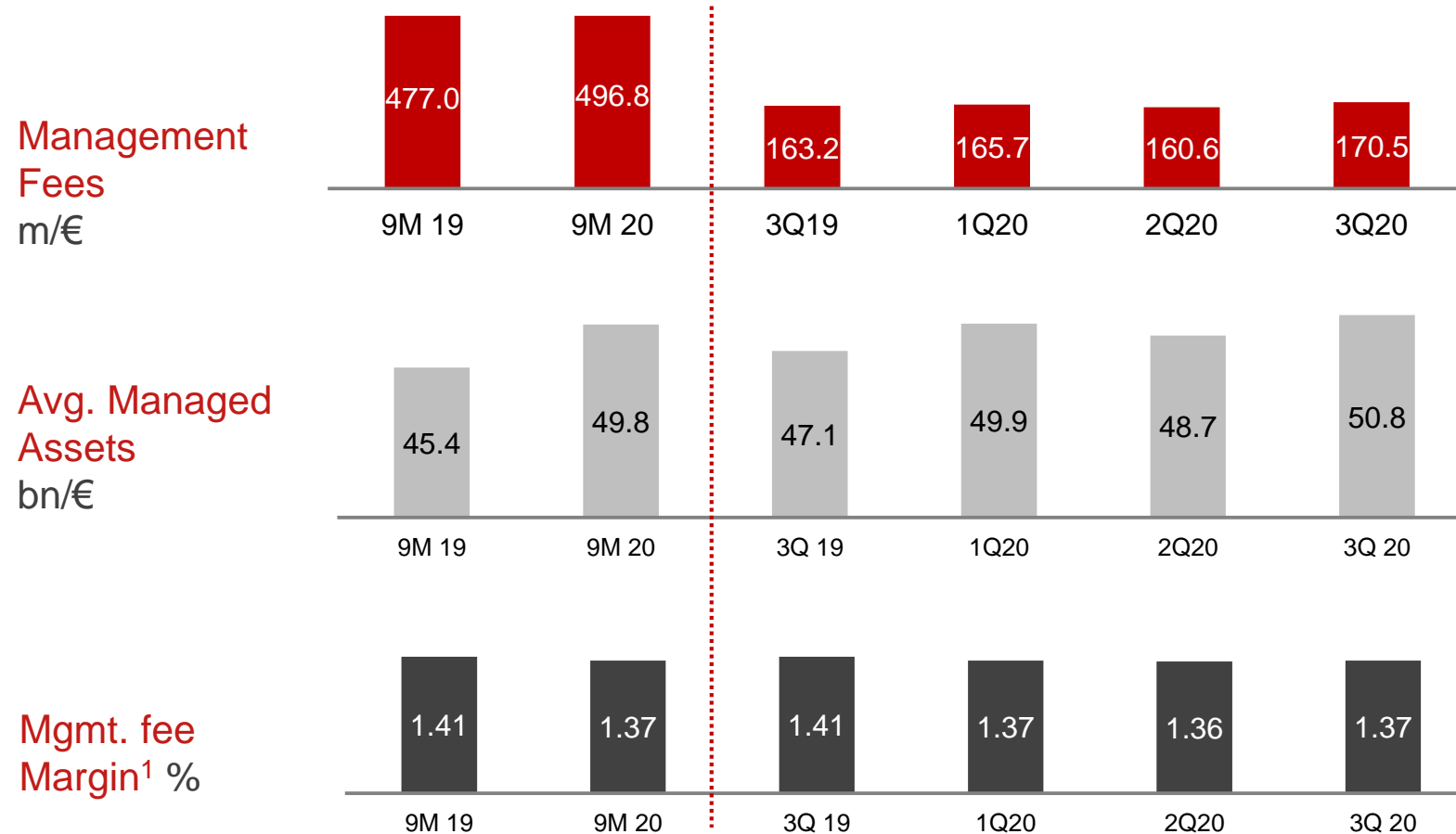
**3Q gross recurring margin (+1bps to 1.13%)** posting an uptick driven by management fees



# GROSS FEES: MANAGEMENT FEES (2/3)

## ACCELERATION AT QUARTERLY LEVEL

### Quarterly trend m/€



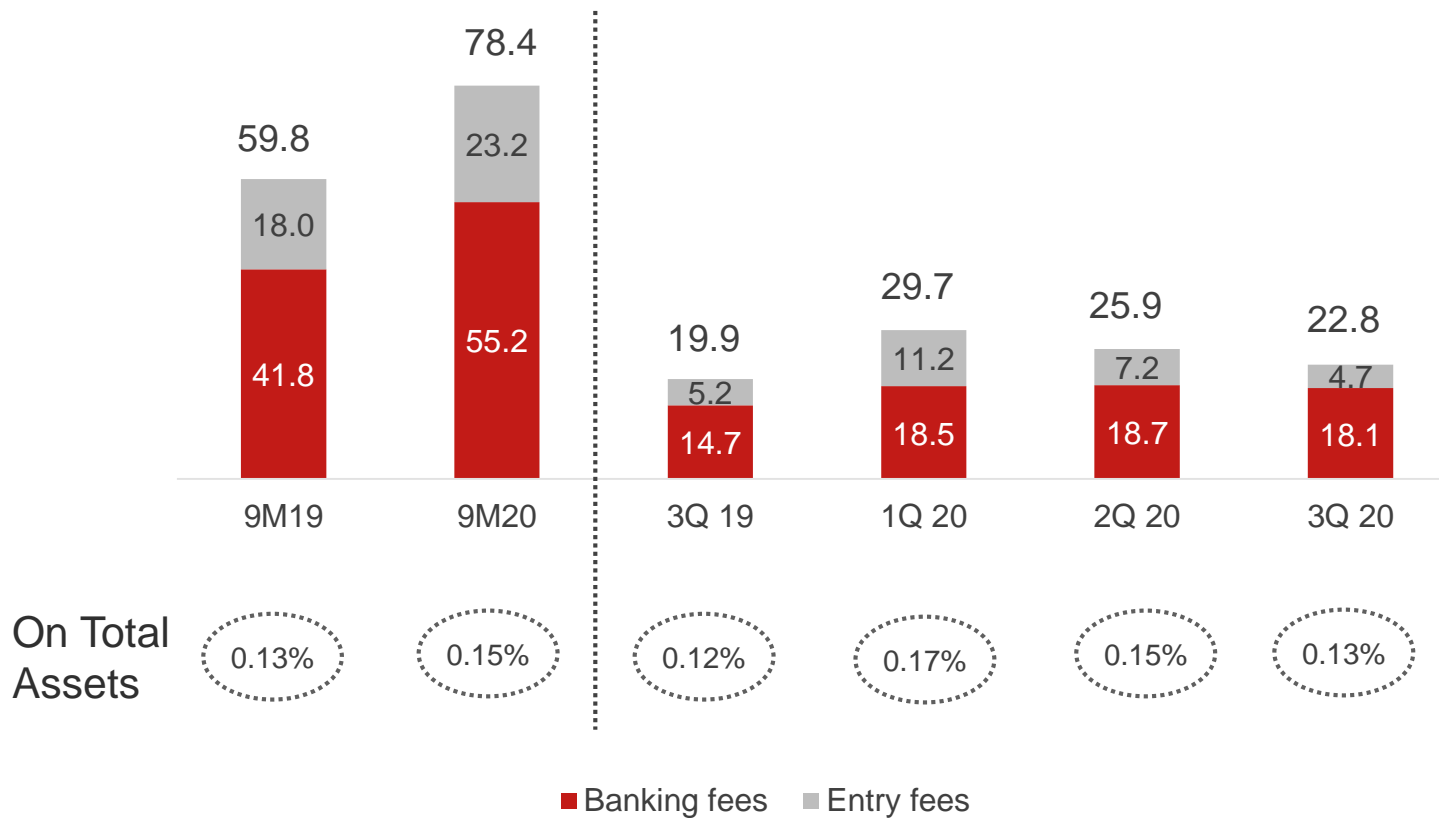
**Quarterly management fees above pre-crisis level in absolute terms** (+6% QoQ) boosted by higher volumes and improving margins

**3Q management fee margin trending higher** thanks to a rebalancing within insurance products towards wrapper solutions

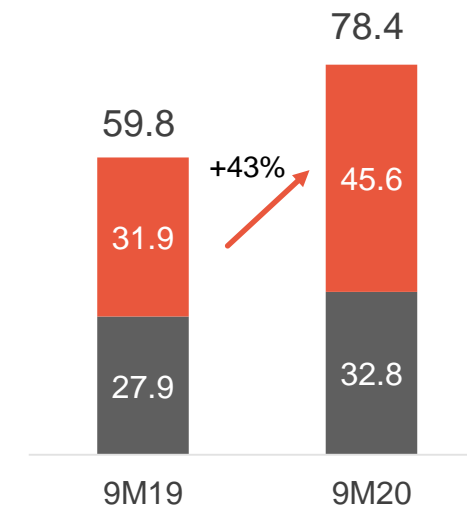
# GROSS FEES (3/3): OTHER FEES

## GROWING CONTRIBUTION AND DIVERSIFICATION

### Banking and Entry Fees m/€



### New revenue streams m/€



■ New revenue streams  
■ Transactional banking, front fees

**Sound increase** in banking and entry fees (+31% YoY).

3Q reflecting seasonality, yet higher YoY

**New revenue streams** at 58% of other fees driven primarily by advanced advisory fees (+55% YoY)

**Transactional banking and entry fees (+18%)** boosted by institutional brokerage

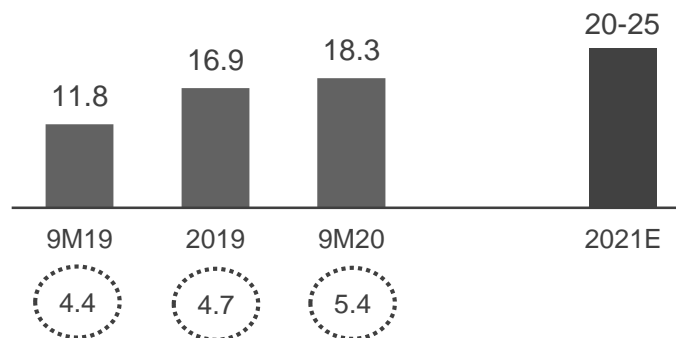
# FOCUS ON NEW REVENUE STREAMS

## GROWTH TREND ABOVE PLAN ACROSS THE BOARD

### New revenue streams m/€



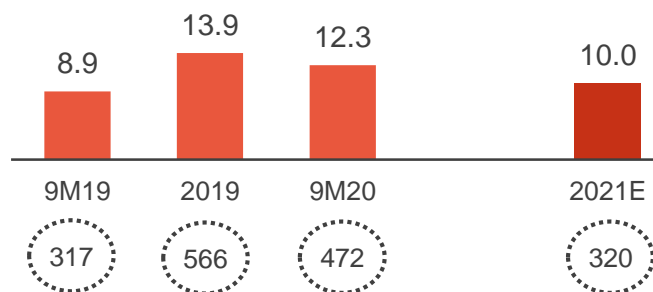
Assets under advisory bn/€



- **Strong delivery** reflecting growing demand for advisory on both financial and non-financial wealth
- **AuA/Total assets at 7.8%** with target revised upwards to 8-10% by 2021 (i.e. to €6.3-7.5bn)



