

# 1Q 2021 RESULTS AND BUSINESS REVIEW

11 MAY 2021



**BANCA  
GENERALI**

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



## Preliminary remarks



1Q 2021 Financial Results



Net Inflows, Assets and recruiting



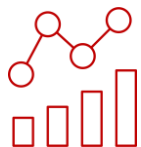
Business update and closing remarks



Appendix

# 1Q 2021 RESULTS: EXECUTIVE SUMMARY

## STRONG START TO THE FINAL YEAR OF THE 2019-21 BUSINESS PLAN



### Total Assets at €77.5bn (+19% YoY, +4% YTD)

- **Improved Asset Mix driven by Managed Solutions (+30%) and Asset under Custody (+33%).** Managed solutions reached 50.7% of total assets from 46.3% a year ago. Steady growth also in Assets under Advisory to €6.5bn (+40% YoY) as investment and holistic advisory catch on amongst clients and FAs
- **Net inflows growing by volumes (€1.7bn, +11%) and quality** with managed solutions representing 77% of total (vs. 17% in 1Q20). Positive contribution from existing FAs coupled with stronger push of new recruits after subdued trend last year due to the pandemic



### Net profit at €135.4m (+71%),

- **Strong operating trend coupled with financial markets' tailwinds.** Sound management fee margin benefitting from the initiatives driving growth in managed solutions. 2021 guidance extended to perimeter including new acquisitions
- **Recurring net profit at €37.2m (+13%)** thanks to the strong trend in recurring fees coupled with sound cost control reflecting operating leverage drive results, which also incorporate higher provisions due to the sustained business expansion



### Capital strength even after 1Q21 earnings' allocation to dividend<sup>1</sup>

- **Sound capital ratios (CET1 at 16.2% and TCR at 17.5%)** with seasonal 1Q21 slowdown linked to 100% destination of 1Q profit to cover 2021 dividend payment in line with the Dividend Policy<sup>1</sup> in force (*3.6% minimum dividend yield YTD<sup>2</sup>*)
- **1Q 2021 Capital ratios** also incorporate also the distribution of €3.3/share dividends with reference to 2019/20 earnings as approved by Banca Generali's AGM on 22 April. The €3.3/share distribution is embedded in 1Q 2021 capital ratios and it amounts to 10.5 pps on capital ratios

# RESULTS AT A GLANCE

## KEY TAKEAWAYS

(€ mil)	1Q 20	1Q 21	% Chg
Net Interest Income	20.2	21.7	7.4%
Net income (loss) from trading activities and Dividends	4.0	2.9	-25.9%
<b>Net Financial Income</b>	<b>24.2</b>	<b>24.7</b>	<b>1.9%</b>
Gross recurring fees	195.5	221.2	13.1%
Fee expenses	-104.4	-117.0	12.1%
<b>Net recurring fees</b>	<b>91.1</b>	<b>104.1</b>	<b>14.3%</b>
Variable fees	53.4	111.0	107.9%
<b>Total Net Fees</b>	<b>144.5</b>	<b>215.2</b>	<b>48.9%</b>
<b>Total Banking Income</b>	<b>168.8</b>	<b>239.9</b>	<b>42.1%</b>
Staff expenses	-25.7	-26.4	3.0%
Other general and administrative expense	-21.4	-22.3	4.1%
Depreciation and amortisation	-7.7	-8.2	6.1%
Other net operating income (expense)	0.8	0.9	21.5%
<b>Total operating costs</b>	<b>-54.1</b>	<b>-56.0</b>	<b>3.6%</b>
<i>Cost /Income Ratio</i>	<i>27.5%</i>	<i>19.9%</i>	<i>-7.6 p.p.</i>
<b>Operating Profit</b>	<b>114.7</b>	<b>183.8</b>	<b>60.3%</b>
Net adjustments for impair.loans and other assets	-1.1	-1.4	30.8%
Net provisions for liabilities and contingencies	-8.2	-11.3	37.4%
Contributions to banking funds	-3.1	-4.6	51.6%
Gain (loss) from disposal of equity investments	0.0	-0.1	59.5%
<b>Profit Before Taxation</b>	<b>102.3</b>	<b>166.4</b>	<b>62.7%</b>
Direct income taxes	-23.2	-31.0	33.5%
<i>Tax rate</i>	<i>22.7%</i>	<i>18.6%</i>	<i>-4.1 p.p.</i>
<b>Net Profit</b>	<b>79.1</b>	<b>135.4</b>	<b>71.3%</b>

## Comments

### Booming revenues driven by asset growth and performance (+42%)

- Net Financial Income (+1.9%) slightly higher driven by Net Interest Income more than offsetting lower trading income
- Net Recurring Fees (+14%) benefitted from asset expansion and higher-quality product mix. Total pay-out ratio also declined
- Record contribution from variable fees thanks to positive financial markets

### Operating profit (+60%) lifted by operating leverage

- Total operating costs (+3.6%) well within guidance amid tight staff cost control
- Costs/total assets falling to new low of 0.29% (-1bps ytd) and Cost/Income (ex performance fees) at 36.6%, both suggesting operating leverage at full swing

### Higher non-operating charges (+40%)

- Spike in provisions primarily linked to FA loyalty plan and other FA provisions with a seasonal trend
- Higher contribution to banking funds (+52%)

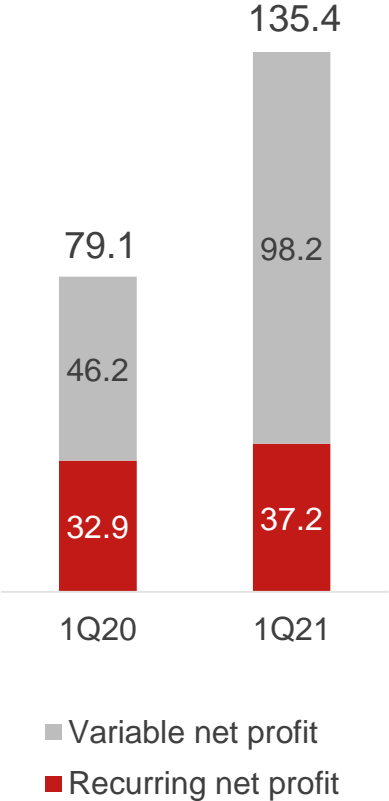
### Net profit at €135.4m (+71.3%)

- Tax-rate temporarily below guidance on record variable fees

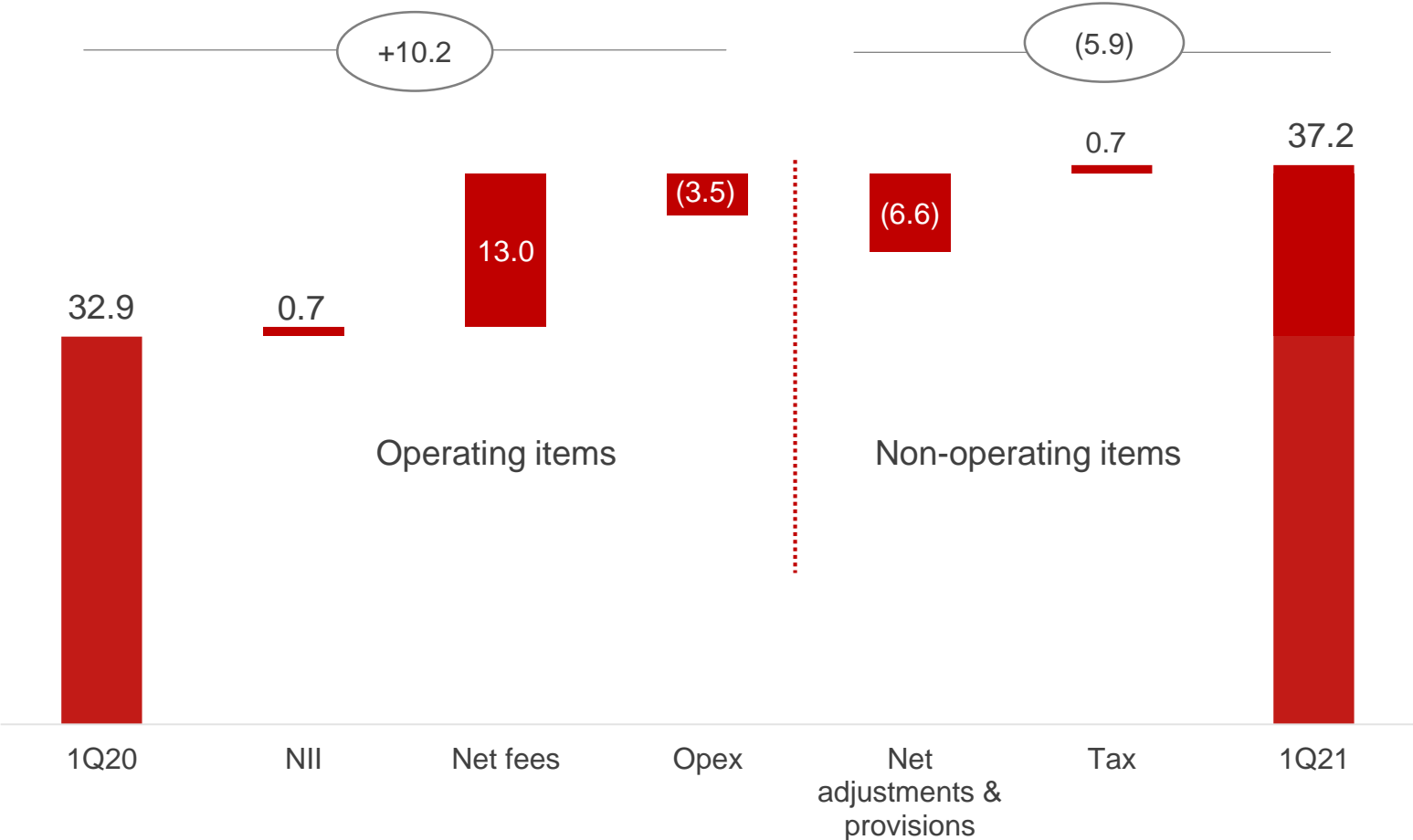
# NET PROFIT BREAKDOWN

## RECURRING NET PROFIT DRIVEN BY A SOLID OPERATING TREND

Net profit breakdown<sup>1</sup> m/€



Build-up of recurring net profit m/€



NOTE: 1) Data fully reclassified on a reported basis (i.e. including Nextam and Valeur). Recurring net profit is also net of one-off M&A costs (€0.8m), change in assumptions on actuarial funds (+€1.6m). The 1Q20 reclassified accordingly.

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**1Q 2021 Financial Results**