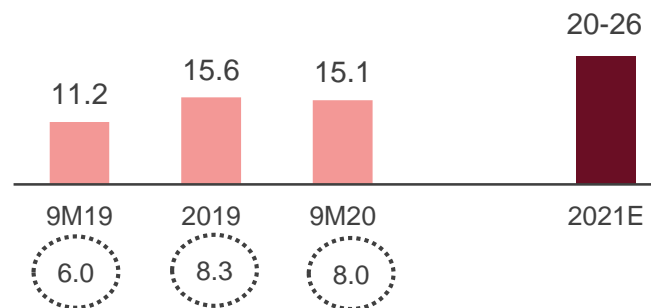
Notional new issues m/€



- **Strong volumes, ahead of expectations (+50% vs. 2021 target, as of 9M 20)** despite a slowdown in 2Q and 3Q due to market volatility and seasonality
- Average run-rate of new issues seen 2x higher than original 2021 target



Retail brokerage volumes bn/€

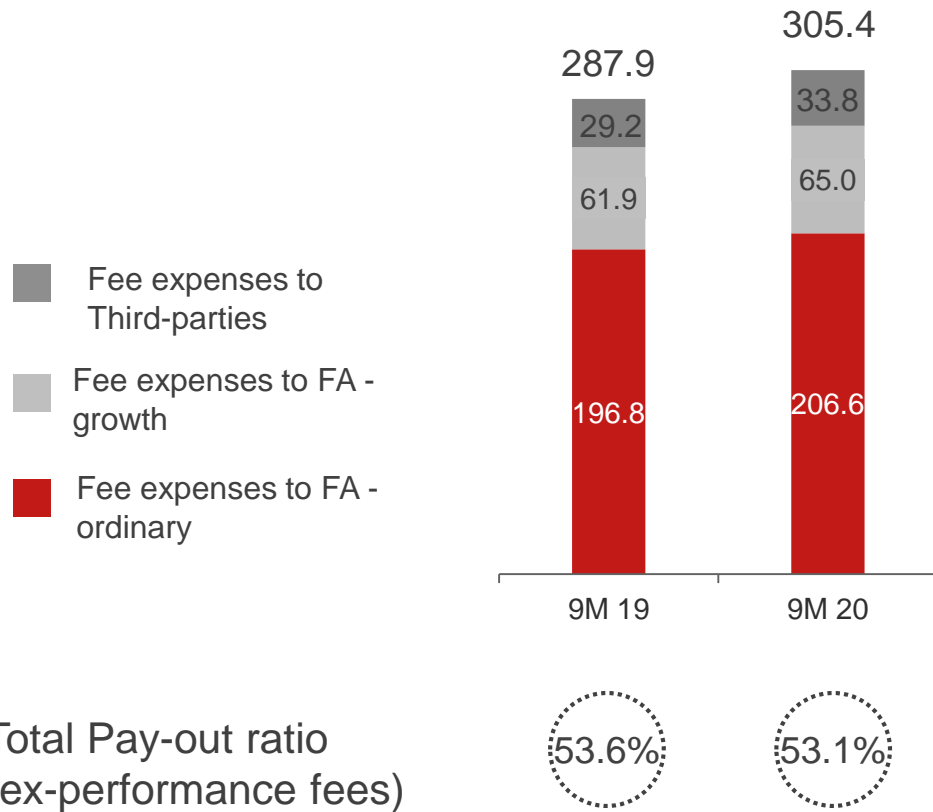


- **Growing in-house client base (~3K YTD)** trading with the new platform
- **BG SAXO 9M20 turnover ratio at 8.1x YTD** (5.8x in 2019), well above 1.4x target set for 2021

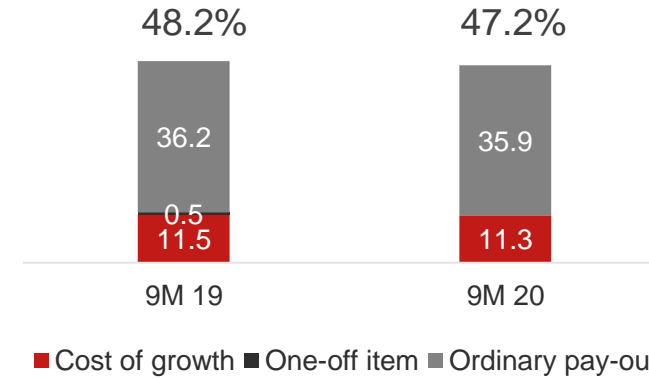
# FEE EXPENSES

## TOTAL PAY-OUT RATIO IMPROVING FURTHER

### Total Fee Expenses m/€

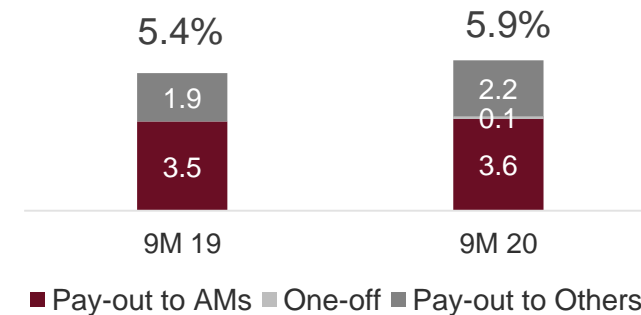


### Pay-out to the network %



**Pay-out to the network** decreased thanks to lower one-off and change in asset mix and lower cost of growth

### Pay-out to Third-parties %

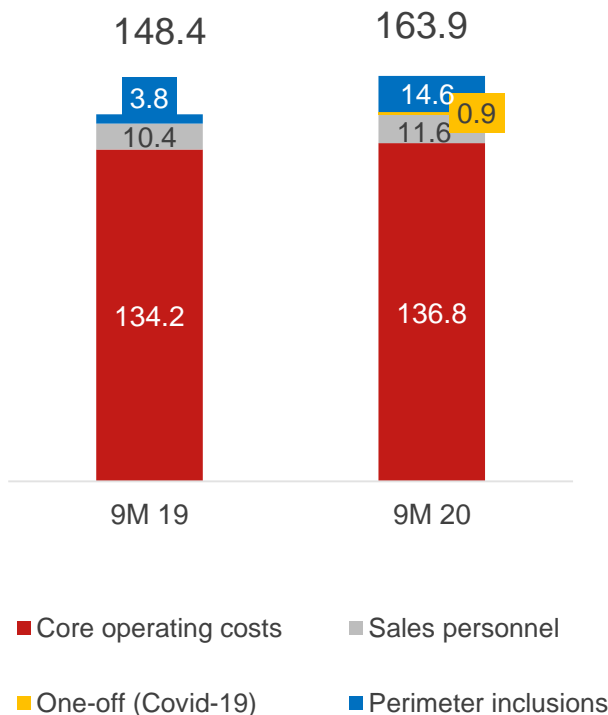


**Pay-out to AMs** was broadly stable **while pay-out to others** reported a temporary spike driven by an acceleration in advisory fees for Robo4AD. The spike expected to be reabsorbed in the coming quarters

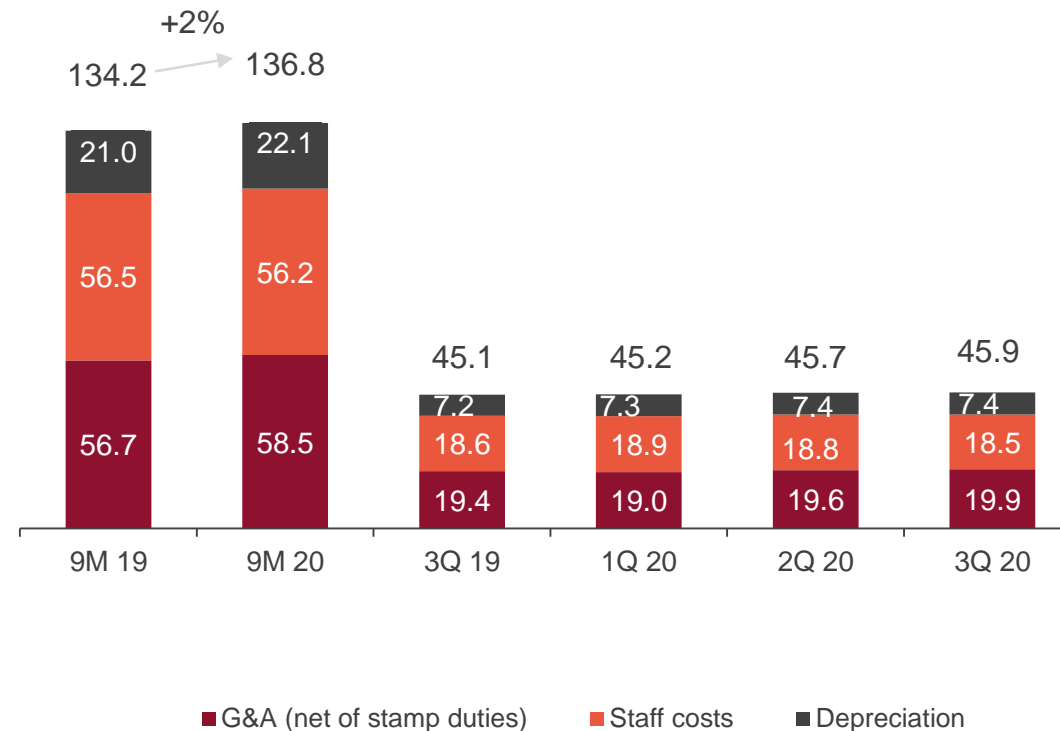
# OPERATING COSTS (1/2)

## TIGHT CONTROL ON CORE OPERATING COSTS

Total operating costs<sup>1</sup> m/€



Breakdown of core operating costs<sup>2</sup> m/€



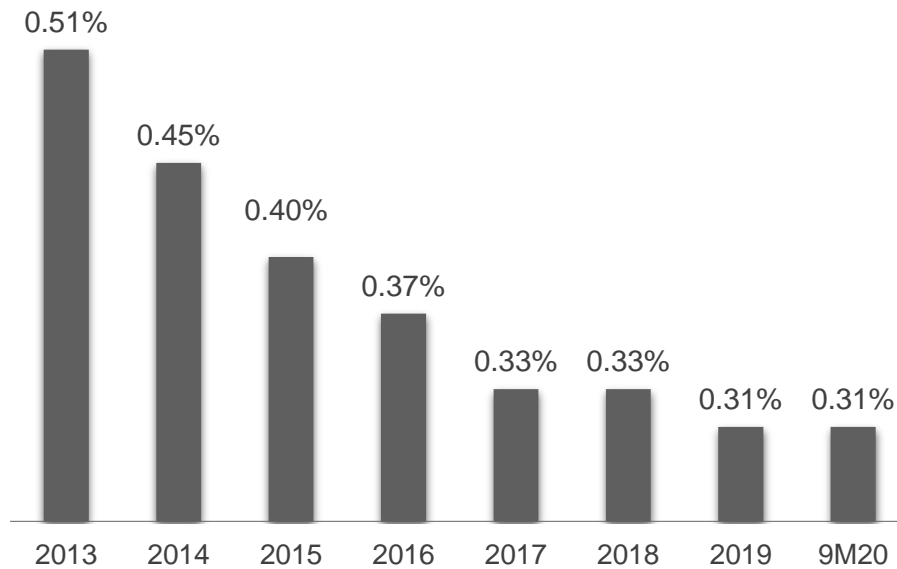
Starting from 9M20, **compulsory contributions to banking funds (DSGD, BRRD directives)** were classified in a dedicated heading below operating result. This reclassification allows to better represent the evolution of operating costs more closely linked to the bank's operations rather than the amount of systemic charges incurred.