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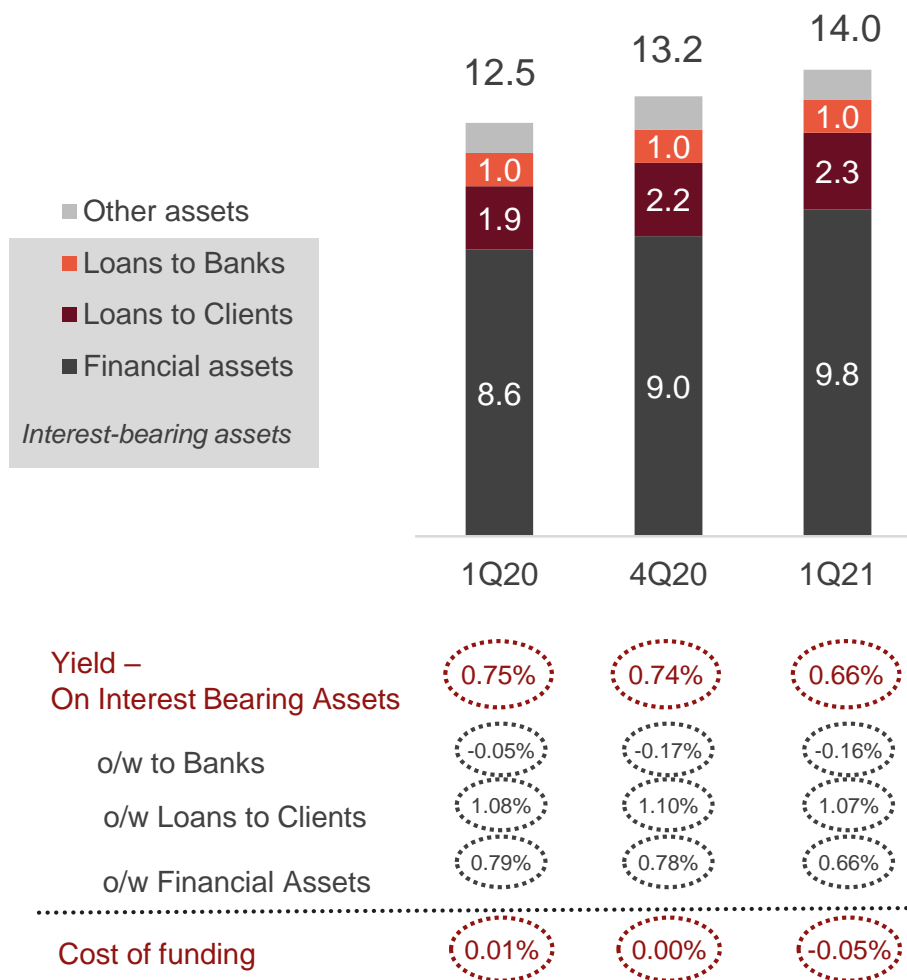
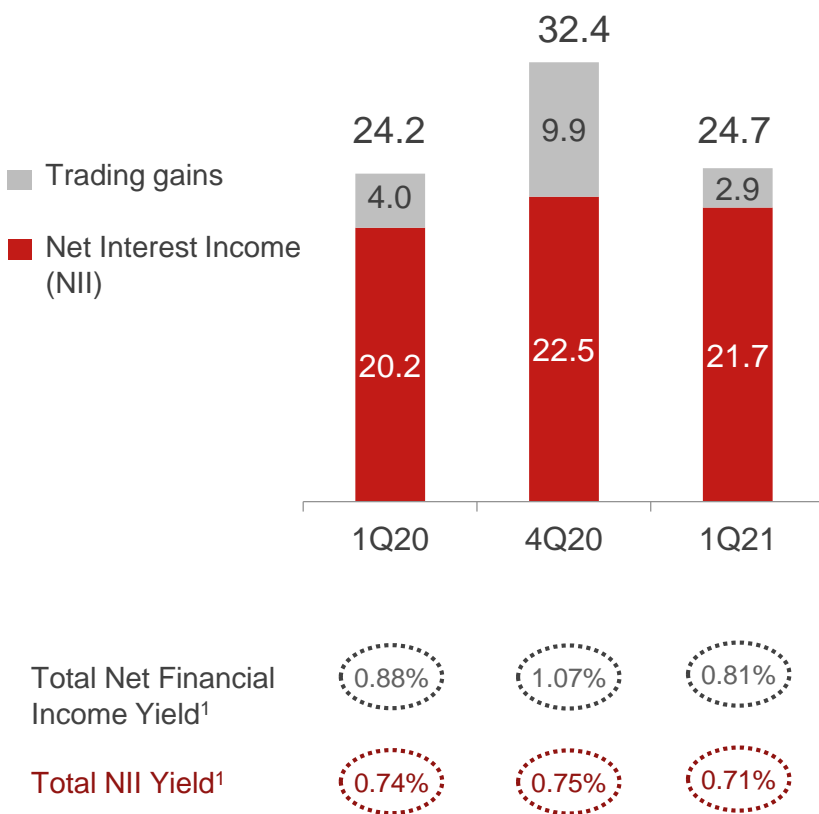
Appendix

# NET FINANCIAL INCOME

INTEREST RATE HEADWINDS OFFSET BY HIGHER VOLUMES AND TLTRO

## Net Financial Income m/€

## Total Assets and Interest-bearing Assets bn/€



**Net Interest Income (NII)** posted a 7.4% increase YoY, yet -3.6% QoQ amid volumes/rate trend

**Cost of funding** turned from 1 bps to -5bps providing support to NII yield

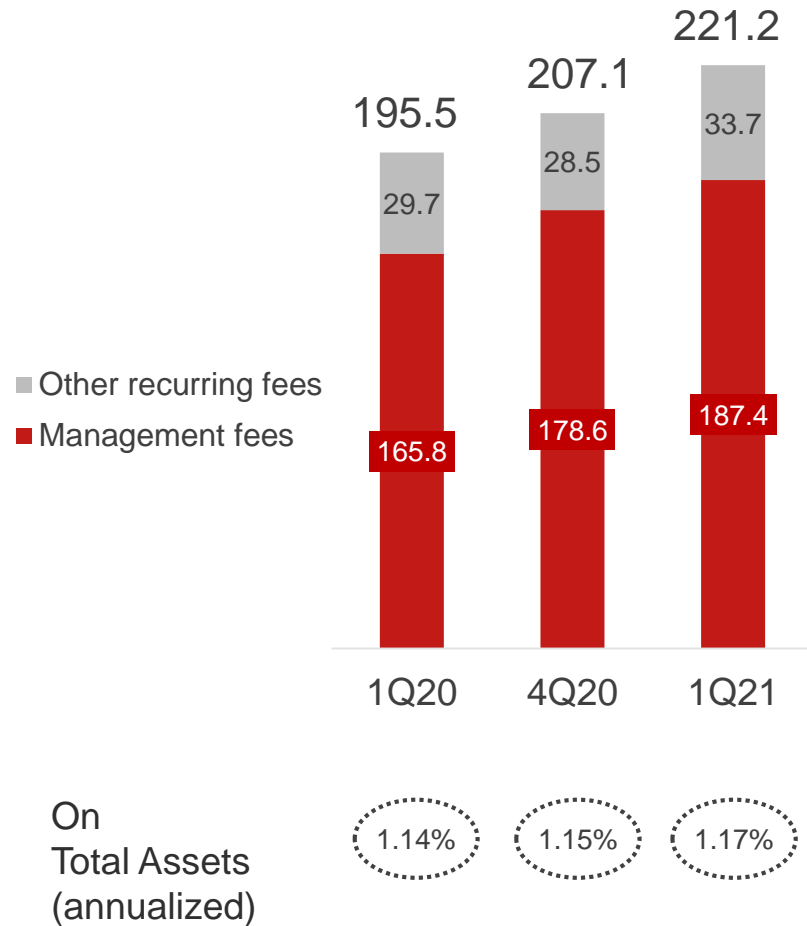
**TLTRO** contribution boosted by €200m at the end of March to total €700m

**2021 year-end NII guidance of -2%/-3% YoY confirmed**

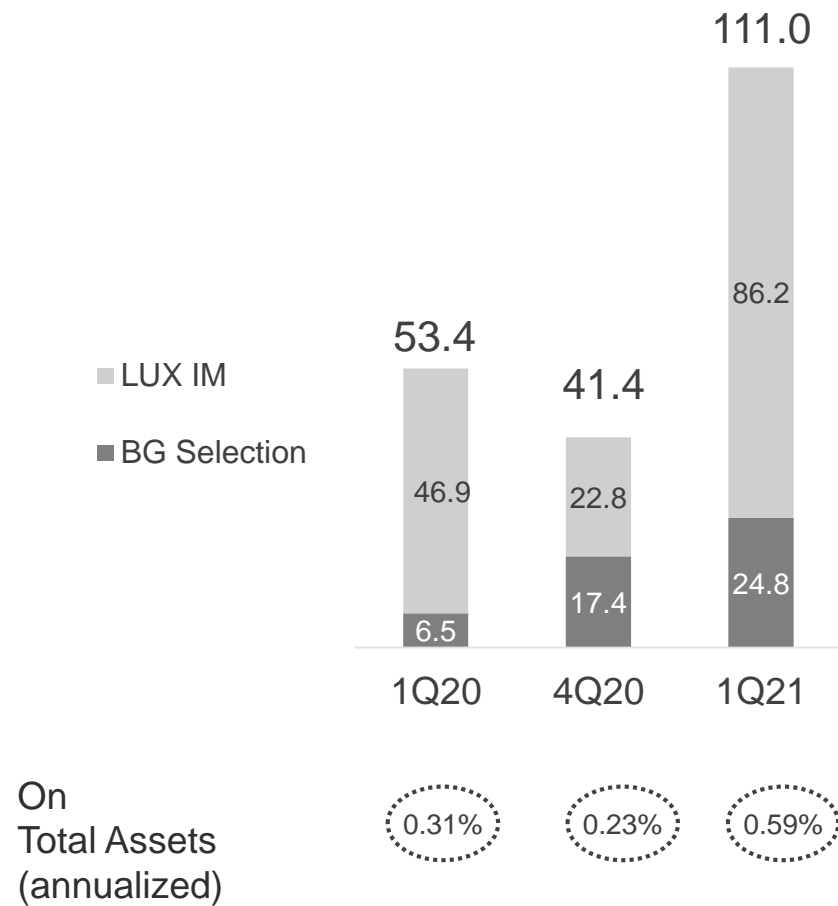
# GROSS FEES

POSITIVELY GEARED TO MANAGED SOLUTIONS AND NEW REVENUE STREAMS

## Gross recurring fees m/€



## Variable fees m/€



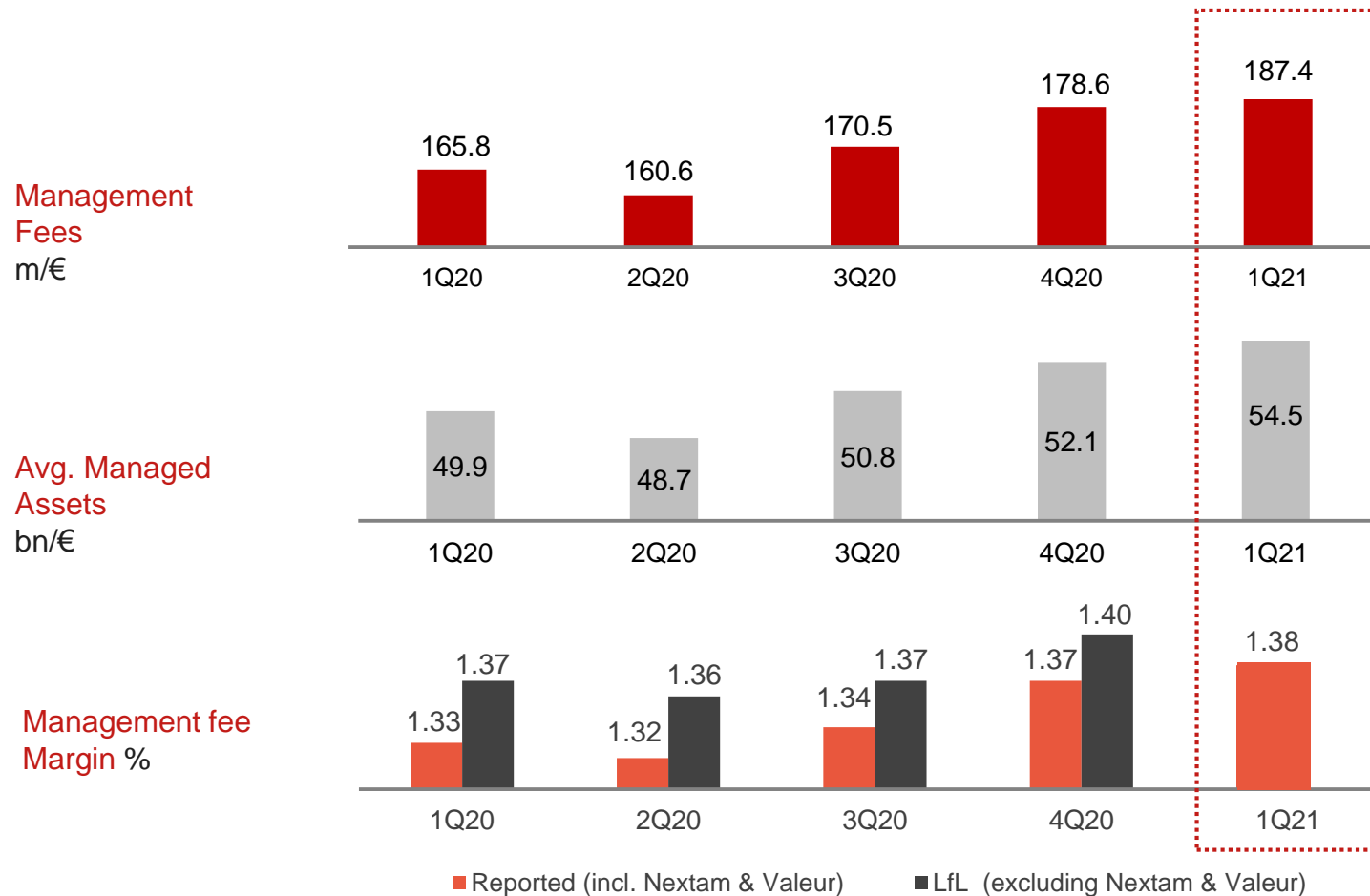
**Growing recurring fees** (+13% YoY, +7% YTD) driven by higher volumes, better mix and diversification (new revenue streams)

**Variable fees** driven by LUX IM on favorable financial markets

# MANAGEMENT FEES

## EXTENDING 2021 MARGIN GUIDANCE TO FULL PERIMETER IN LIGHT OF BUOYANT ASSET TREND

### Quarterly trend m/€



**Management fees (+13% YoY, +5% QoQ)** benefitted from the higher exposure to equity and in-house products coupled with overall higher margin from insurance products

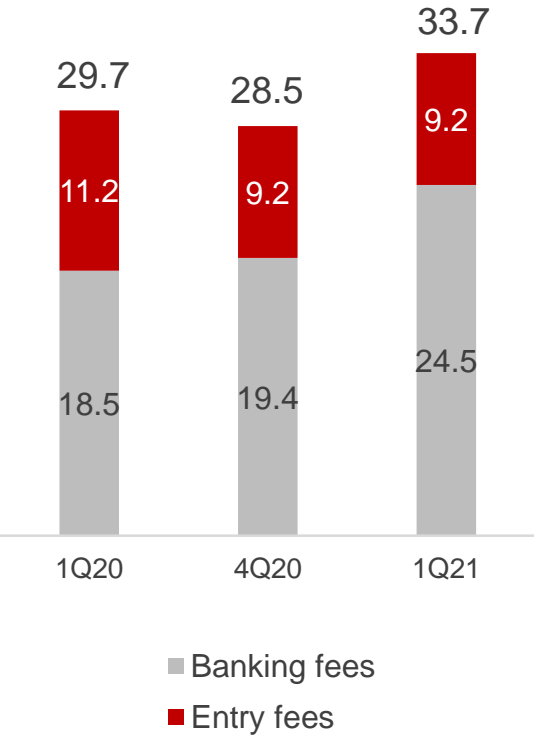
**Management fee margin** reclassified to include recent acquisitions (Nextam and Valeur)

**2021 management fee margin guidance of 1.38%-1.42% extended to enlarged perimeter (i.e. including M&As)**

# BANKING AND ENTRY FEES

## BANKING FEES STRONGER, ENTRY FEES IN LINE WITH GUIDANCE

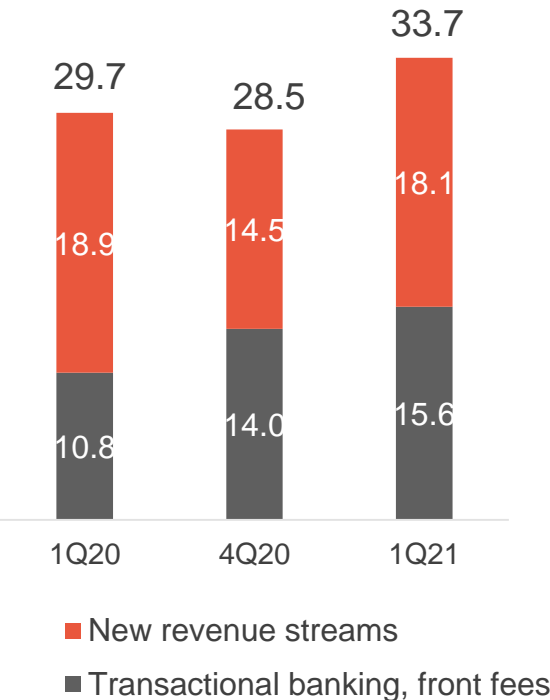
Banking and Entry Fees m/€



On  
Total Assets



Breakdown by Mix m/€



New Revenue  
streams  
on tot. recurring  
revenues



**Banking fees** posted a strong increase (+32% YoY, +26% QoQ) driven by Advanced Advisory and Brokerage services

**Front fees** were in line with guidance after 1Q20 spike in certificates

**Other transactional banking and front fees** benefitted from higher activity on primary markets and other brokerage

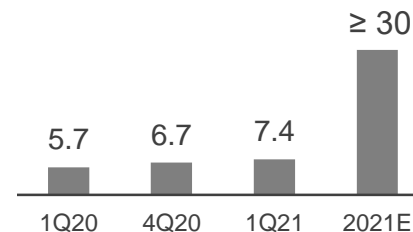
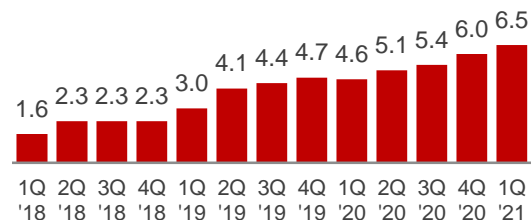
# NEW REVENUE STREAMS

## SOLID DELIVERY IN LINE WITH GUIDANCE

### ADVANCED ADVISORY



Assets under advisory (AuA) bn/€

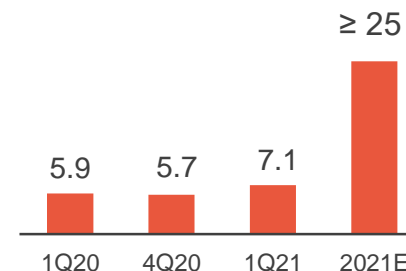
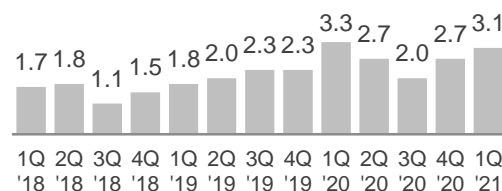


**Advanced Advisory fees (+30%):** steady growth in fees driven by volumes (6.5bn, +40%) with growing share of clients and FAs embracing this service

### RETAIL BROKERAGE



Retail brokerage volumes bn/€

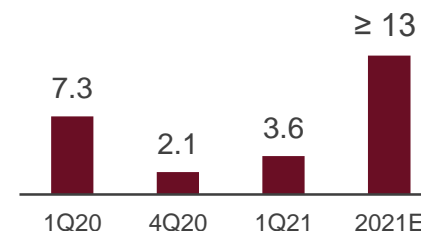
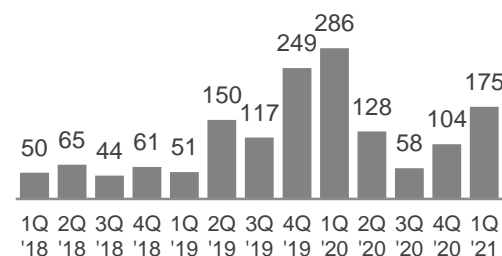


**Retail Brokerage revenues (+20%):** thanks to growing average turnover (1.09x vs. 1.05x at 2020YE and 0.96x at 2019YE) and more profitable mix (more derivatives, equities and foreign markets)

### STRUCTURED PRODUCTS



Notional new issues m/€

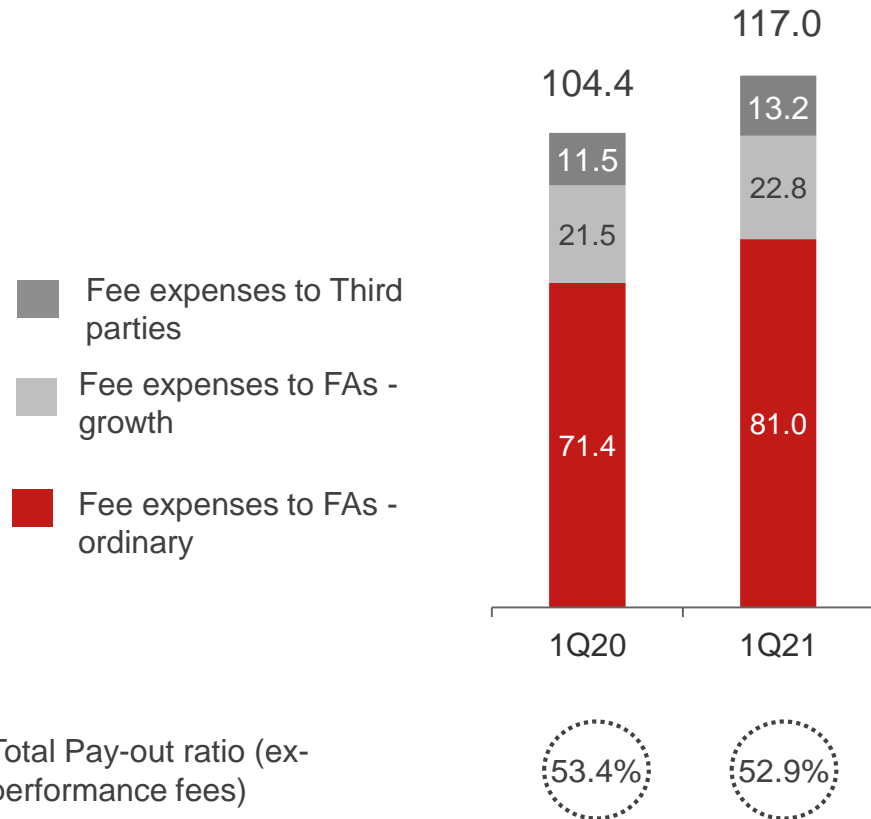


**Certificates** performing in line with long-term guidance, yet with unfavorable YoY comparison on exceptional 1Q20 activity

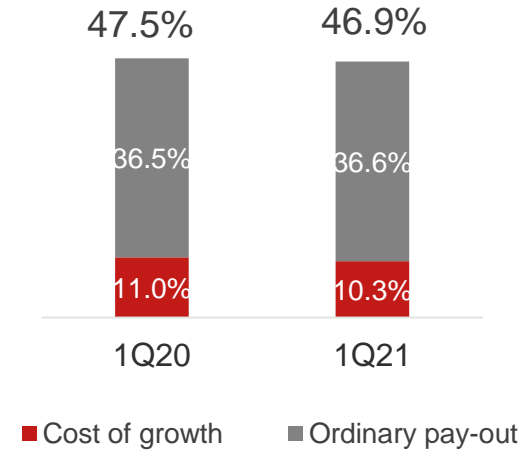
# FEE EXPENSES

## PAY-OUT RATIO DECREASING ON LOWER COST OF GROWTH

### Total Fee Expenses m/€

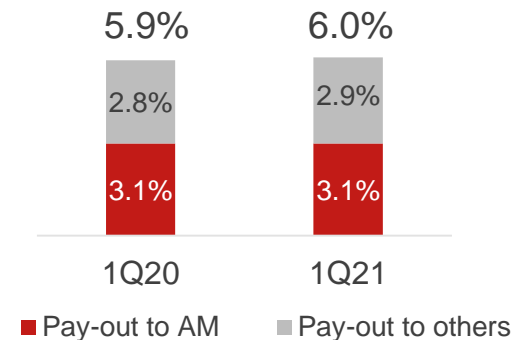


### Pay-out to the network %



**Lower pay-out to the network** benefitting from lower cost of growth reflecting reduced recruitment activity over past two years