**Core operating costs** increased by 2% on a reported basis (+3% when including contributions to banking funds).

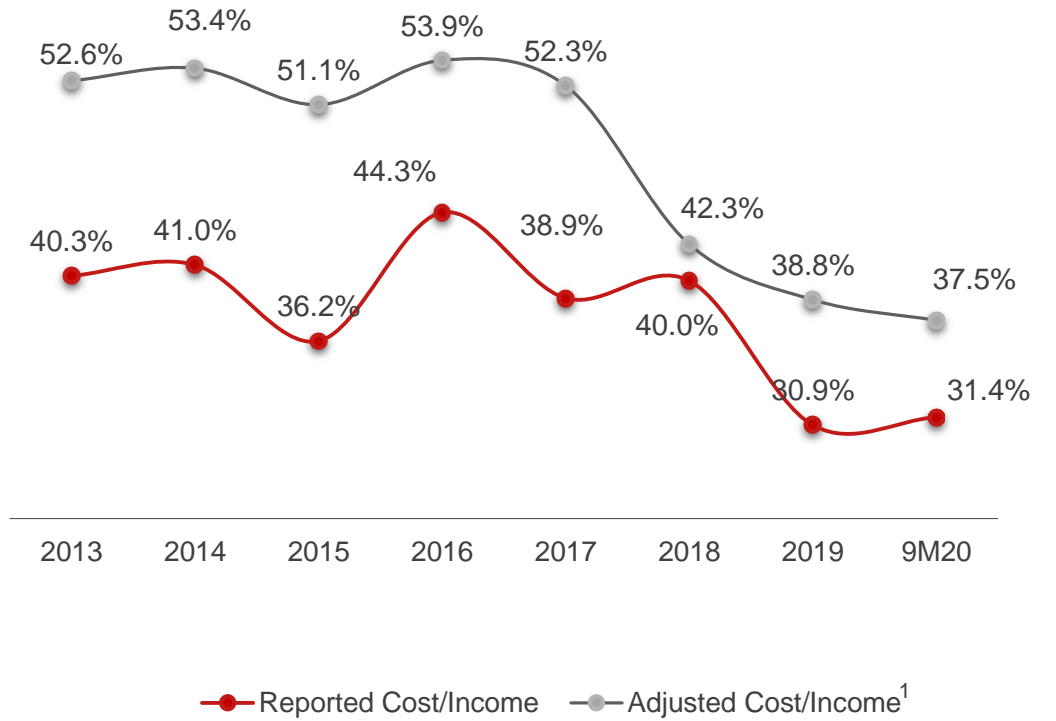
# OPERATING COSTS (2/2)

## OVERALL BEST IN CLASS COST RATIOS

### Operating costs/Total assets



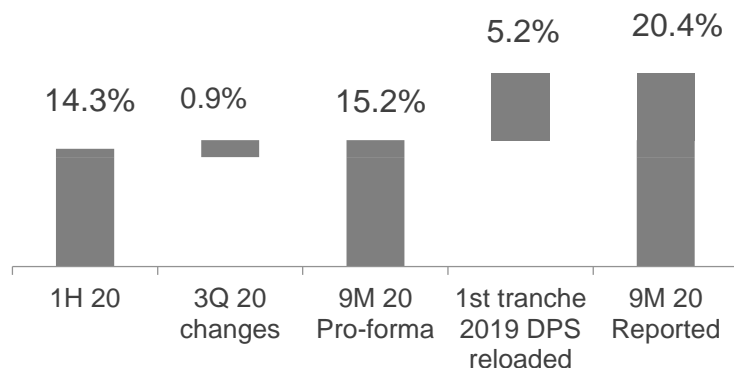
### Cost/Income ratio



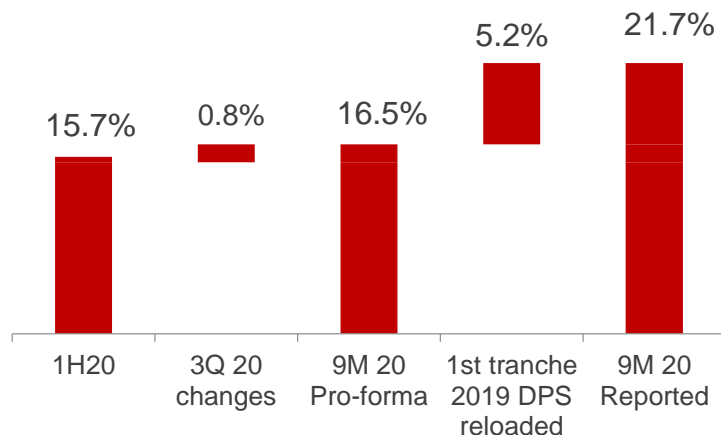
# CAPITAL POSITION

## STRONG CAPITAL POSITION IN ANY DIVIDEND SCENARIO

### CET1 ratio



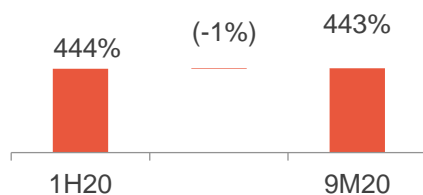
### TCR ratio



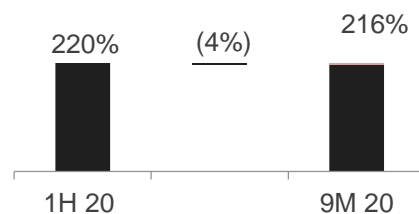
### Pro-forma 9M 2020 Capital ratios assuming:

- Distribution of the 2<sup>nd</sup> tranche 2019 dividend – as already approved by the AGM - in 2021 pending new ECB/Bankit recommendation
- 80% pay-out on 2020 net profit in line with the dividend policy approved by the BoD<sup>1</sup>

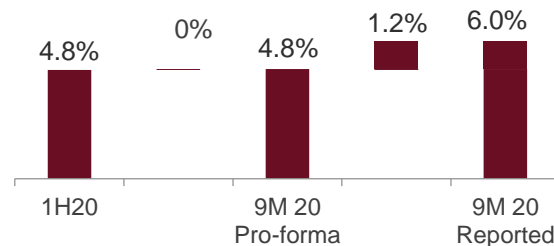
### LCR ratio



### NSFR ratio



### Leverage



### Reported 9M 2020 Capital ratios assuming on top of the baseline:

- Re-allocation of the 1<sup>st</sup> tranche of 2019 dividend to equity reserves based on BoD resolution of 15 October 2020 consistent with the Supervisory Authorities' recommendations on dividend distribution

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9M 2020 Results



**Net Inflows, Assets and Recruitment**



Business update



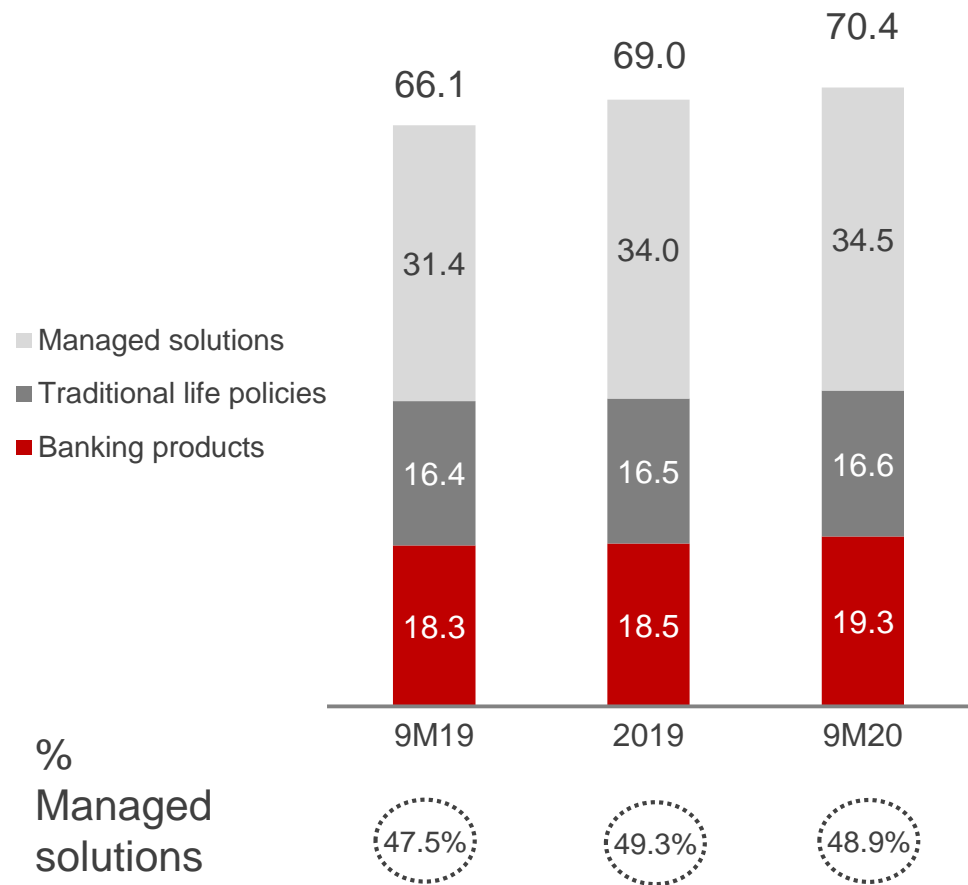
Appendix



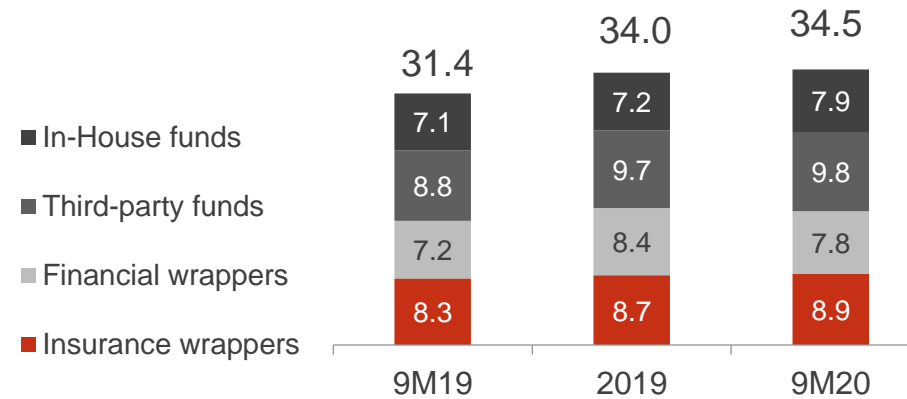
# TOTAL ASSETS

## TOTAL ASSETS ABOVE PRE-CRISIS LEVEL

### Total Assets bn/€

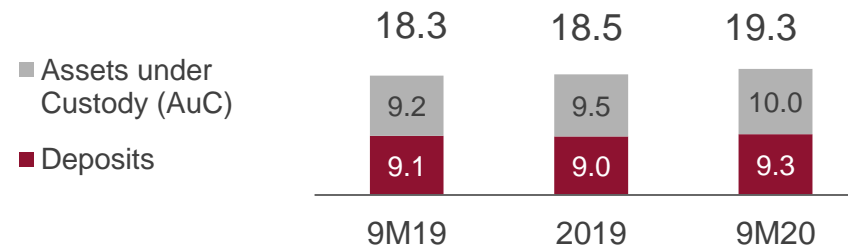


### Managed Solutions bn/€



**Managed solutions** at 49% of total assets leaving significant upside from current level

### Banking products bn/€

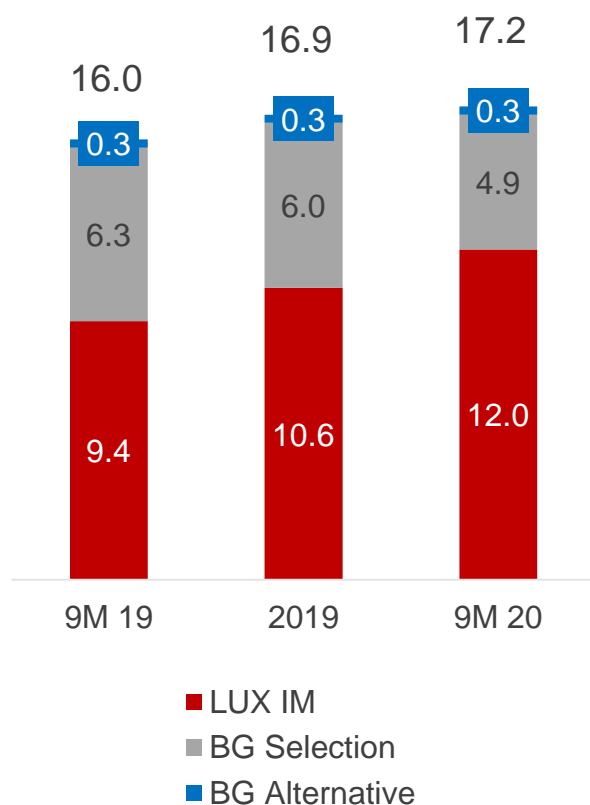


**Assets under Custody (AuC)** growth (+9%) driven by dedicated service and the acquisition of the clients

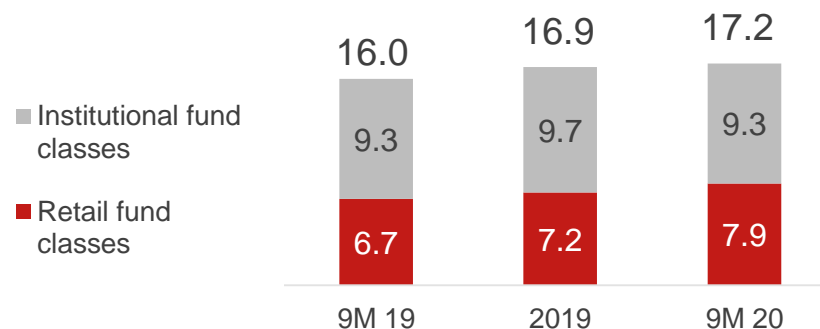
# BG FUND MANAGEMENT LUX

## STEADY ASSET GROWTH

BG FML - Assets by SICAV bn/€

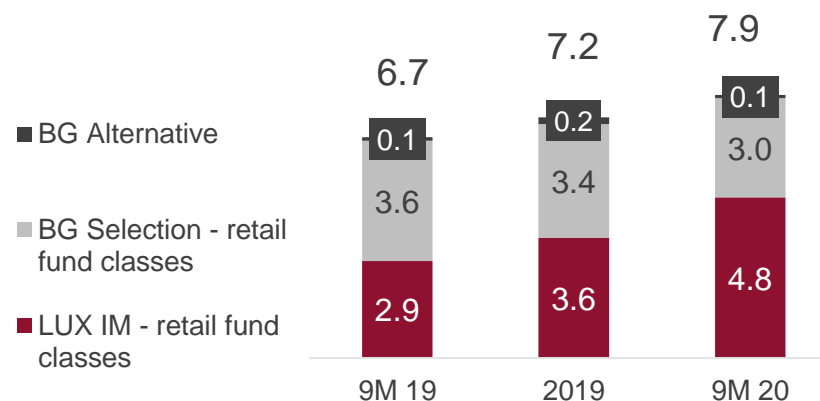


BG FML - Total Assets, bn/€



**Lux IM** growth continues at a fast pace representing **70% of total Lux-based in-house assets**

BG FML - Retail fund classes bn/€

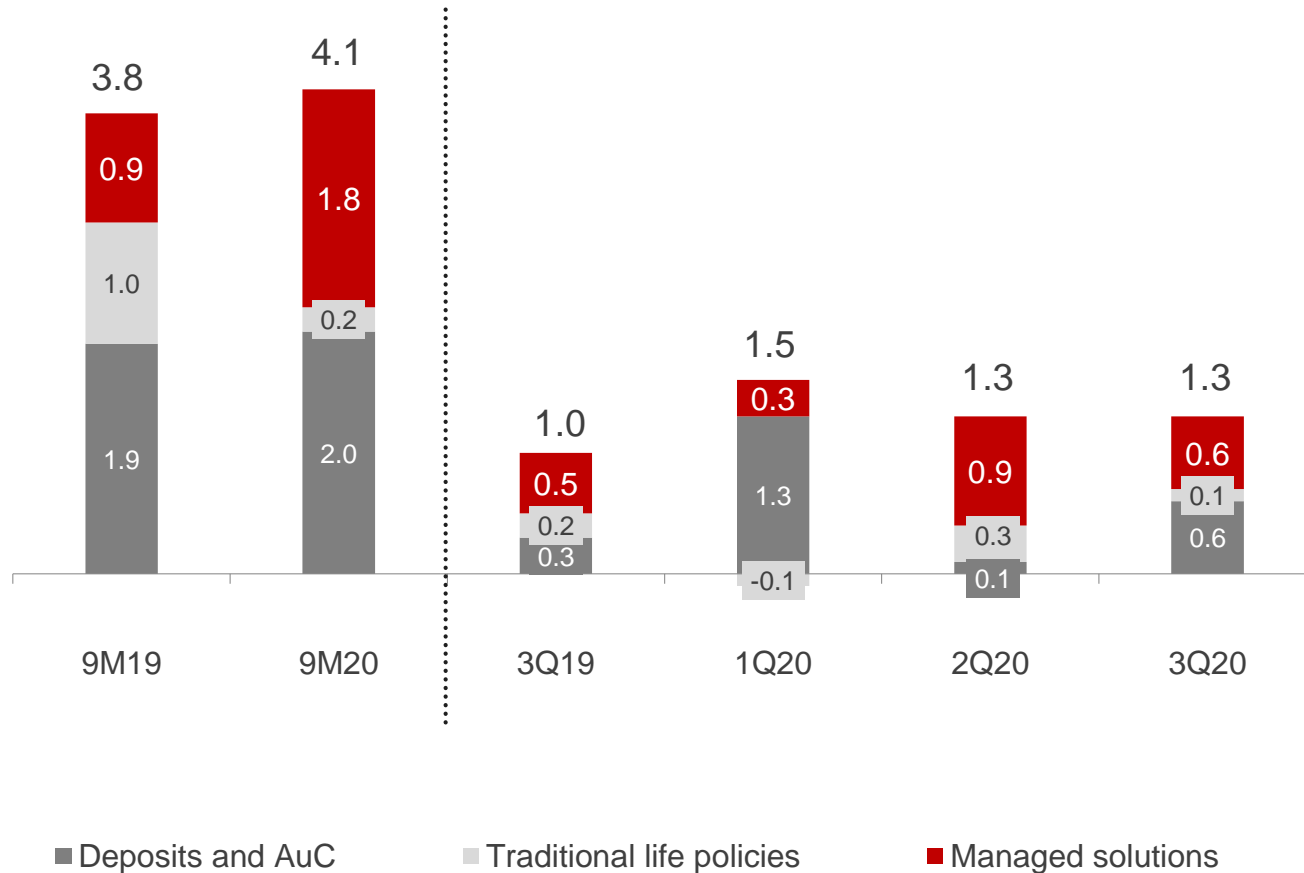


**Lux IM at 61% of total in-house retail fund classes** enhancing the overall financial sustainability

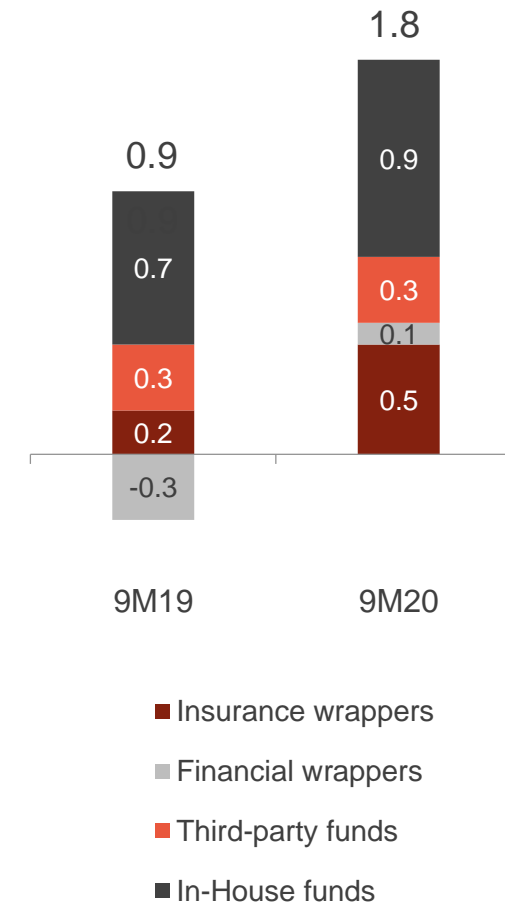
# TOTAL NET INFLOWS

## HIGHER VOLUMES AND BETTER PRODUCT MIX

Total Net Inflows bn/€



Focus on managed solutions bn/€



**Net inflows**  
ahead of 9M  
2019 levels both  
by volumes and  
mix.

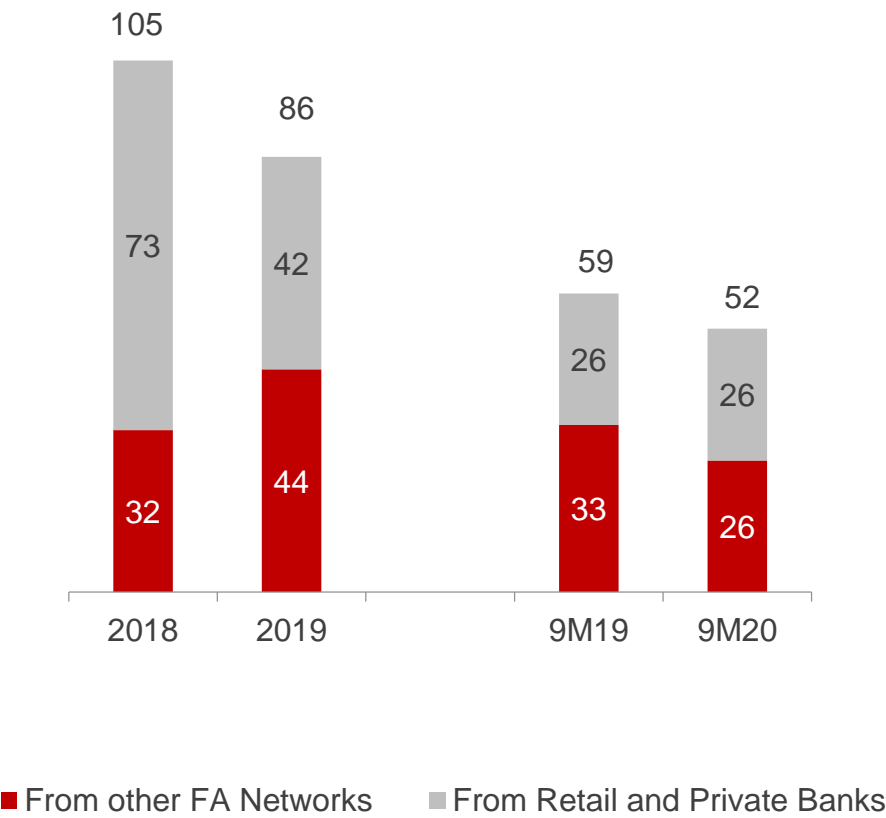
3Q flows +30%  
YoY

**Net inflows in  
managed  
solutions more  
than doubled  
YoY** driven by In-  
house funds and  
insurance

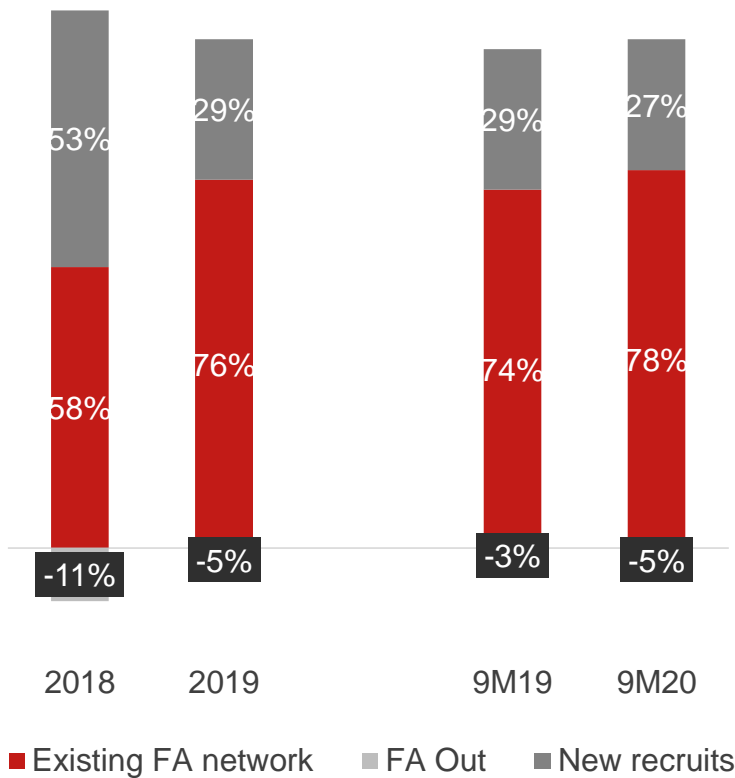
# NET INFLOWS BY CHANNEL

## NET INFLOWS DRIVEN BY EXISTING FA NETWORK

Recruitment trend (# of Recruits)