### Pay-out to Third parties %

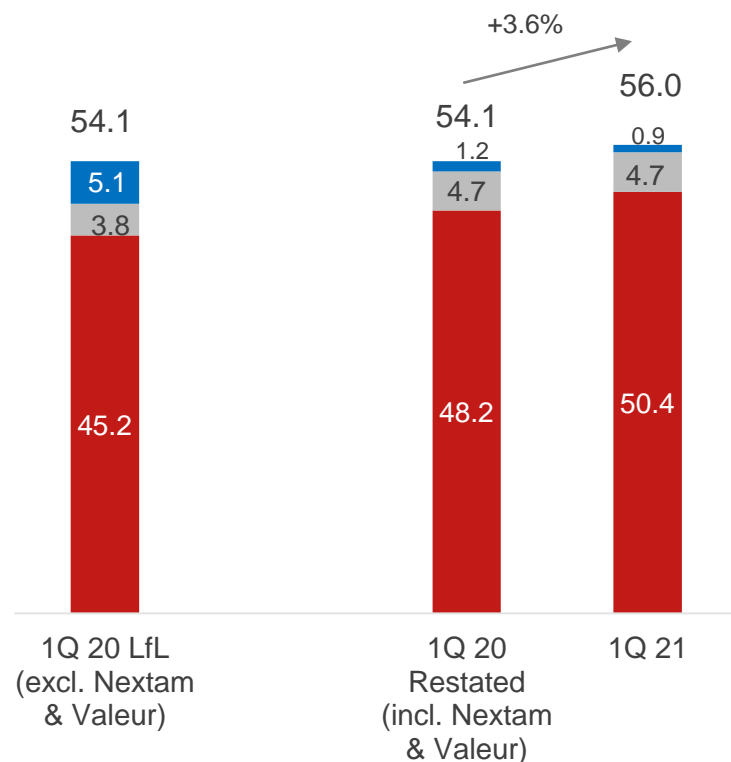


**Pay-out to third-parties** slightly increasing due to higher activity on Ro4AD and trading platforms

# OPERATING COSTS (1/2)

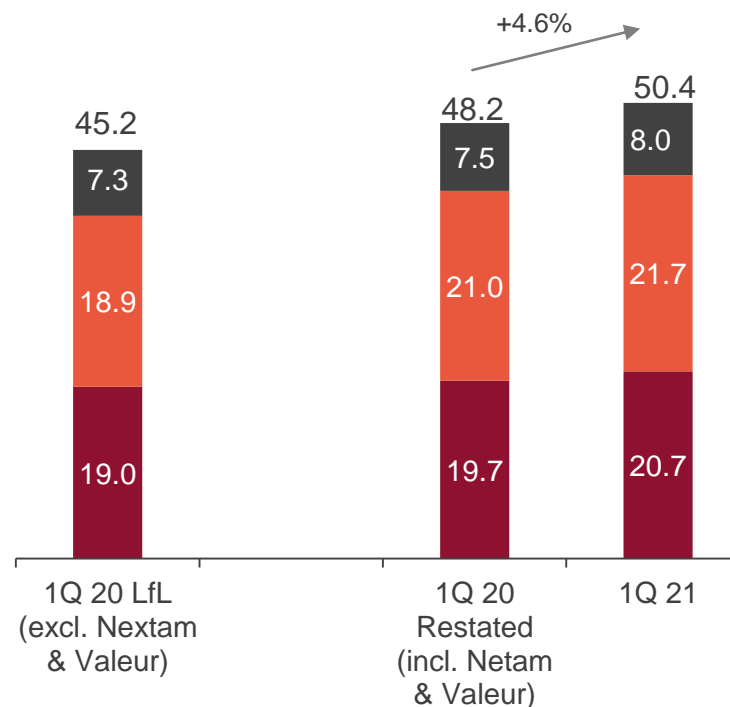
## ONGOING COST DISCIPLINE DESPITE BUSINESS EXPANSION

### Total operating costs<sup>1,2</sup> m/€



- Perimeter inclusion/one-offs
- Sales personnel
- Core operating costs

### Breakdown of core operating costs<sup>1,2</sup> m/€



- G&A (net of stamp duties)
- Staff costs
- Depreciation

**Total and 'Core' operating costs** reclassified to incorporate recent acquisitions line-by-line.

**Total operating costs (+3.6%)** posted a limited increase on lower one-offs and stable sales personnel costs

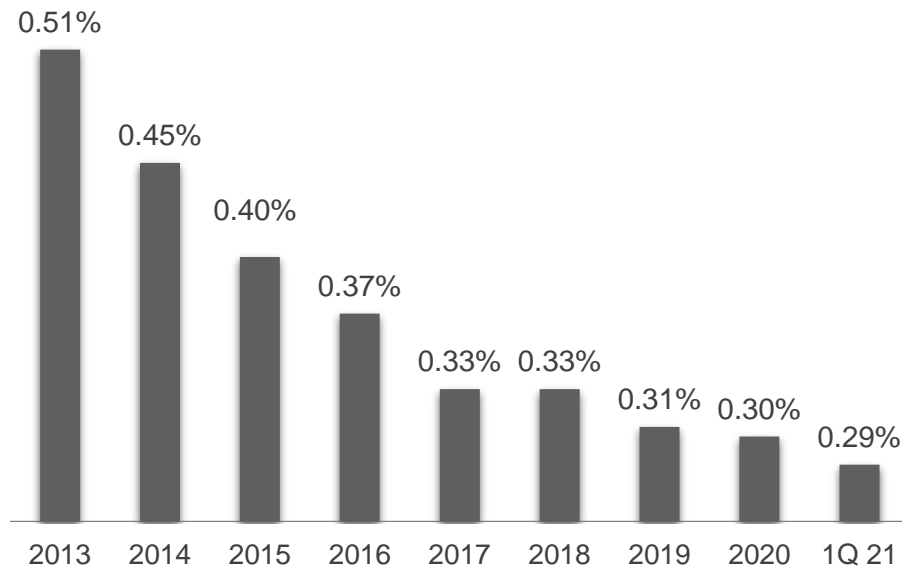
**'Core' operating costs (+4.6%)** increased within guidance even after ongoing push on growth, launch of new IT projects and other costs for logistics for the FA network

**2021 'Core' operating cost guidance of +3-5% extended to enlarged perimeter (i.e. including M&A)**

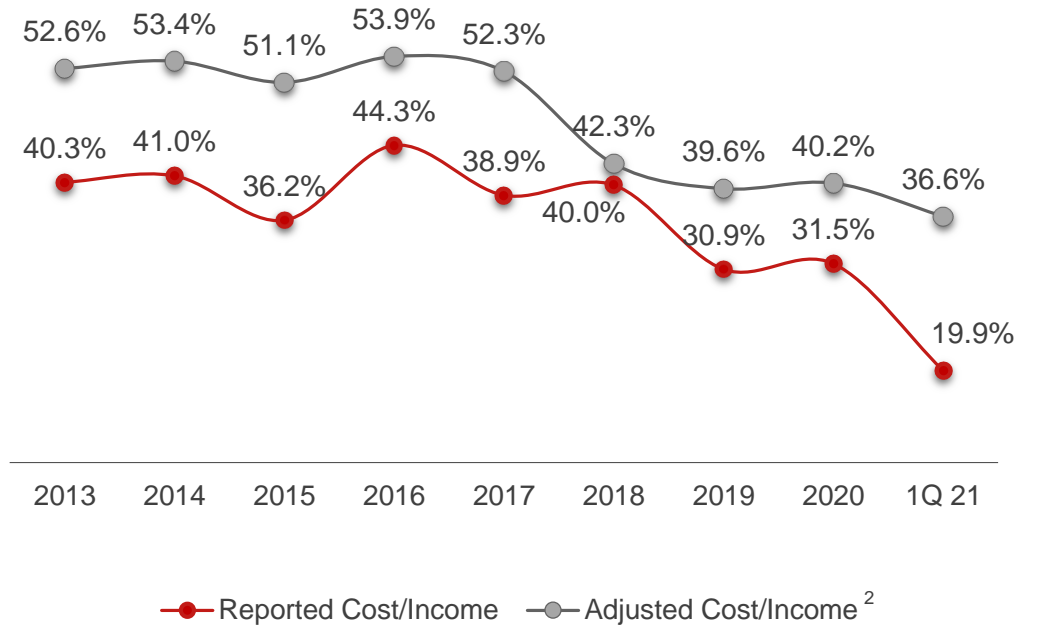
# OPERATING COSTS (2/2)

## OPERATING LEVERAGE AT ITS BEST IN THE QUARTER

### Operating costs/Total assets<sup>1</sup>



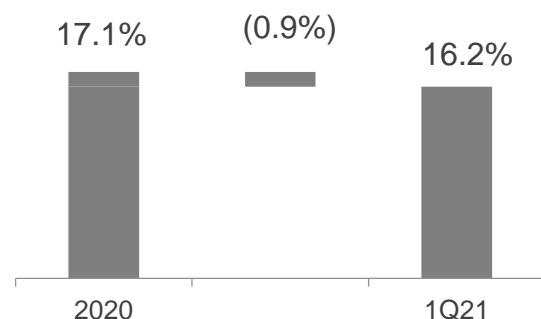
### Cost/Income ratio<sup>1</sup>



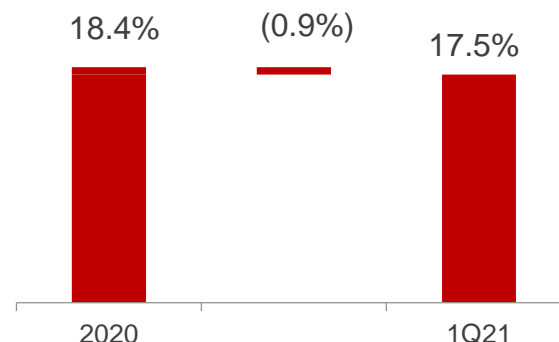
# CAPITAL RATIOS

## SOUND CAPITAL POSITION REAFFIRMED AMID COMMITMENT TO DIVIDEND DISTRIBUTION

### CET1 ratio



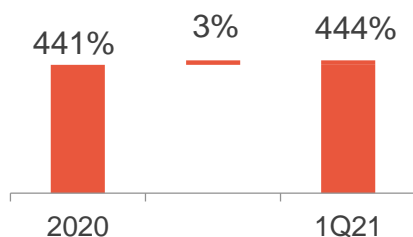
### TCR ratio



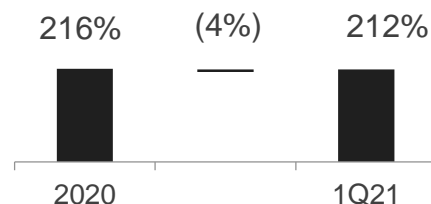
Capital strength confirmed after **seasonality** linked to destination of full 1Q21 earnings to cover 2021 dividend policy

**Capital absorption** in the quarter driven by banking book diversification and higher lending activity

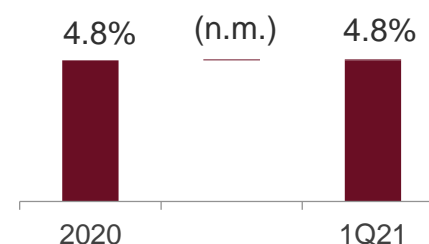
### LCR ratio



### NSFR ratio



### Leverage



**2020 Reported capital ratios** are calculated net of the 2019-2020 cumulative dividend per share of €3.3 (€386 million) approved by last AGM on 22 April 2021

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**Net Inflows, Assets and recruiting**



Business update and closing remarks

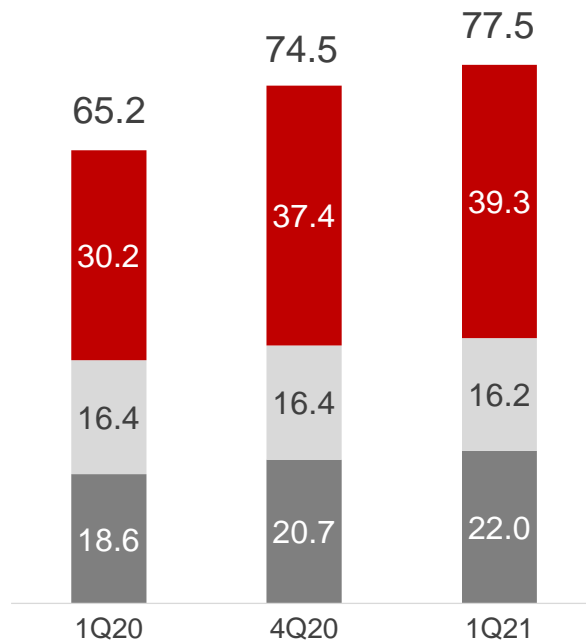


Appendix

# TOTAL ASSETS

## NEW HIGHS WITH IMPROVING MIX

### Total Assets bn/€



% Managed Solutions/Total assets

46.3%

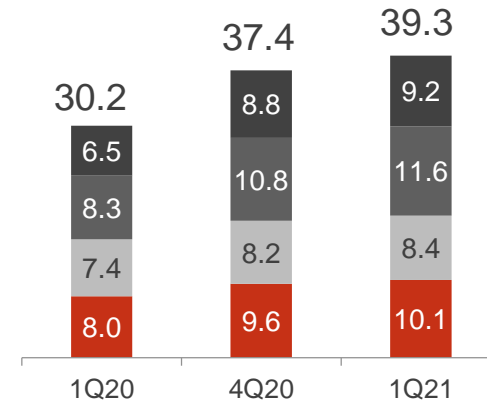
50.2%

50.7%

■ Banking products ■ Traditional life policies ■ Managed solutions

### Managed Solutions bn/€

- In-House funds
- Third-party funds
- Financial wrappers
- Insurance wrappers

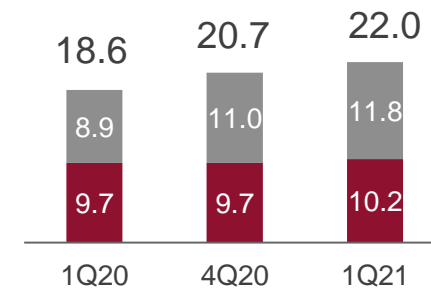


**Managed solutions (+30% YoY, +5% YTD)**  
driven mostly by funds/SICAVs and insurance wrappers.

**Traditional life assets (-1% YoY and YTD)**  
structurally lower in light of ultra-low interest rate environment

### Banking products bn/€

- Assets under Custody (AuC)
- Current accounts

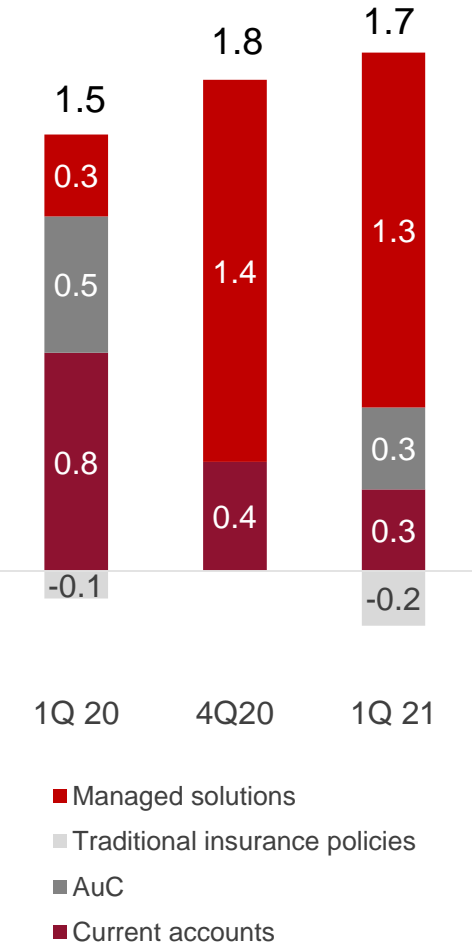


**Assets under Custody (+33% YoY, +8% YTD)**  
benefitting from the upgrading offer in advanced advisory, structured products and brokerage platform