Total net inflows by acquisition channel



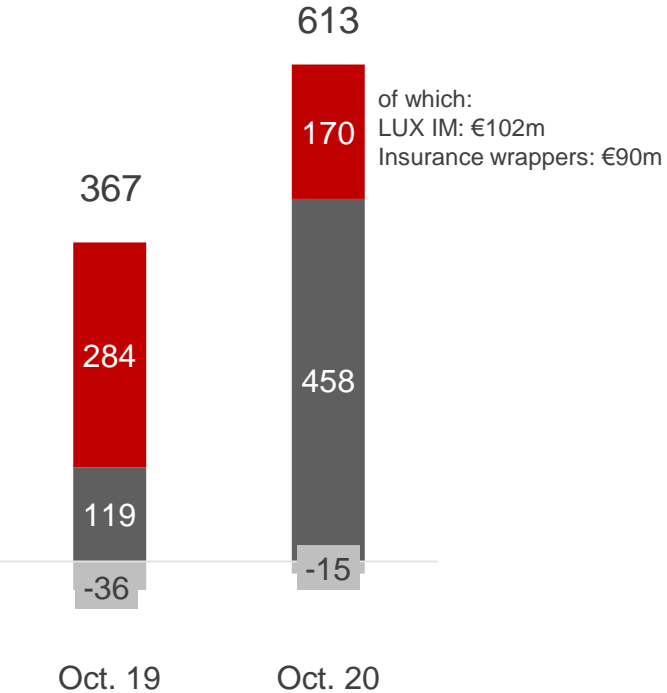
**Total net inflows in the nine months** driven by existing FAs amid the pandemic and reduction in recruiting

Recruiting restarted from June with **24 new recruits** in 3Q to a total of **52 professionals YTD**

# OCTOBER NET INFLOWS

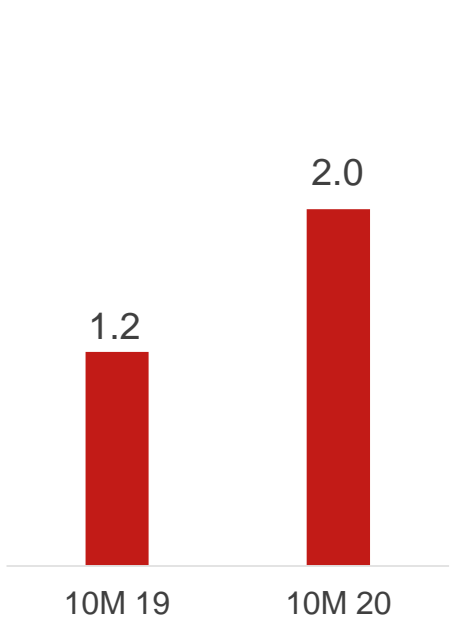
## STRONG MONTHLY DATA AND SOLID MIX OVERALL

Monthly net inflows m/€

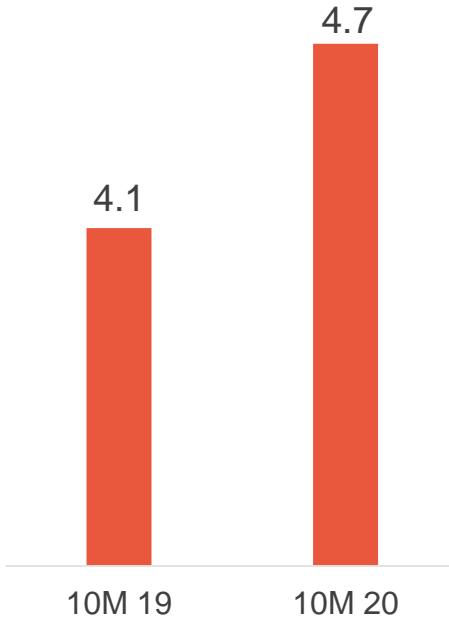


- Managed products
- Traditional insurance policies
- Banking products

Managed solutions bn/€



Total Net Inflows bn/€



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**Business update**



Appendix

# RECIPE FOR TOUGH TIMES

## QUALITY OF THE NETWORK ALWAYS COMES FIRST

**REPLY** - a well-known listed management consultant firm – recently conducted an FA industry study that analyses data from 2008 to the present. Results show that Banca Generali tops the ranks in terms of network growth and quality, which happen to be key pillars of Banca Generali's distribution model:

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**GROWTH** Banca Generali's has a strong track record in terms of asset growth (AUM growth) and expansion of the FAs' portfolio (AUM/FA), as confirmed by recent sector reports

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**QUALITY** Growth is not just strong but also high-quality. Indeed, Banca Generali has been steadily expanding its FA network (#) whereas the sector moved to downsizing over the same period.

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**POSITIONING** Growth has been concentrated on private clients looking for advisory on their entire wealth, suggesting how upwards market positioning is bearing fruits

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**RECOGNITION** Banca Generali won several awards that testify the quality of its network

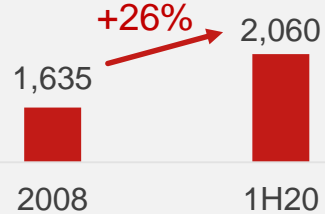


# GROWTH COMING WITH QUALITY AT BANCA GENERALI

## AVG. FA PORTFOLIO TRIPLED (AND 50% HIGHER THAN SECTOR AVERAGE)

### Banca Generali

No. of FAs (#)



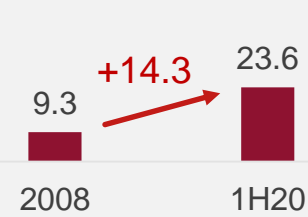
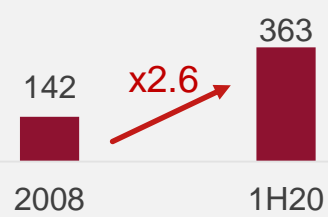
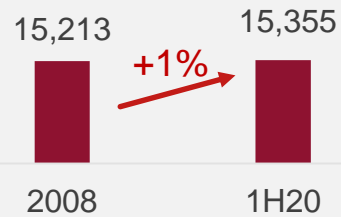
Assets (bn/€)



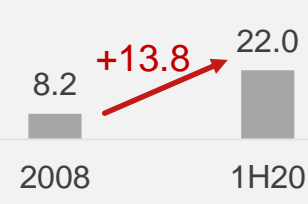
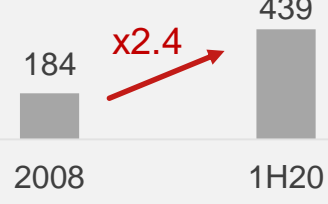
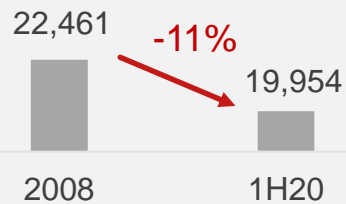
Assets/FA (m/€)



### Top 5<sup>1</sup>



### Sector<sup>1</sup>



BG's growth outpacing sector peers by key metrics:

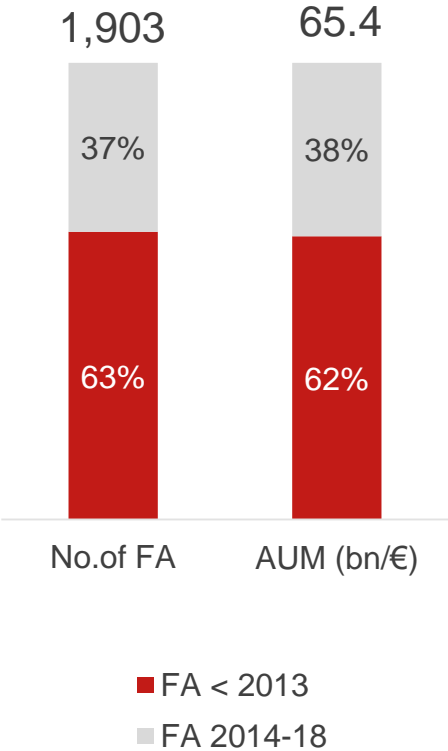
- Expansion in the **number of FAs** (+26%)
- **Size of assets** more than tripled (x3.5)
- **Advisors' portfolio** increased by €21m per FA



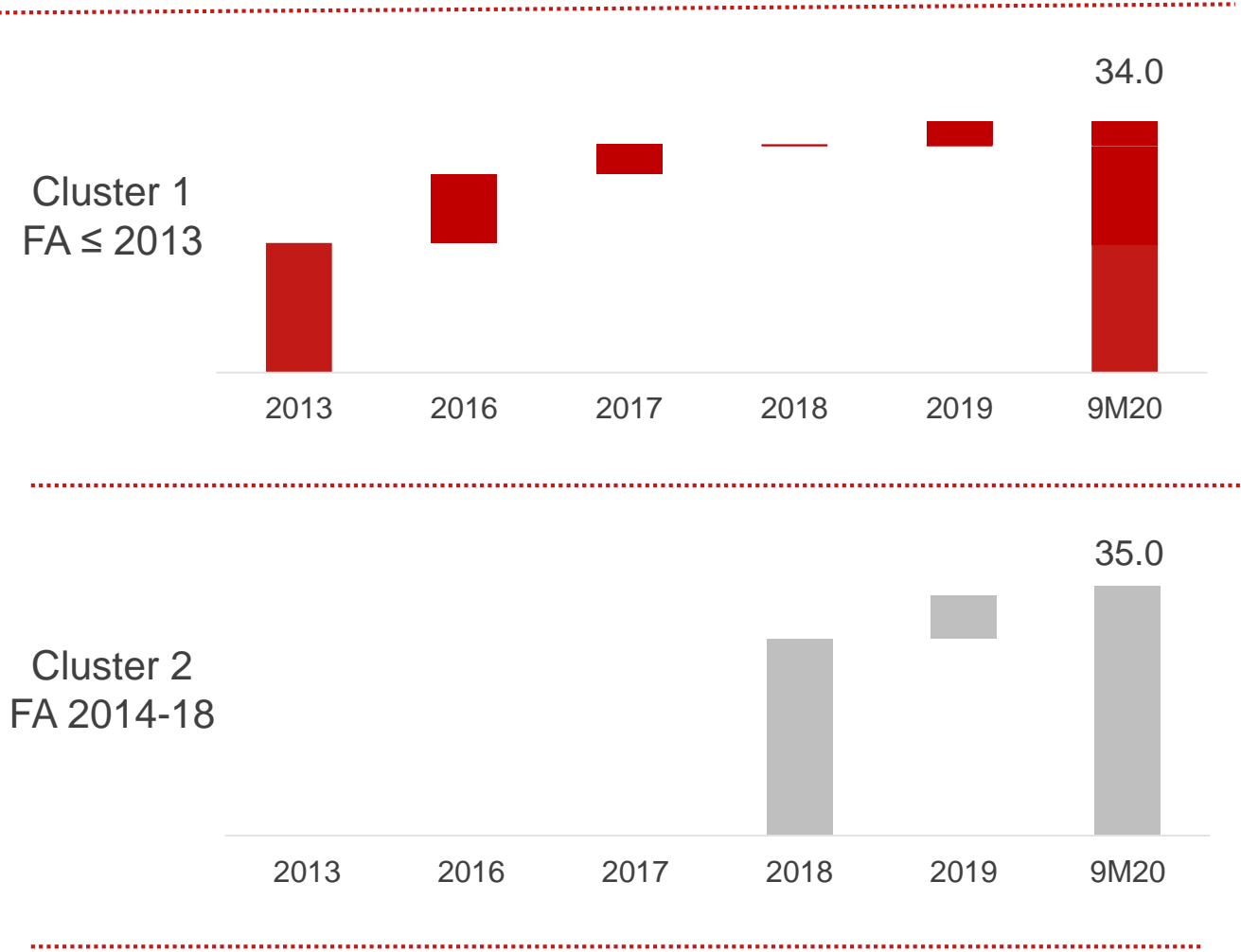
# WELL-BALANCED QUALITY OF FAS ACROSS DIFFERENT ‘VINTAGES’

## EXISTING FAS SET THE TARGET FOR NEW RECRUITS

Asset breakdown  
by cluster of FAs



Portfolio build-up by cluster (m/€)



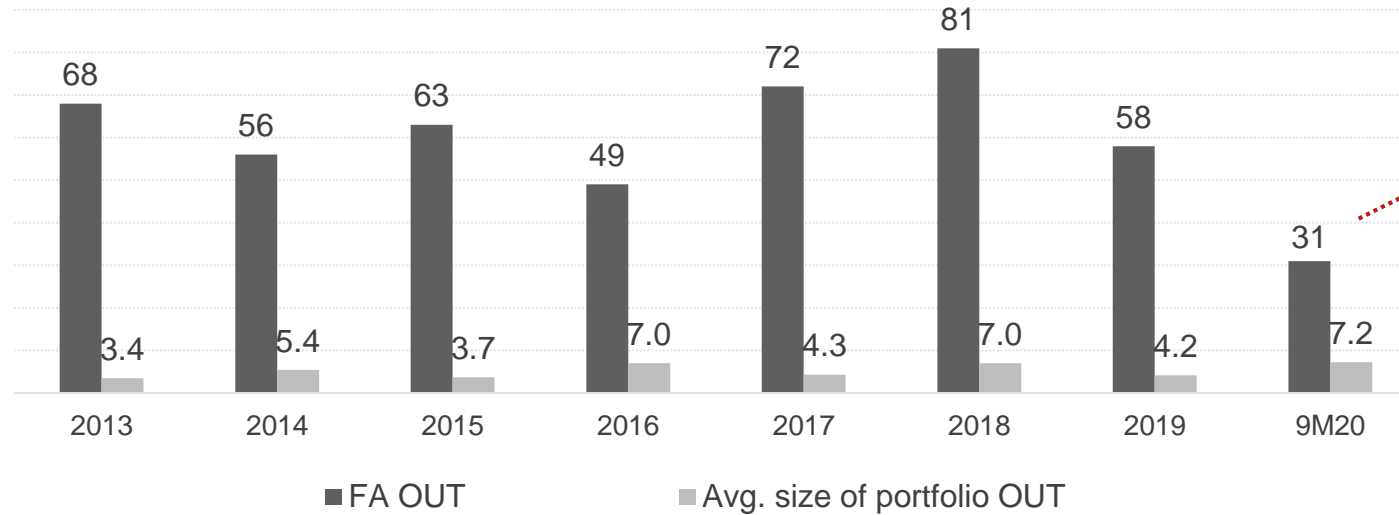
Portfolio growth is building up over time reflecting client and asset acquisitions

Contribution of FAs across different ‘vintages’ tend to revert to the same portfolio size

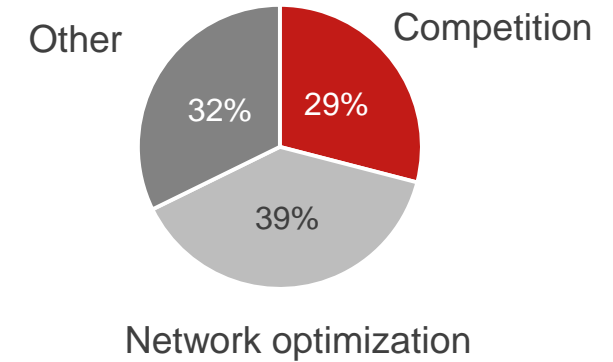
# FA RETENTION AT RECORD-HIGH LEVELS

## STEADY DECREASE IN THE NUMBER OF EXITS ACROSS FAS

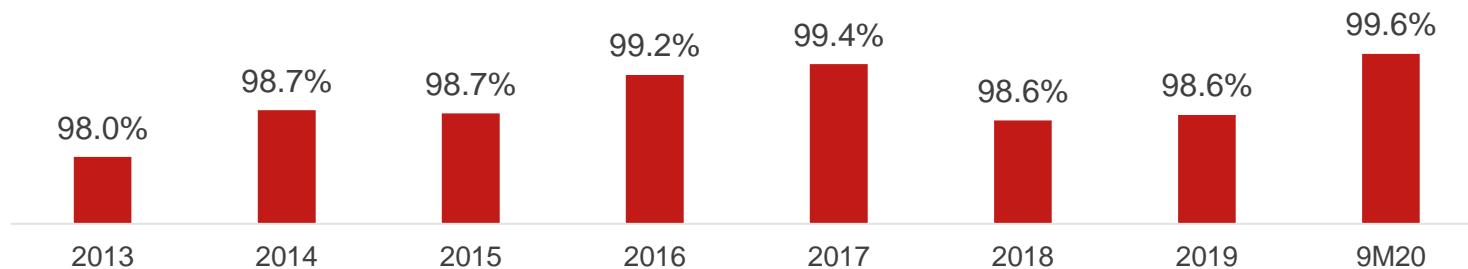
Trend in FA exit (#, m/€)



Breakdown of FA OUT in 9M20 by cause



FA 'CORE' Retention level<sup>1</sup>

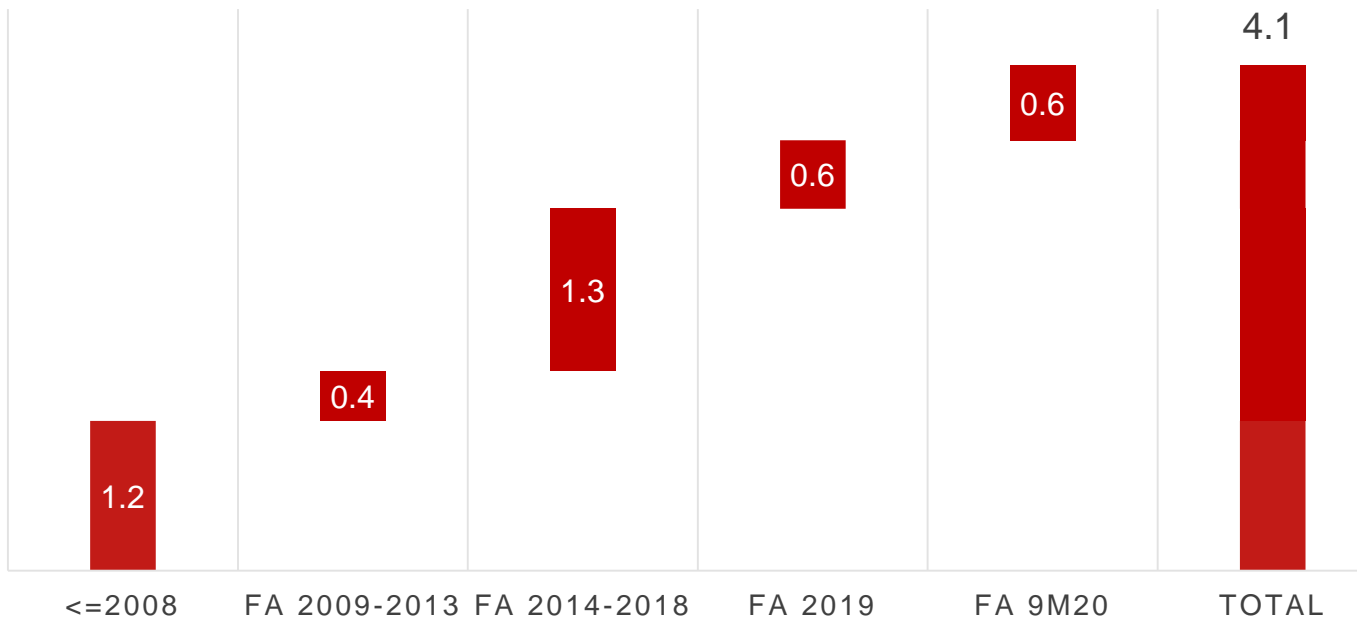


In 9M 20, 'CORE' churn-rate<sup>1</sup> at 0.4% and headline churn-rate<sup>2</sup> at 1.5%

# FIRST 9M INFLOWS: CONTRIBUTION BY FAs 'VINTAGE'

## HIGH PRODUCTIVITY ACROSS DIFFERENT FA CLUSTERS

Build-up of 9M 2020 net inflows by FAs' vintages



All **FAs' vintages** show similar trends in terms of clients' profile:

- 50% net inflows come from private clients (assets €500k to €5m)
- 39% net inflows from HNWI clients (assets > €5m)
- 11% of net inflows from mass to middle affluent (- assets <€ 500K)