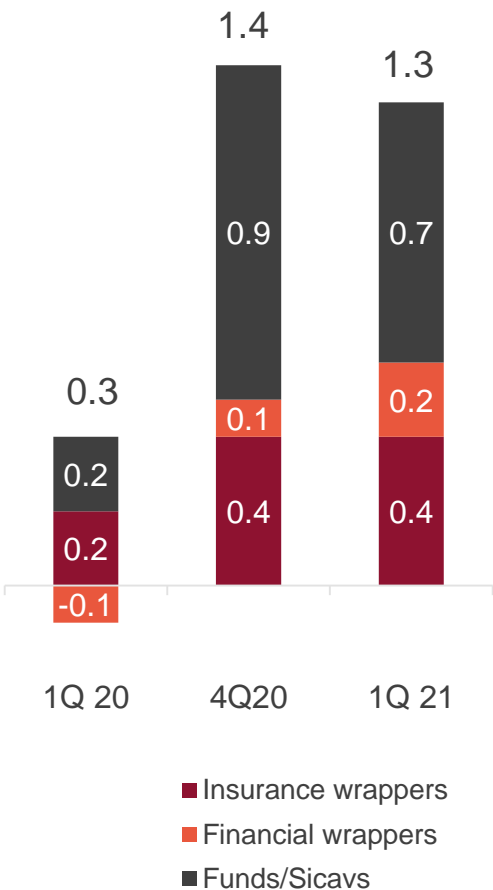
# NET INFLOWS

## HIGH-QUALITY MIX FOCUSSED ON MANAGED SOLUTIONS

Total net inflows m/€



Managed solutions, m/€



**Sound growth in volumes (+11%) with significantly better product mix**

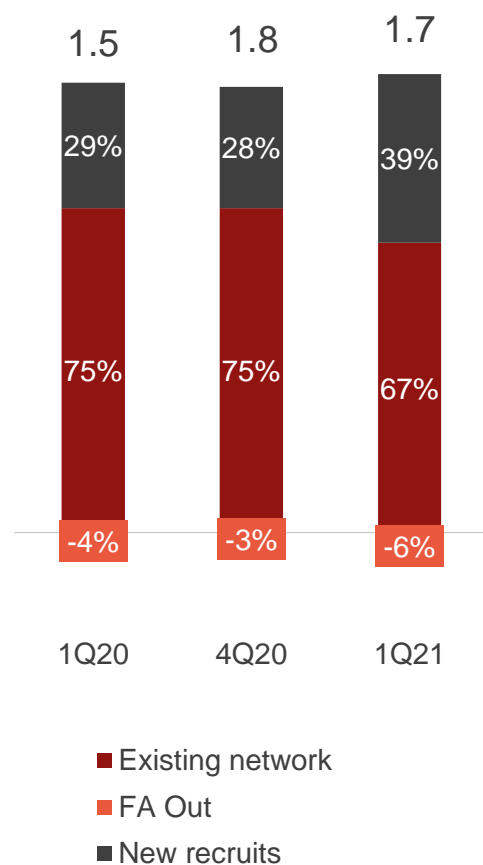
**Booming managed solutions (4x higher than 1Q20) with positive trend in all product lines**

**Positive net inflows in AuC products** bearing fruits of enhanced focus on products and services through advanced advisory/Ro4AD, brokerage and structured products

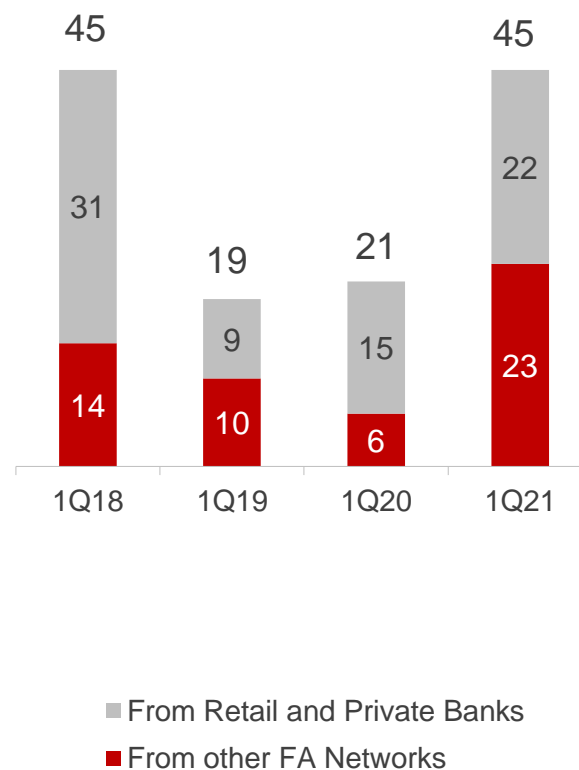
# TOTAL NET INFLOWS

## RECOVERY IN RECRUITING ACTIVITY AFTER LOCKDOWN LIMITS

### Net inflows by acquisition channel %



### Recruitment trend (# of Recruits)



**Recruiting activity** resumed after the slowdown linked to pandemic

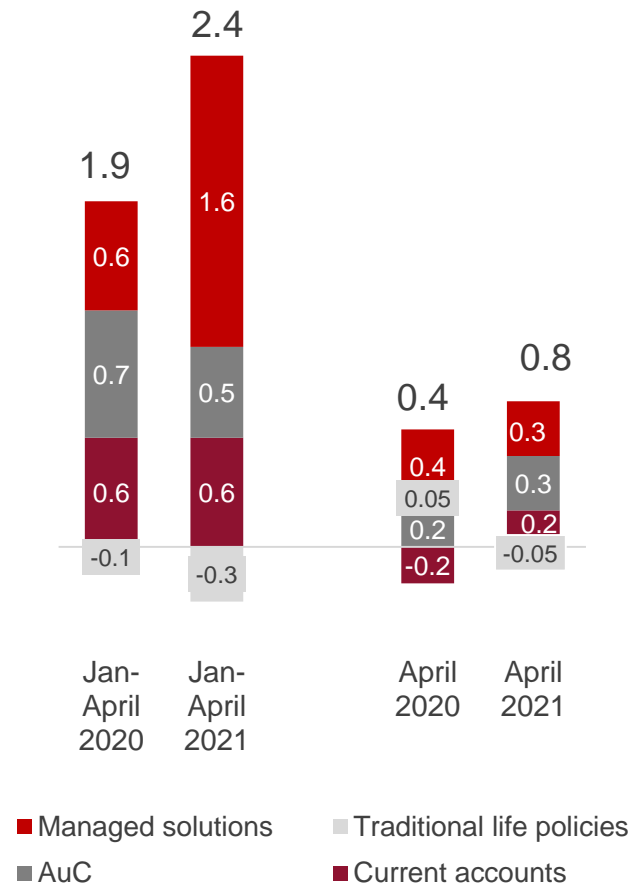
**Growth remains well balanced** with organic contribution sticky in absolute value at €1.1bn

**Recruiting target** for the year confirmed at 80-100 professionals by year-end

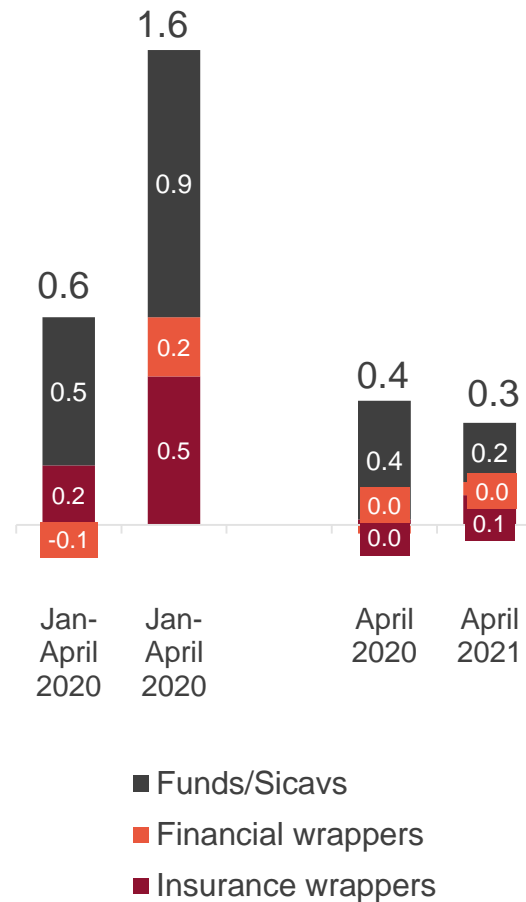
# APRIL 2021 COMMERCIAL UPDATE

## ROBUST NET INFLOWS DRIVEN BY MANAGED SOLUTIONS

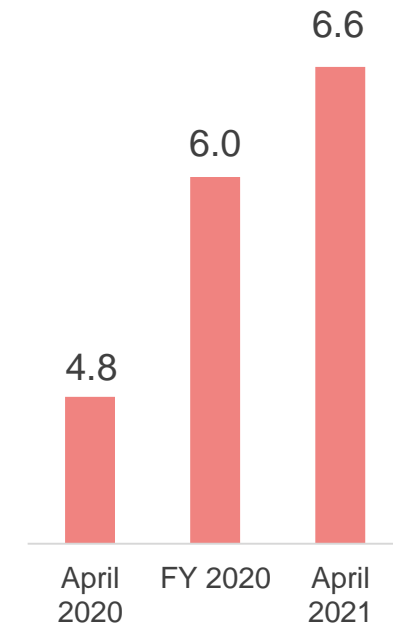
Total net inflows bn/€



Managed solutions, bn/€



Assets under Advisory bn/€



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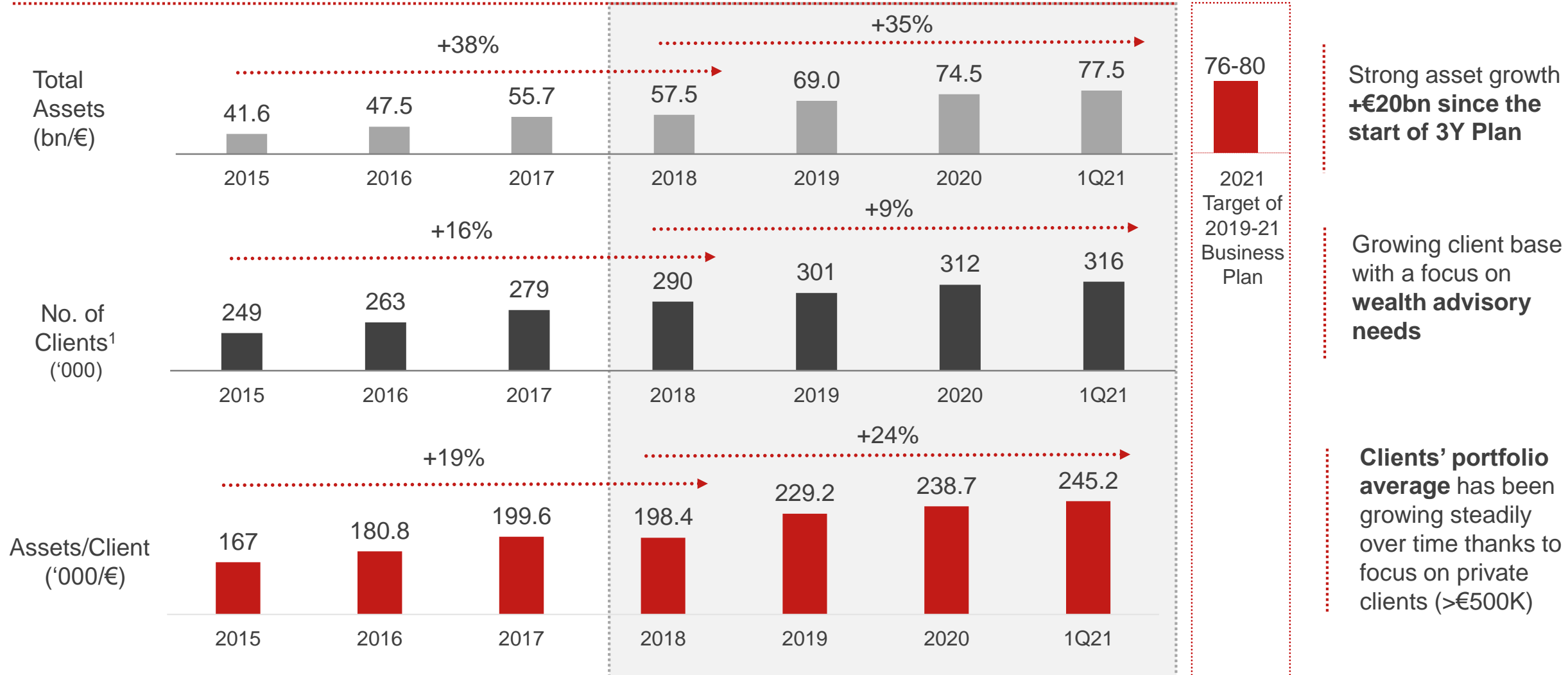


Appendix

# GROWTH (1/2) - 3 YEAR BUSINESS PLAN TARGET ALREADY ACHIEVED

## FOCUS ON QUALITY OF CLIENTS NOT NUMBER

Assets and No. of Clients, bn/€, '000

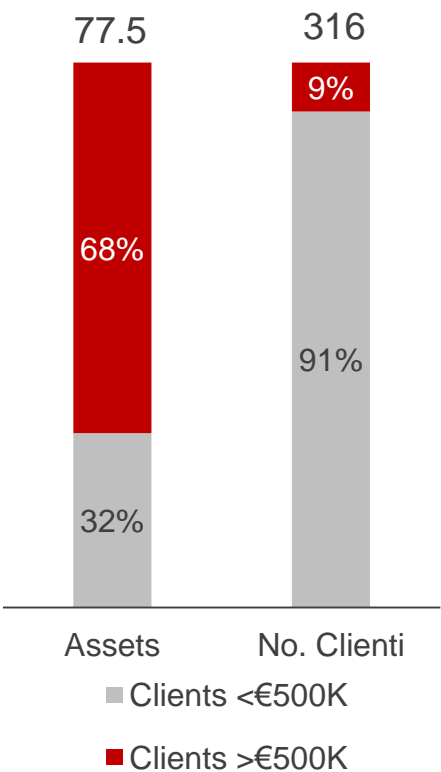


# GROWTH (2/2) – 3 YEAR BUSINESS PLAN TARGET ALREADY ACHIEVED

DELIVERING ON PRIVATE CLIENTS AS STATED IN THE 3Y PLAN

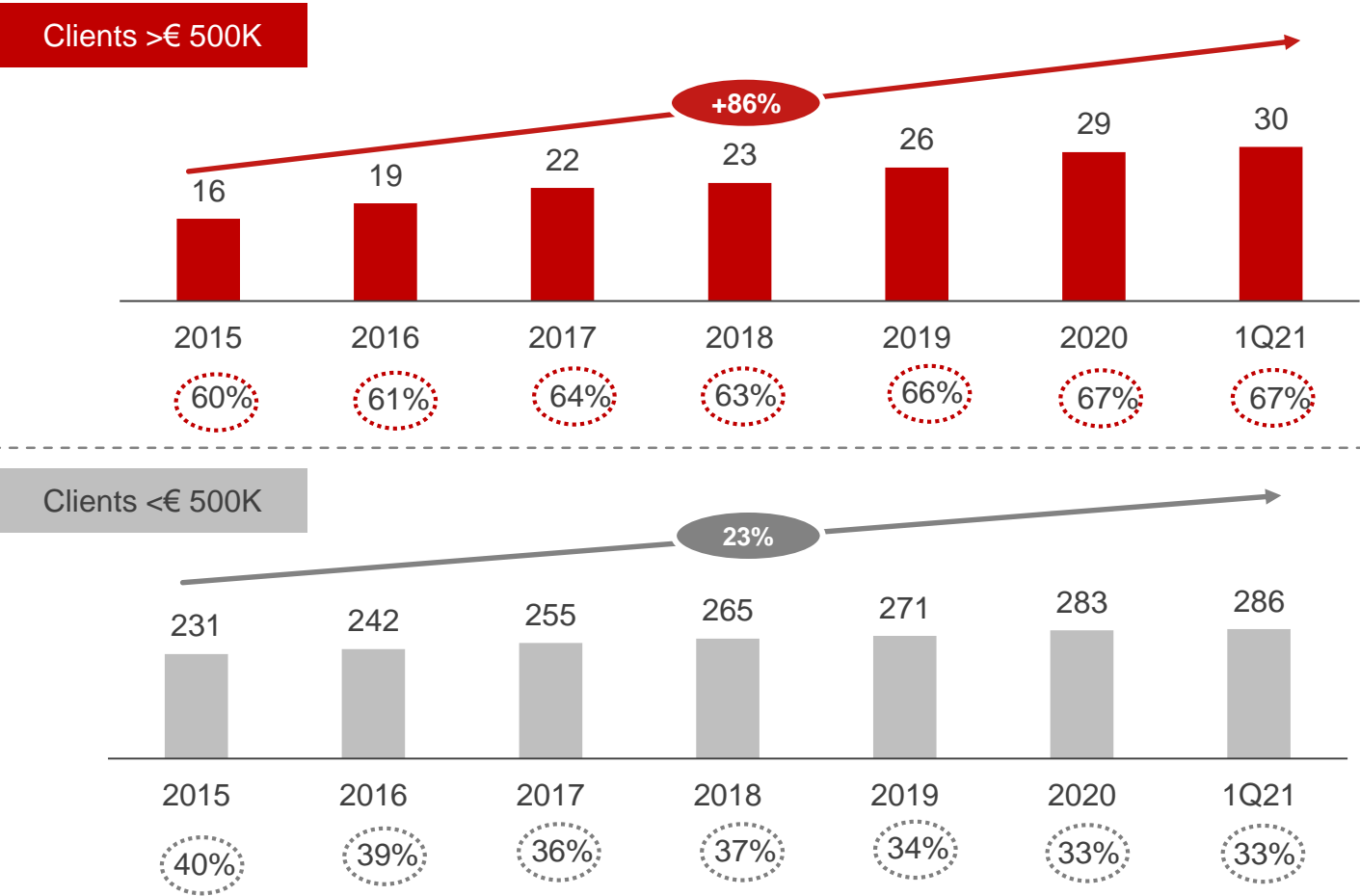
## Breakdown of Clients by cluster, bn/€, #

Data as of 31.03.2021



## No. of Clients, #

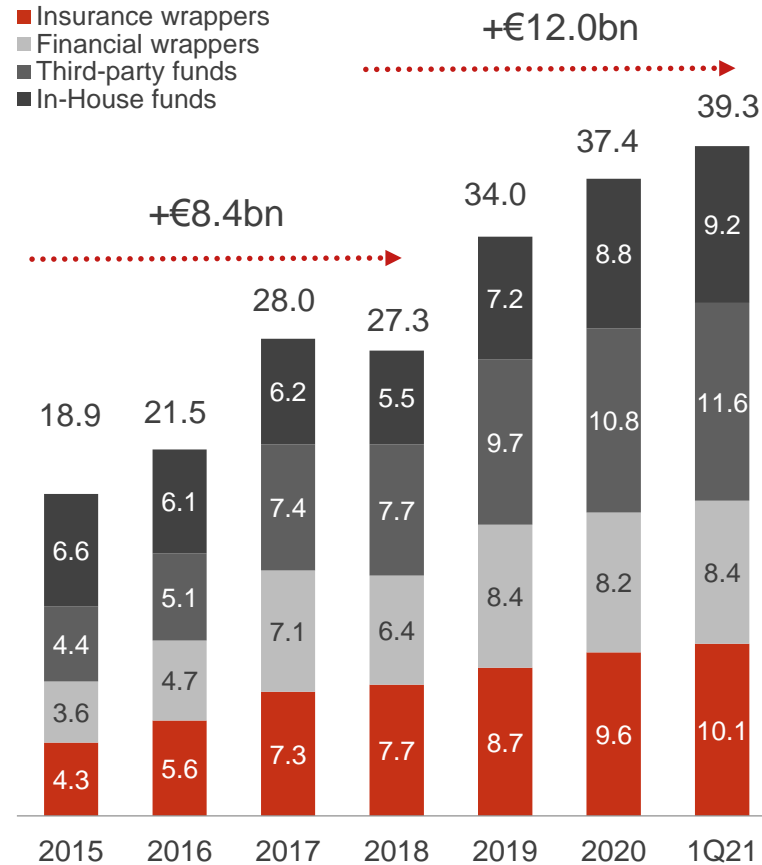
% Asset



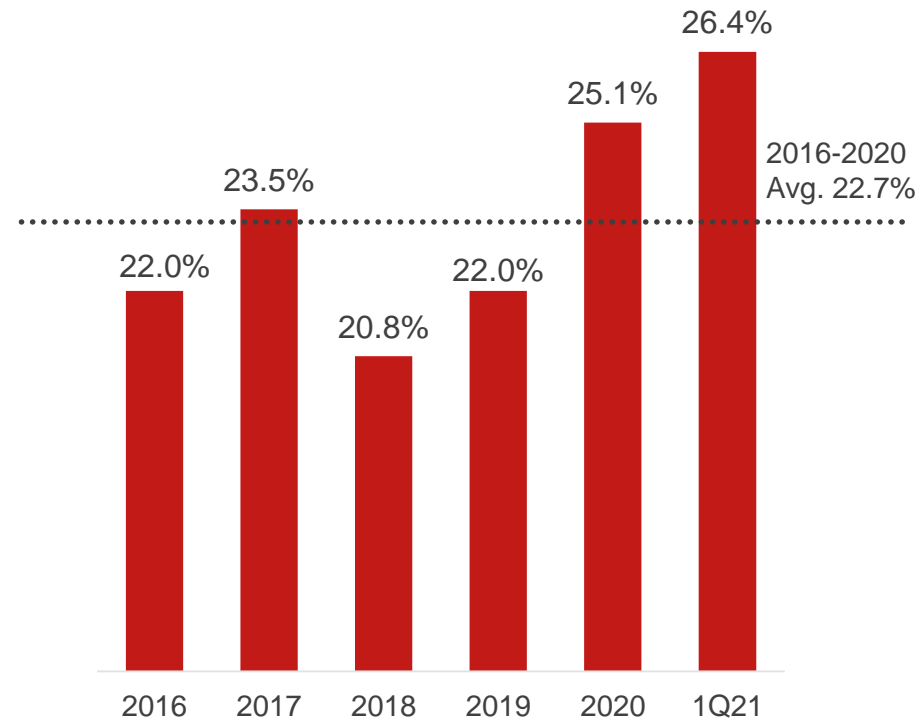
# VALUE (1/3) – IMPROVED ASSET QUALITY

## MANAGED SOLUTIONS REPRESENTING THE BULK OF ASSET GROWTH

### Managed solutions m/€



### Equity exposure/Total Assets %



**44% of 2019-21 assets growth YTD** in managed solutions (+€12bn YTD)

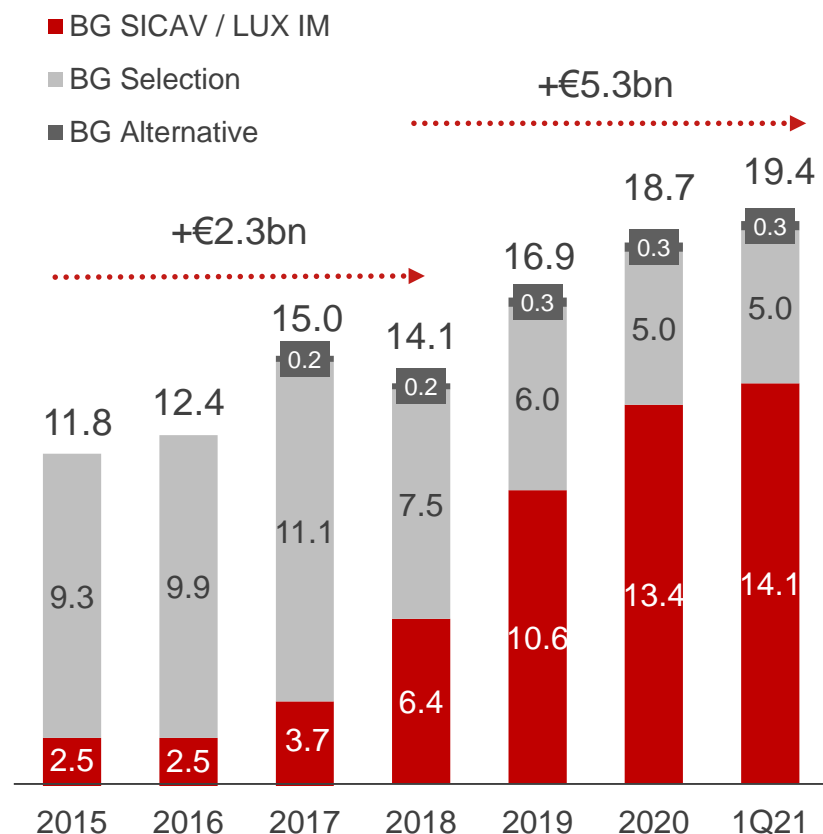
**Equity exposure** currently at 5 years high at 26.4% of total assets (c. 47% of managed solutions YTD)