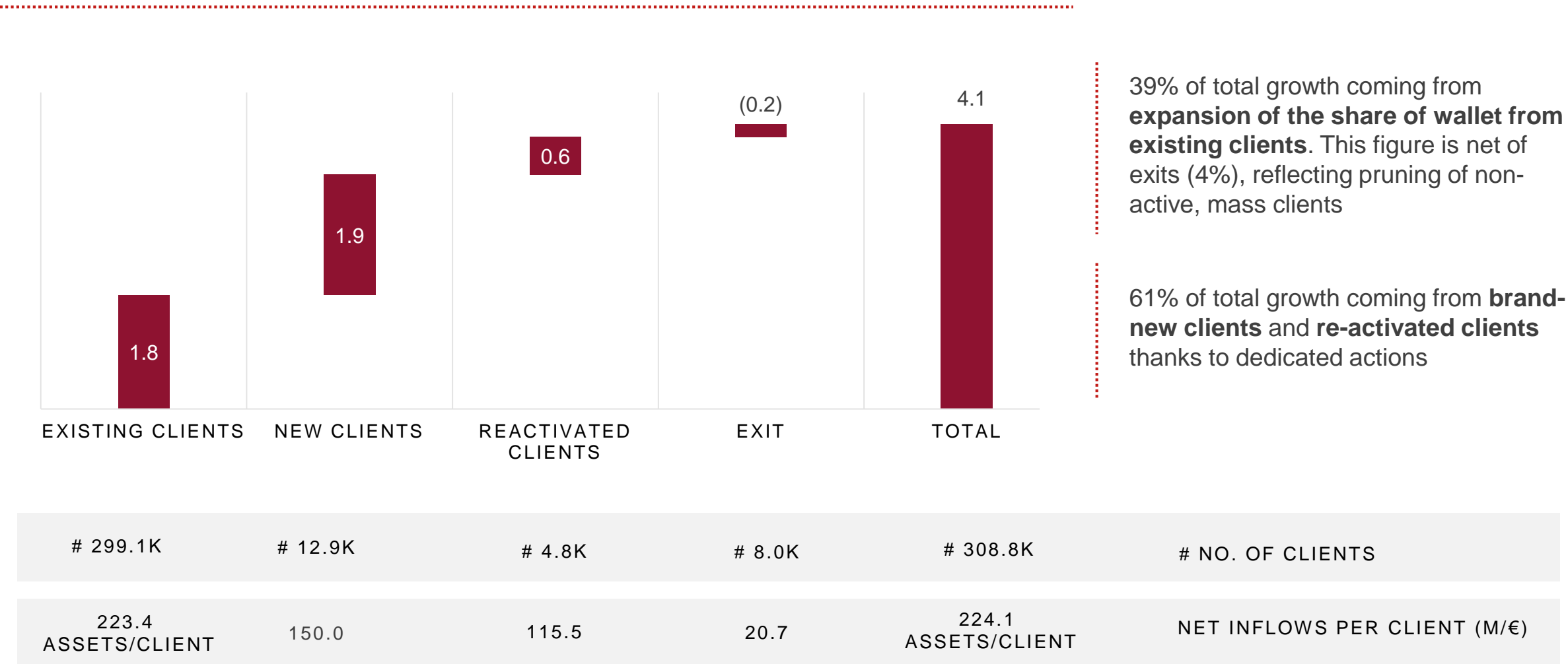
All cluster are showing a **pruning in the mass affluent clients** (i.e. assets <€50K) offset by positive net inflows in lower affluent to middle-affluent clients

1.3	1.5	1.9	5.1	7.6	1.9	NET INFLOWS PER FA BY CLUSTER (M/€)
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# FIRST 9M INFLOWS: CLIENT CLUSTER CONTRIBUTION

## GROWING SHARE OF WALLET FROM EXISTING CLIENTS

Build-up of 9M 2020 net inflows by client cluster



# AGENDA

**Our Mission:**  
To Be the  
No.1 Private  
Bank  
by Value of  
Service,  
Innovation and  
Sustainability



Preliminary remarks



9M 2020 Results



Net inflows, Assets and Recruitment



Business update

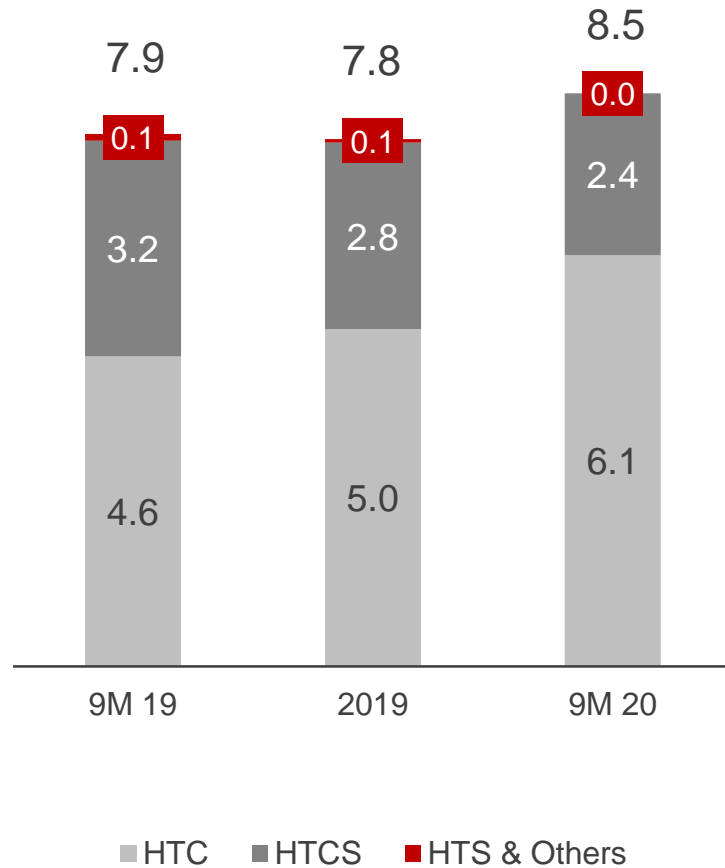


Appendix

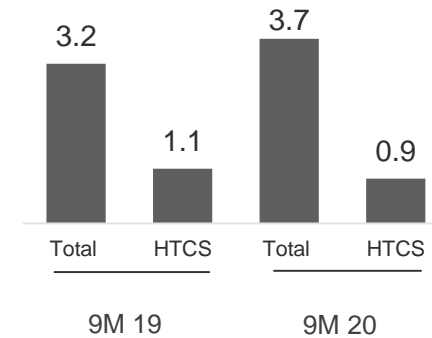
# NET FINANCIAL INCOME

## FOCUS ON FINANCIAL ASSETS

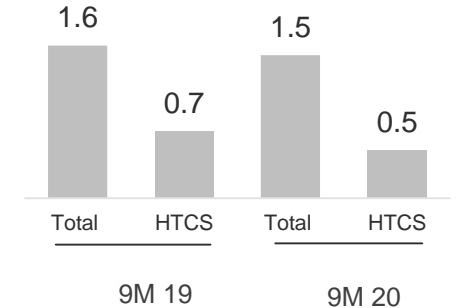
Financial Assets by IFRS classification bn/€



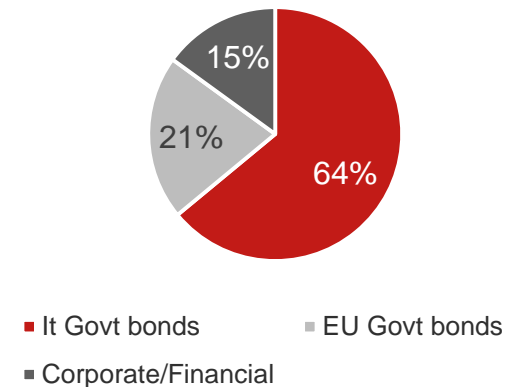
Maturity (Bonds)



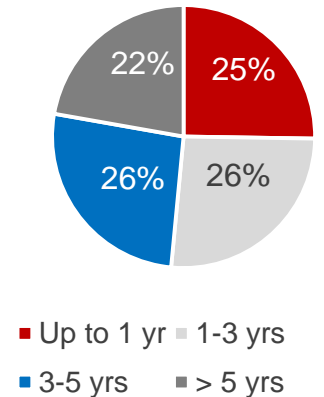
Duration (Bonds)



Bond Classification



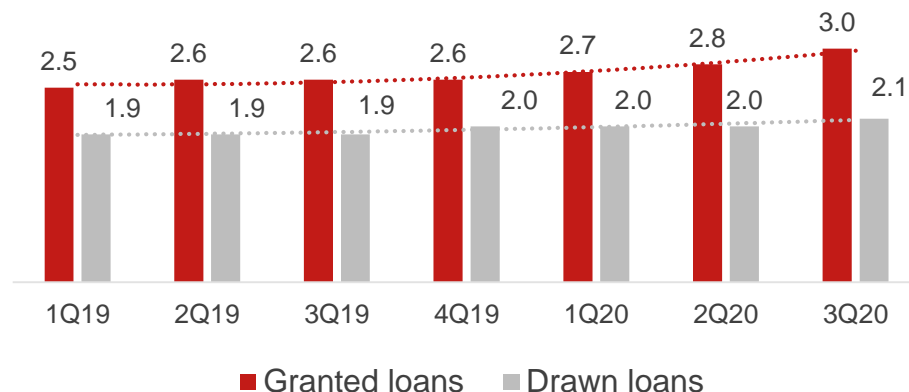
Bond breakdown by maturity



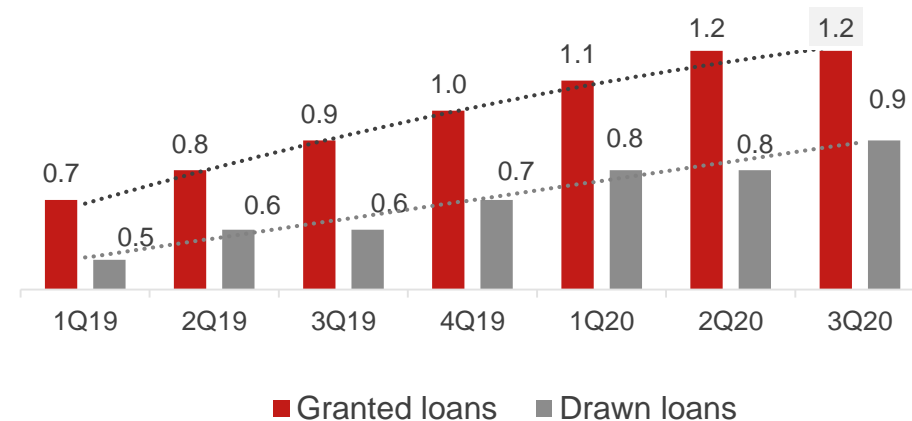
# FOCUS ON LENDING

## LOAN VOLUMES PICKING UP

Loan portfolio m/€



Lombard loan trend m/€



### New lending initiatives

Covid-19	▪ Government-linked initiatives measures – Funding with State Guarantee to SMEs
	▪ Other initiatives - Funding w/out State Guarantee
Business development	▪ Lombard Plus
	▪ Trade Finance
	▪ Mini Lombard
Green Lending	▪ Ecobonus