Managed solutions/  
Total assets (%)

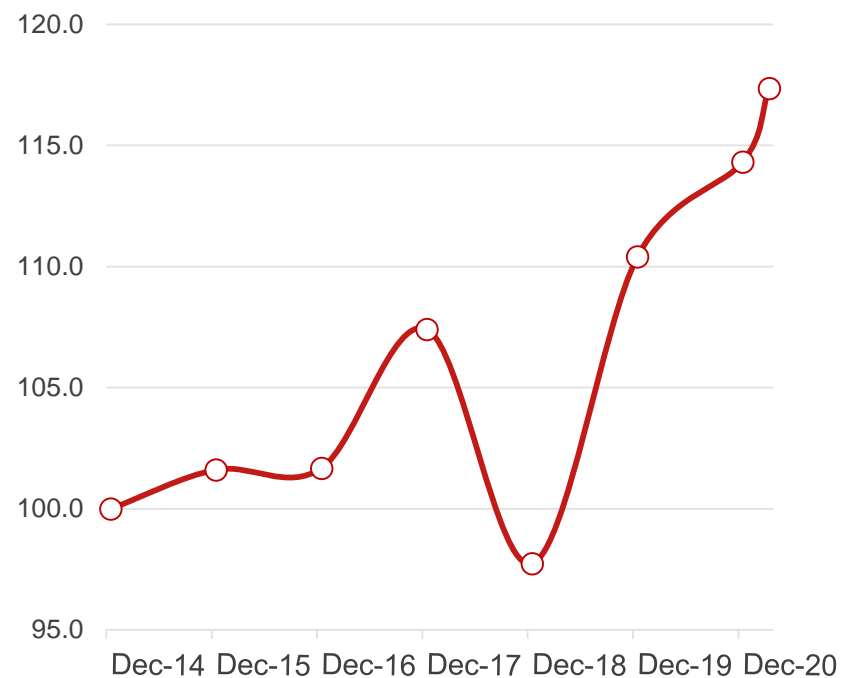
# VALUE (2/3) – IMPROVED ASSET QUALITY

## LUX IM EXPECTED TO LEAD GROWTH THANKS TO ONGOING INNOVATION

### In-house assets (BG FML)



### WAP<sup>1</sup> of BG FML



Sound asset growth supported by **positive performance delivery** to clients net of any fees

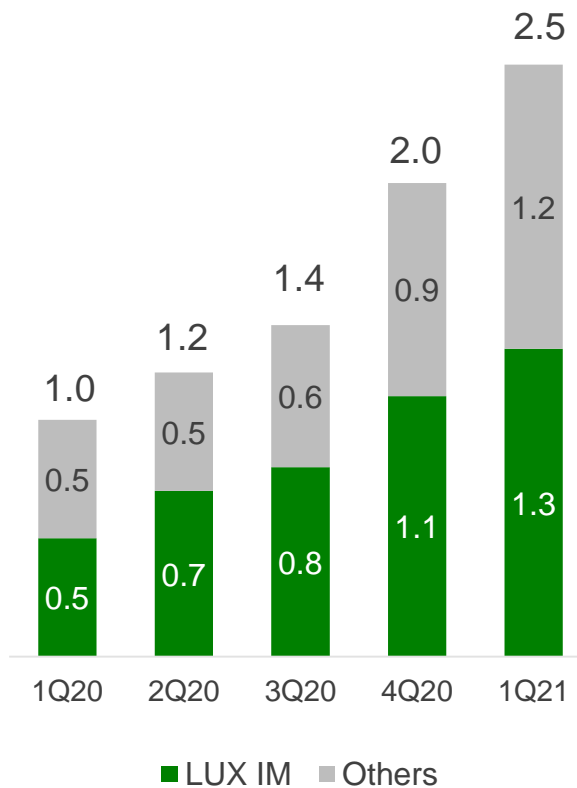
Overall growth expected to continue with **fourth wave** of new fund launching (authorization expected by June/July 2021)

# VALUE (3/3) – IMPROVED ASSET MIX

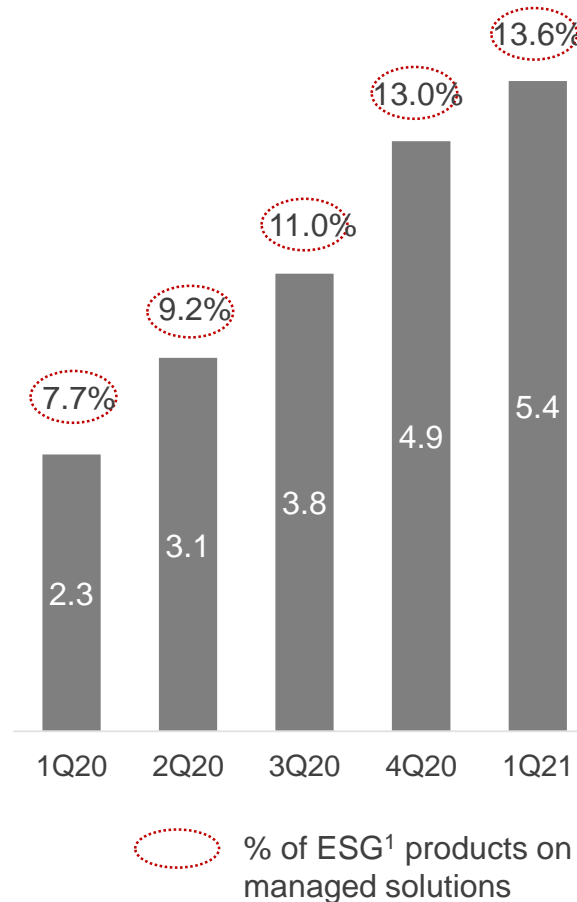
## ESG PROVING AS A KEY GROWTH DRIVER FOR MANAGED SOLUTIONS



Cumulative Net inflows in ESG<sup>1</sup> products since inception, bn/€



Assets in ESG<sup>1</sup> products, bn/€










**Unique ESG commercial approach** based on a dedicated IT proprietary platform, in-depth analysis of ESG features and link to each individual SDG for 230 funds/SICAVs, performance delivered also in tangible terms

**ESG strategies** representing 13.6% of total managed solutions as of 1Q21. LUX IM represents 52% of total ESG assets.

# CLOSING REMARKS

## SOLID FOUNDATIONS ON WHICH TO BUILD THE NEW BUSINESS PLAN

Objective	KPIs	2021 Targets	2019-1Q21 Results	Score
Asset growth	Cumulative Net Inflows	>14.5 bn/€	12.7 bn/€	
	Total Assets	76-80 bn/€	77.5 bn/€	
Sustainable profitability	Core Net Banking Income <sup>1</sup>	≥63 bps	67 bps	
	'Core' Operating Costs <sup>1</sup> :	3%- 5% CAGR	4.6% <sup>2</sup>	
Shareholders' remuneration	Dividend pay-out	70%-80% pay-out ratio	2019/20 avg. 70.5%	
	Dividend per share	DPS (1.25€) set as a floor	2019/20 cumulative €3.3 p.s.	

Legenda:  On track to 2021 target

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



Preliminary remarks



1Q 2021 Financial Results



Net Inflows, Assets and recruiting



Business update and closing remarks



Appendix

 Details in the next slides

## KEY BUSINESS DRIVERS

**A** BG FUND  
MANAGEMENT LUX

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**B** ESG

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**C** INSURANCE

## NEW REVENUE STREAMS

**D** ADVANCED ADVISORY

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**E** BROKERAGE

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**F** STRUCTURED PRODUCTS  
& PRIMARY MARKET

## NEW BUSINESS LEVERS

**G** LOMBARD LENDING

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**H** PRIVATE MARKETS

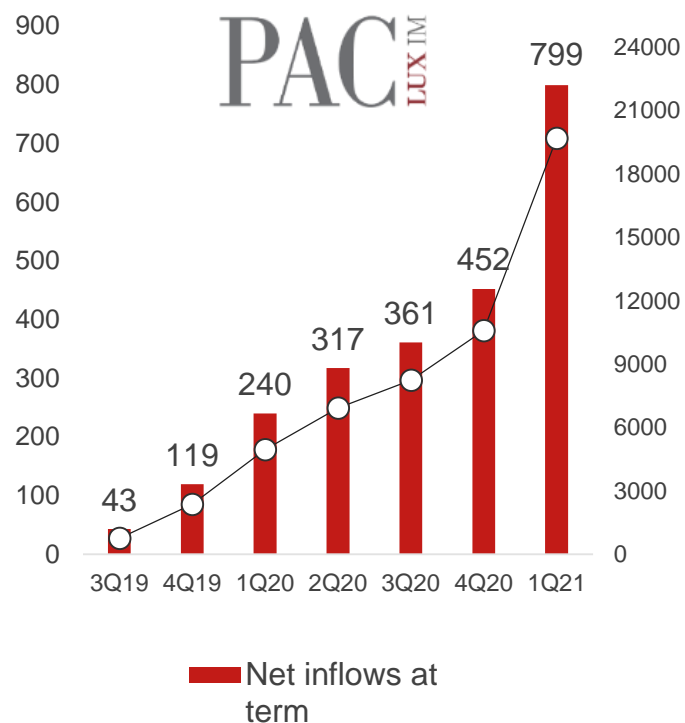
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**I** INTERNATIONAL  
EXPANSION

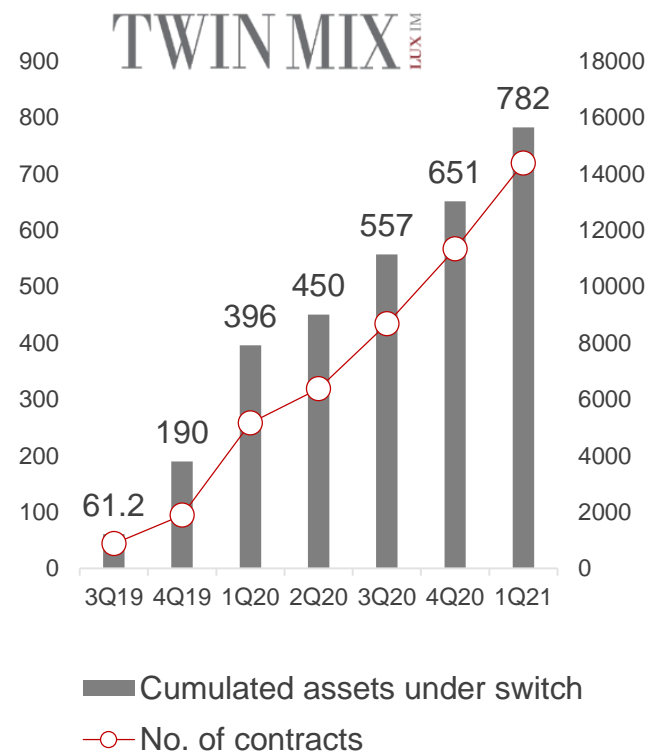
# KEY BUSINESS DRIVERS - LUX IM

## NEW TOOLS SUPPORTING LUX IM GROWTH

### Savings Plans: Net inflows in LUX IM m/€



### Switch Plans: Net Inflows in Funds m/€



Strong delivery of new tools linked to LUX IM:

**PAC (Savings plans):** almost doubled by number since the start of the year. Decent size (€40K) and length (five years) on average

**TWIN MIX (Switch plans):** solid growth of assets invested in low volatility funds to be switched into higher volatility sub-funds within LUX IM offer

## Distinctive commercial approach

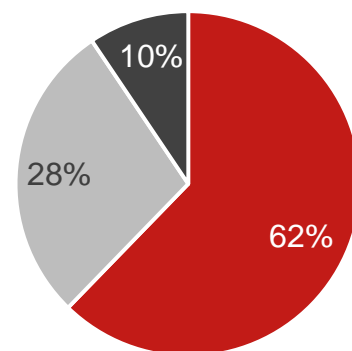
### UN SDGs

### Fund selection and ranking

### ESG dedicated platform

### ESG reporting

## ESG assets split by managed solutions



- Funds/Sicav
- Insurance wrappers
- Financial wrappers

## ESG Funds/SICAVs:

244 ESG funds (+21 strategies YTD, +52 YoY)

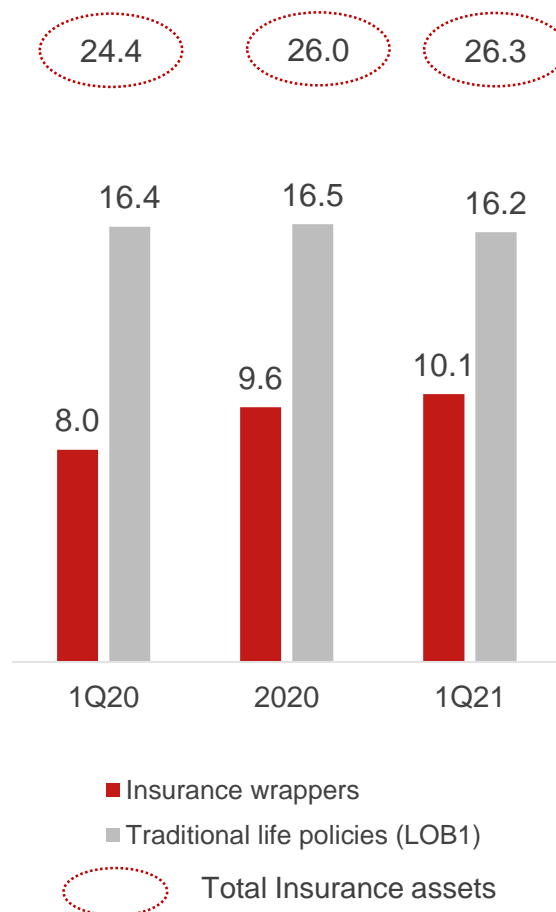
## New products

LUX IM expected to double offer (from 14 to 28 ESG lines) with focus on current and new ESG investment approaches, new generation sustainable themes, health-related strategies

# KEY BUSINESS DRIVERS - INSURANCE

## INSURANCE OFFER TURNING TOWARDS WRAPPER SOLUTIONS

### Insurance assets bn/€



### Insurance products



- Hybrid solution combining on average 30-40% of LOB1 with single funds/securities and ETF

### LUX PROTECTION LIFE

- Private insurance with flexible booking and AM centers and dedicated lines for HNWI



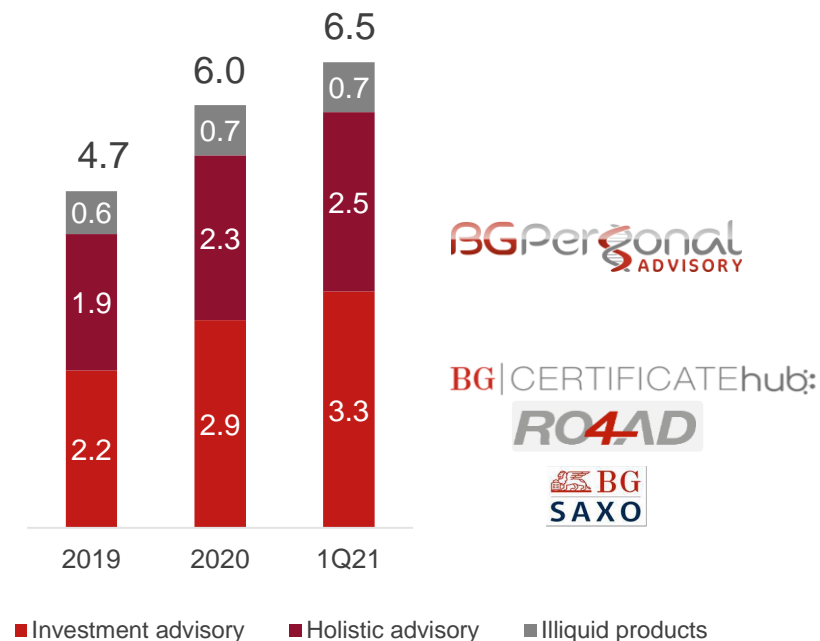
- New saving plans with insurance waivers linked to tailor-made clients' objectives

**Growing focus on wrapper solutions**  
in light of current ultra-low rate environment

**Diversified insurance solutions** for different client needs, all combining high level of personalization

- BG Stile Libero - bespoke insurance wrappers with distinctive waivers leveraging on Assicurazioni Generali's expertise
- LUX Protection Life - insurance solutions for HNWI for wealth and succession planning
- BG Progetti di Vita - Savings plans with insurance covers linked to life

### Advanced advisory (AuA) by mix, bn/€



**Three advisory levels:** investment advisory, holistic advisory, illiquid products

**Growing dissemination** amongst FAs (64% of total FAs vs. from 59% in 2019)

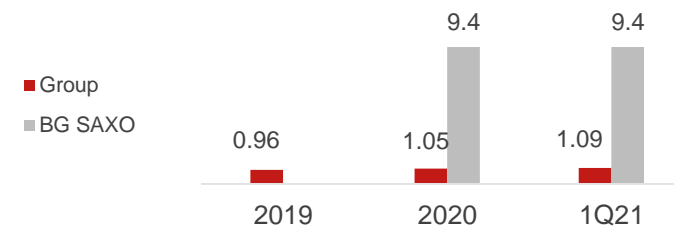
**Success amongst private clients** (€600K/avg. contract)

### Structured products

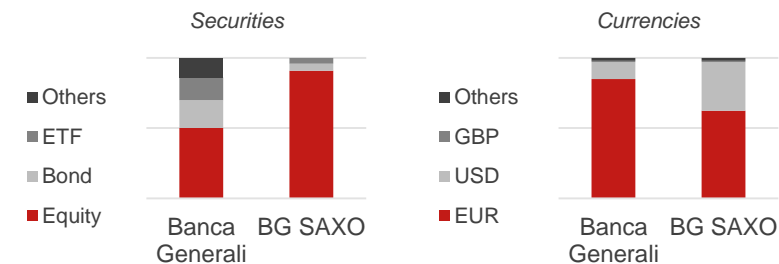


**BG Certificate hub** - A fully-fledged platform to approach structured products as a tool for yield enhancement and an instrument for tactical asset allocation

### Turnover ratio<sup>1</sup>



### Trading Mix (1Q-21)



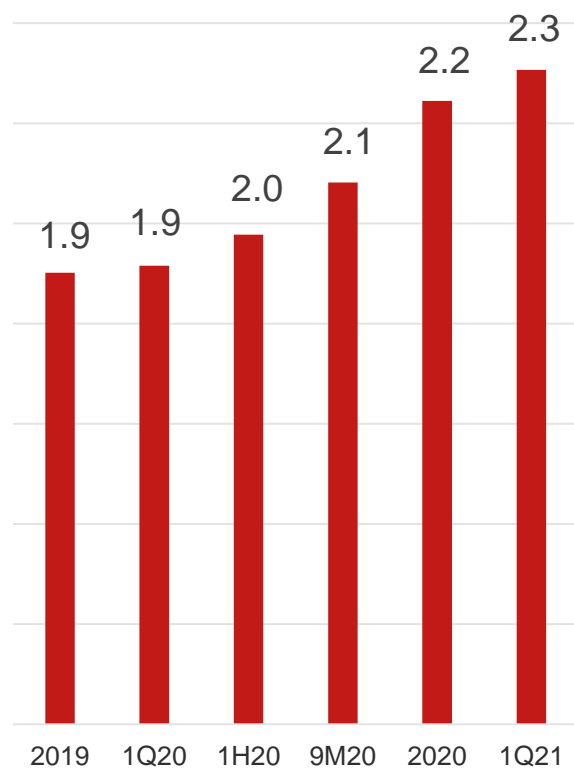
**Better trading mix** with growing equity and international exposure. Positive start to CFDs

**Large investable space** with 19,000 equity instruments on 36 markets, 5,000 corporate and govt. bonds, 3,000 ETFs on 30 exchanges, 9,000 CFDs

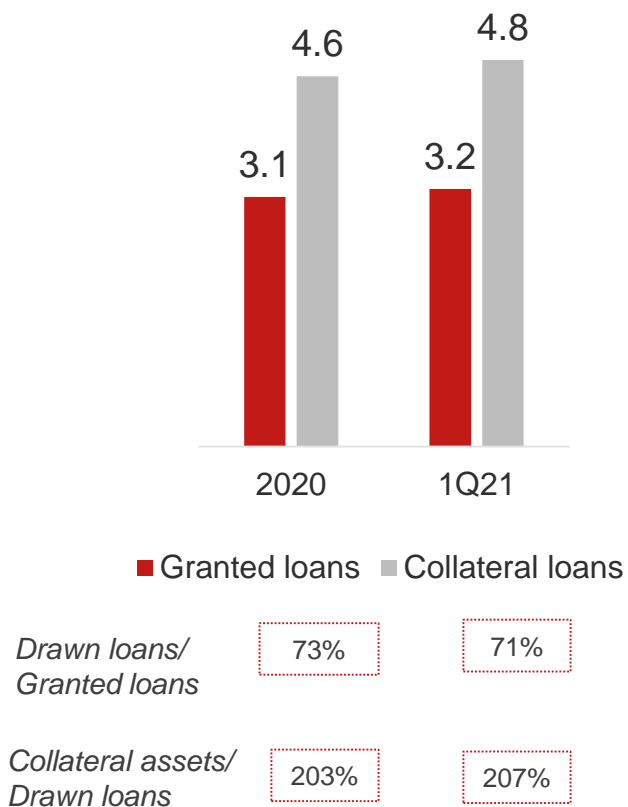
# NEW BUSINESS LEVERS - LOMBARD LENDING

## STEADY GROWTH IN SECURED LOANS

Drawn loans, bn/€



Loans trend, bn/€



### Steady growth in new loans

1Q21 new drawn loans at €62 vs. €10m in 1Q21 (€264m in 2020)

### Well diversified and secured lending

Lending policy focused on the existing Client base, well diversified and with State Guarantees on corporate loans

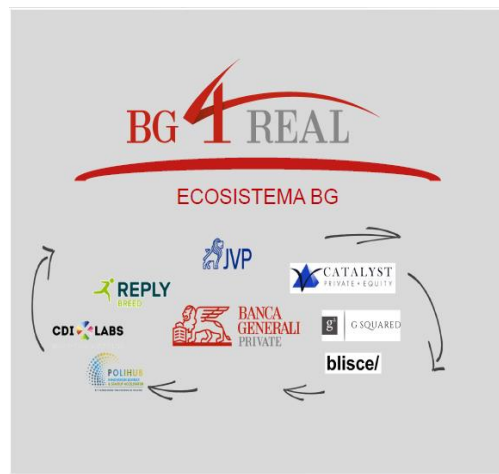
### Collateral assets

Lombard loans are backed by financial assets, whose market value is significantly higher than book value

# NEW BUSINESS LEVERS - PRIVATE MARKETS

## GROWING SUBSCRIPTION

### BG's way to Private markets



### Client target

**Clients' AUM thresholds** for access to the product:

- FIA – for Clients with AUM > €500K
- ELTIF - for Clients with AUM > €250K

**Minimum investment size requested:**

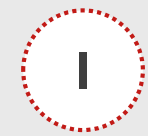
- FIA – €100K
- ELTIF - €10K

### Subscriptions in progress

Net inflows growing steadily (~€90m YTD) amid strict thresholds and enhanced controls for retail Clients due long holding period (above 6 years) and illiquidity

### BG's ecosystem

Exclusive partnership with International VC and research centers to select co-investment opportunities



# NEW BUSINESS LEVERS - INTERNATIONAL EXPANSION

TEMPORARY SLOWDOWN DUE TO THE PANDEMIC AND LOWER RISK PERCEPTION

## Three drivers

**BG** | *Valeur*

Increased need to obtain a **Swiss banking licence** in order to capitalise on the opportunities offered by the context

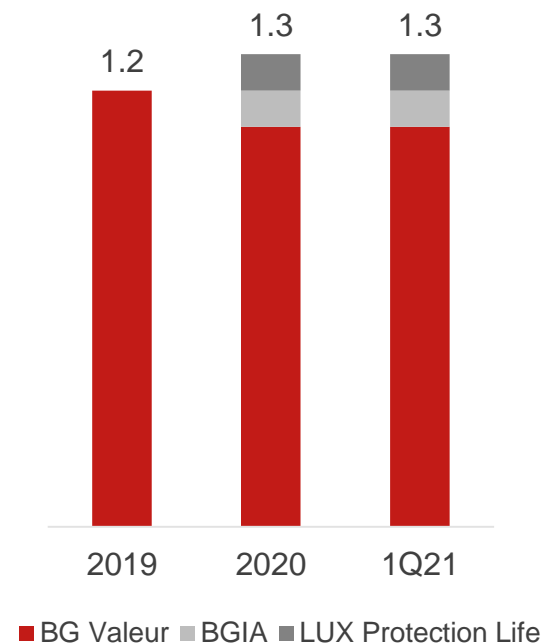
**BG** INTERNATIONAL  
A D V I S O R Y

BGIA is the **key tool to better serve clients amid** lockdowns/social distancing measures and changing market context

**LUX PROTECTION LIFE**

Opportunity to leverage on **BG Valeur asset management skill** for tailor-made investment lines

## Assets, bn/€



# DISCLAIMER

*The manager responsible for preparing the company's financial reports (Tommaso Di Russo) declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law of Finance, that the accounting information contained in this presentation corresponds to the document results, books and accounting records.*

*T. Di Russo, CFO*

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