### 2020 Target

Live  
Live

Live  
Live  
WiP

Live

### Go Live

April 2020  
April 2020

March 2020  
3Q 2020  
4Q 2020

4Q 2020

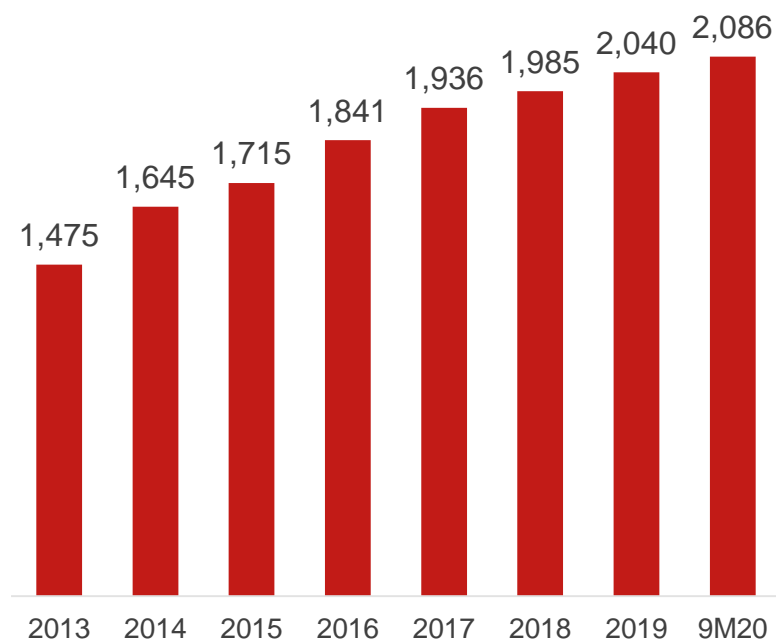
### 2020 Target

+ €200m  
new granted loans  
by 2020 YE

# ADVISOR NETWORK

## STEADY QUALITY GROWTH

### Financial Advisor Network, # FAs



- Headline FA retention at 98.5%
- Core FA retention at 99.6%

### FA Network, by portfolio size and skills

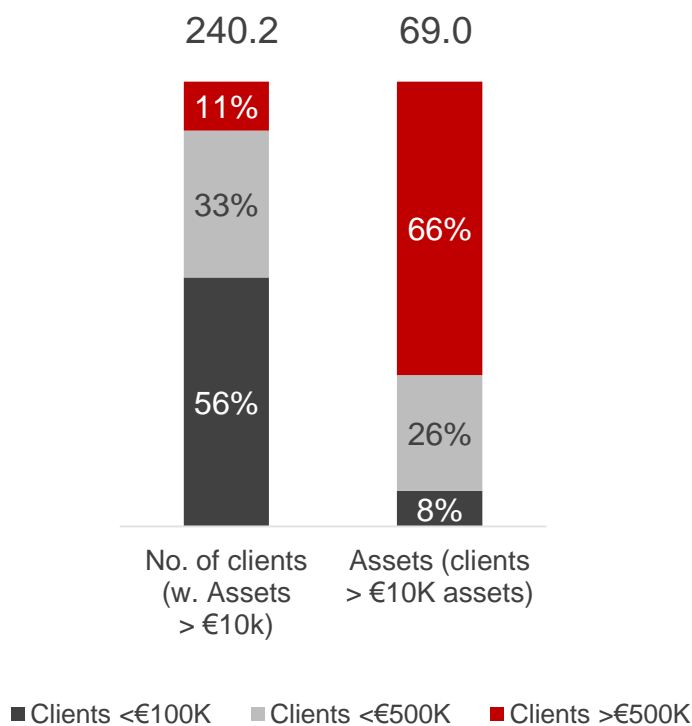
	Clusters	(% of Assets)	No. of FAs	Assets per FA
Financial Advisors	Wealth Managers (>€50m)	35%	330 <sup>1</sup>	82.2 m/€ <sup>2</sup>
	Private Bankers (€15-50m)	52%	1,236 <sup>1</sup>	30.1 m/€ <sup>2</sup>
	Financial Planners (<€15m)	6%	372 <sup>1</sup>	11.7 m/€ <sup>2</sup>
Employees	Relationship Managers	7%	72 <sup>1</sup>	73.8 m/€ <sup>2</sup>



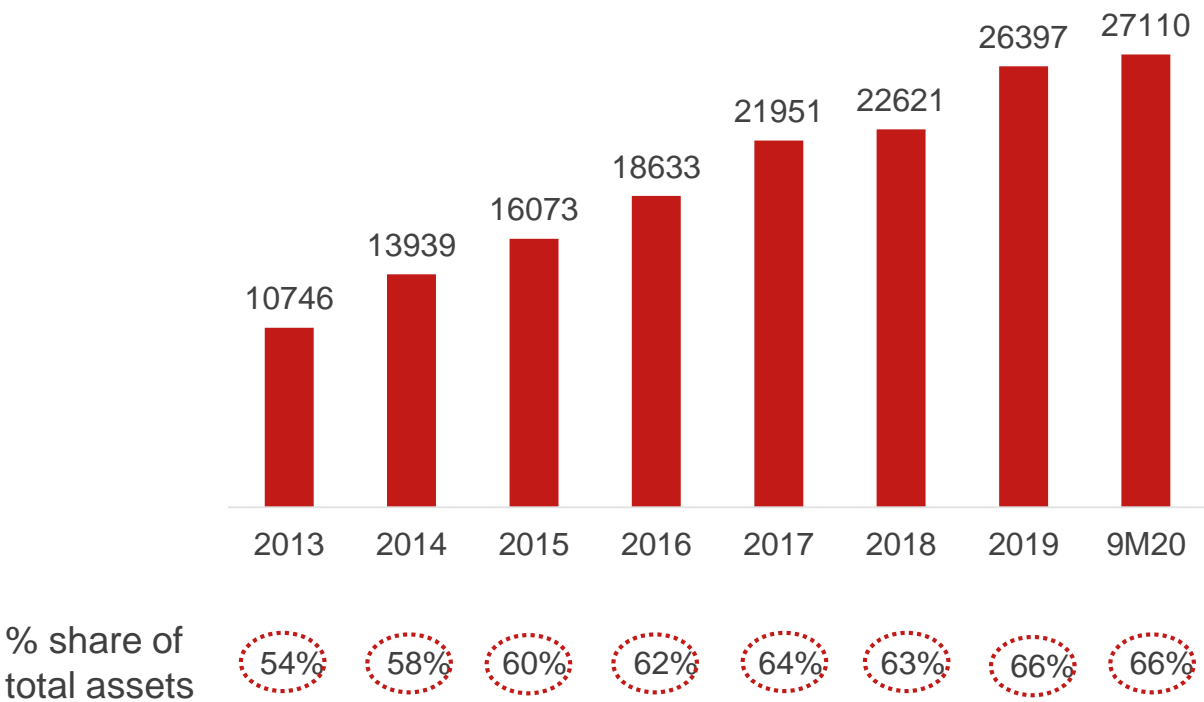
# CLIENT BASE

## GROWING PRIVATE POSITIONING

Clients' breakdown by cluster<sup>1</sup>, #, bn/€



No. of Clients with assets >500 k/€<sup>1</sup>, #



# 2020 KEY BUSINESS DRIVERS

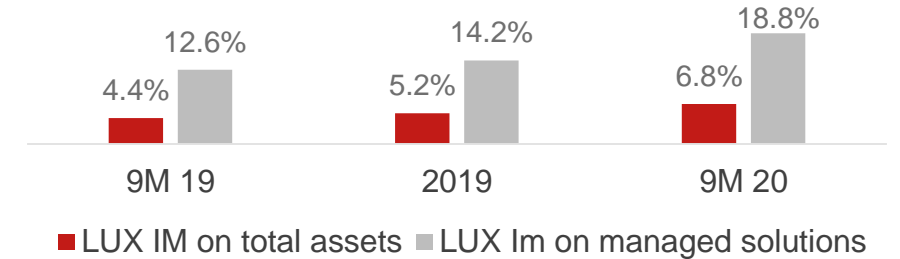
## SIGNIFICANT OPPORTUNITIES WITHIN MANAGED SOLUTIONS

### Diversification and sustainability

- Worldwide economic disruption
- New investment paradigm
- Lower-for-longer interest rate environment
- Direct investments into real economy, real assets
- Enhanced awareness over Sustainable investments

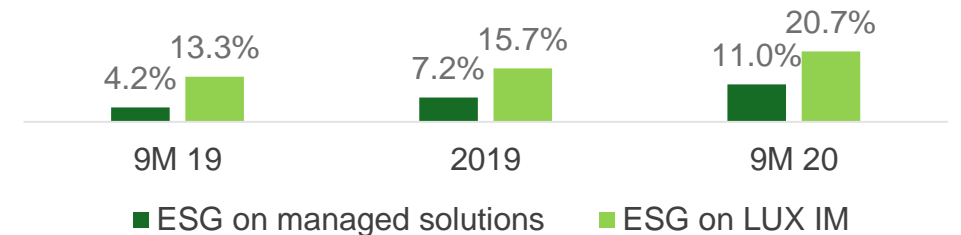
#### LUX IM

- Opportunity for further expanding position given still limited penetration on total assets (11%)
- Wide range of investment lines with a bias towards ESG (see below)



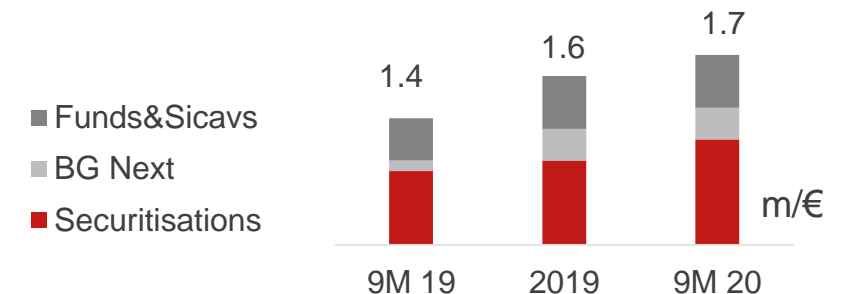
#### SBG

- ESG asset on managed solutions at 11%, i.e. above 2021 target of 10%.
- Opportunity for expanding collaboration with Generali in other countries outside Italy



#### PRIVATE ASSETS

- Growing focus on portfolio diversification from private clients in a lower-for-longer yield environment
- Wide range of product offer ranging from FIA, ELTIF to securitization, alternative funds and portfolio management lines



# 2020 KEY BUSINESS DRIVERS

## DEPLOYING TOOLS TO DELIVER PROTECTION TO CLIENTS' WEALTH

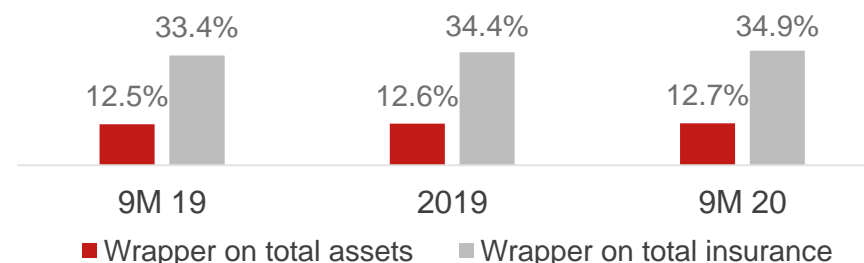
### Protection

- Enhanced need for wealth protection driven by the pandemic
- Enhanced focus on health and pension needs
- Growing restriction within State regulations
- Increased interest in diversification of booking centers
- Increased focus to protect real assets (real-estate and corporate)



LUX  
PROTECTION  
LIFE

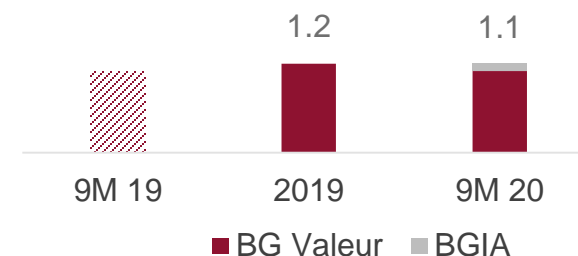
- Heightened clients' interest for insurance solutions (insurance covers, succession, pension needs, tax optimization)
- New private insurance already at €80m assets since inception



BG INTERNATIONAL  
ADVISORY

BG | Valeur

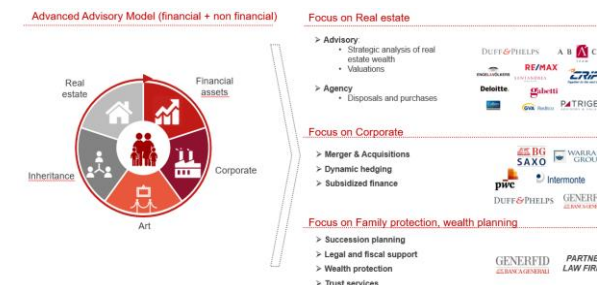
- Strategic relevance increased following new restriction on cross-border advisory
- BGIA providing a unique service for diversification of the booking center



### WEALTH ADVISORY

BG Personal  
ADVISORY

- Wide range of agreements with sector specialists to provide best-in-class advisory on client and family protection and planning needs
- Boost on corporate offer linked to financials tools (lending, dynamic hedging)



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*T. Di Russo, CFO*

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These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties.

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