

Investor Presentation

1H22 RESULTS

28 July 2022





To be the No. 1 private bank, unique by
value of service, innovation and sustainability



1H 2022 Financial Results

Balance Sheet & Capital ratios

Net Inflows, Assets and recruiting

Business update and closing remarks

Appendix

1H 2022 RESULTS: EXECUTIVE SUMMARY



The Bank posted **sound recurring results** amid one of the worst starts to the year ever for both equity and bond investments coupled with unique geopolitical and macro headwinds



Positive gearing to interest rate hike, flexible business model and resilient margins represented a solid combination to face first half volatile environment



Commercial results proved resilient in terms of volumes, with an overall defensive product mix in line with clients' behavior in previous financial crisis



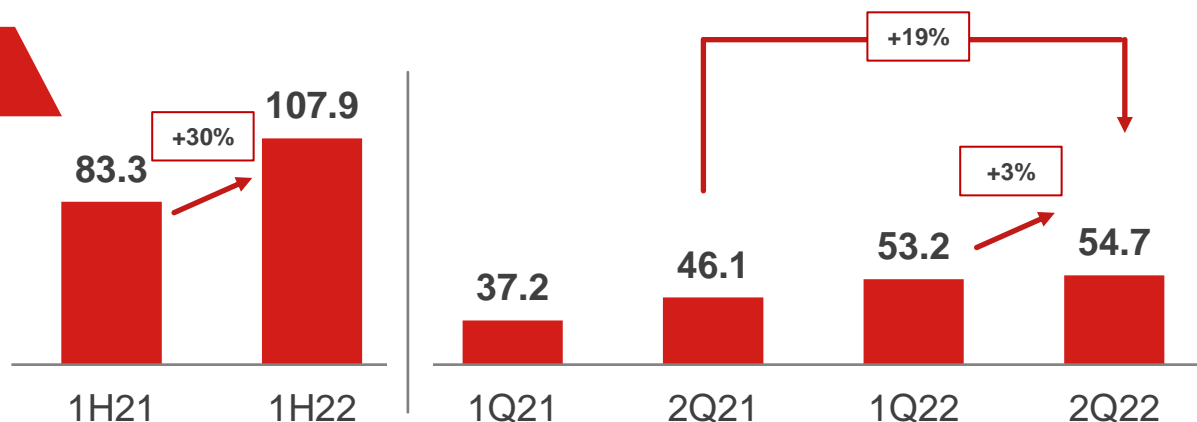
Commitment to deliver strategic and financial targets set in the **2022-2024 Business Plan confirmed**, even in a worse business and financial scenario

RECURRING NET PROFIT

STEADY GROWTH CONTINUES DESPITE TOUGH MARKET CONDITIONS

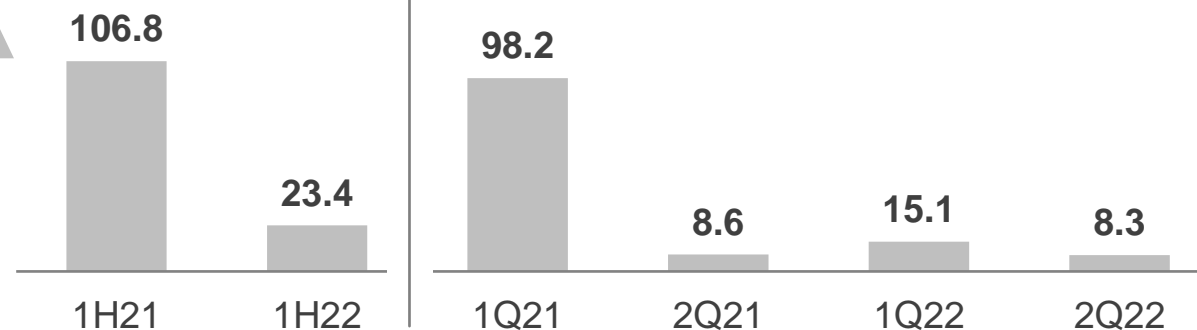
Recurring net profit¹

€\m



Variable net profit

€\m



Net profit

€\m



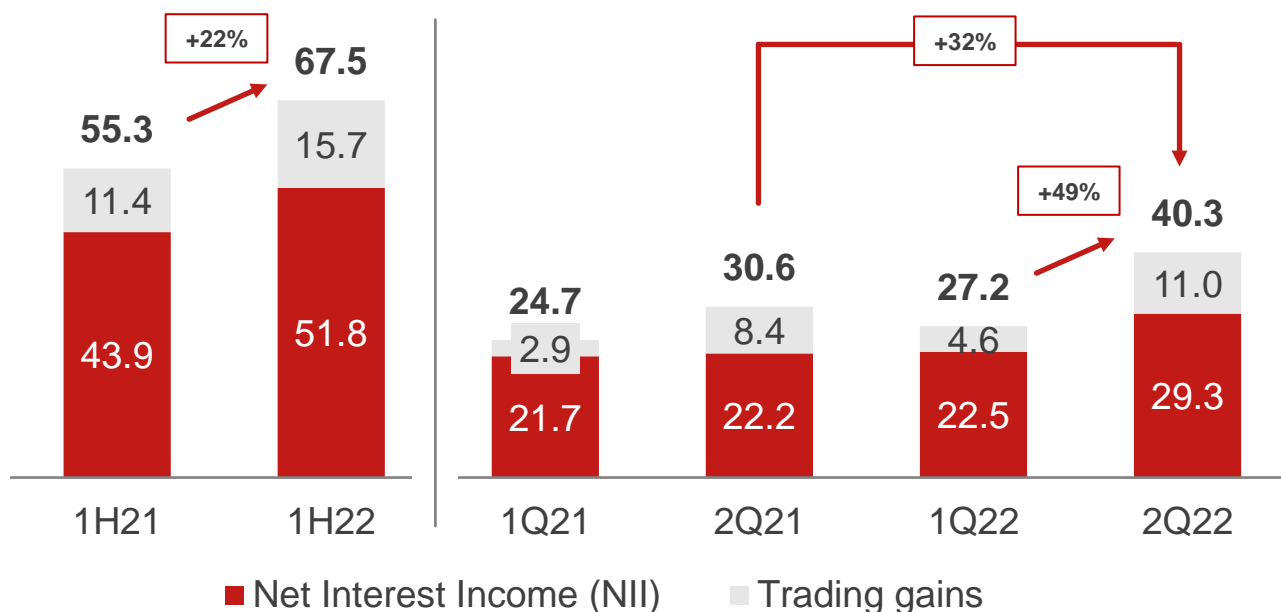
➤ **1H 2022 recurring net profit keeps growing** supported by positive tilt to interest rates hike, flexible business model and discipline in cost management

➤ **1H 2022 variable net profit sharply lower** mirroring the 1H 2022 opposite trend of financial markets' compared to the previous year

NET FINANCIAL INCOME

SIZEABLE INCREASE TAKING ADVANTAGE OF THE INTEREST RATE HIKE IN THE PERIOD

Net Financial Income €m



Total Net Financial Income Yield¹



Total NII Yield¹



1H 2022 Net Financial Income (NFI) posted a double digit increase (+22% YoY) with a structural acceleration in the last two quarters

2Q 2022 (+49% QoQ) benefitted from the repricing of the investment yield on financial assets and from inflation linked securities (+€2m QoQ)

1H 2022 NII yield appeared flattish YoY, yet underpinning a **sizeable increase at quarterly level** from the lows of 0.48% in 4Q 2021 reaching 0.75% at the end of 2Q 2022, with a +27bps hike in the last six months

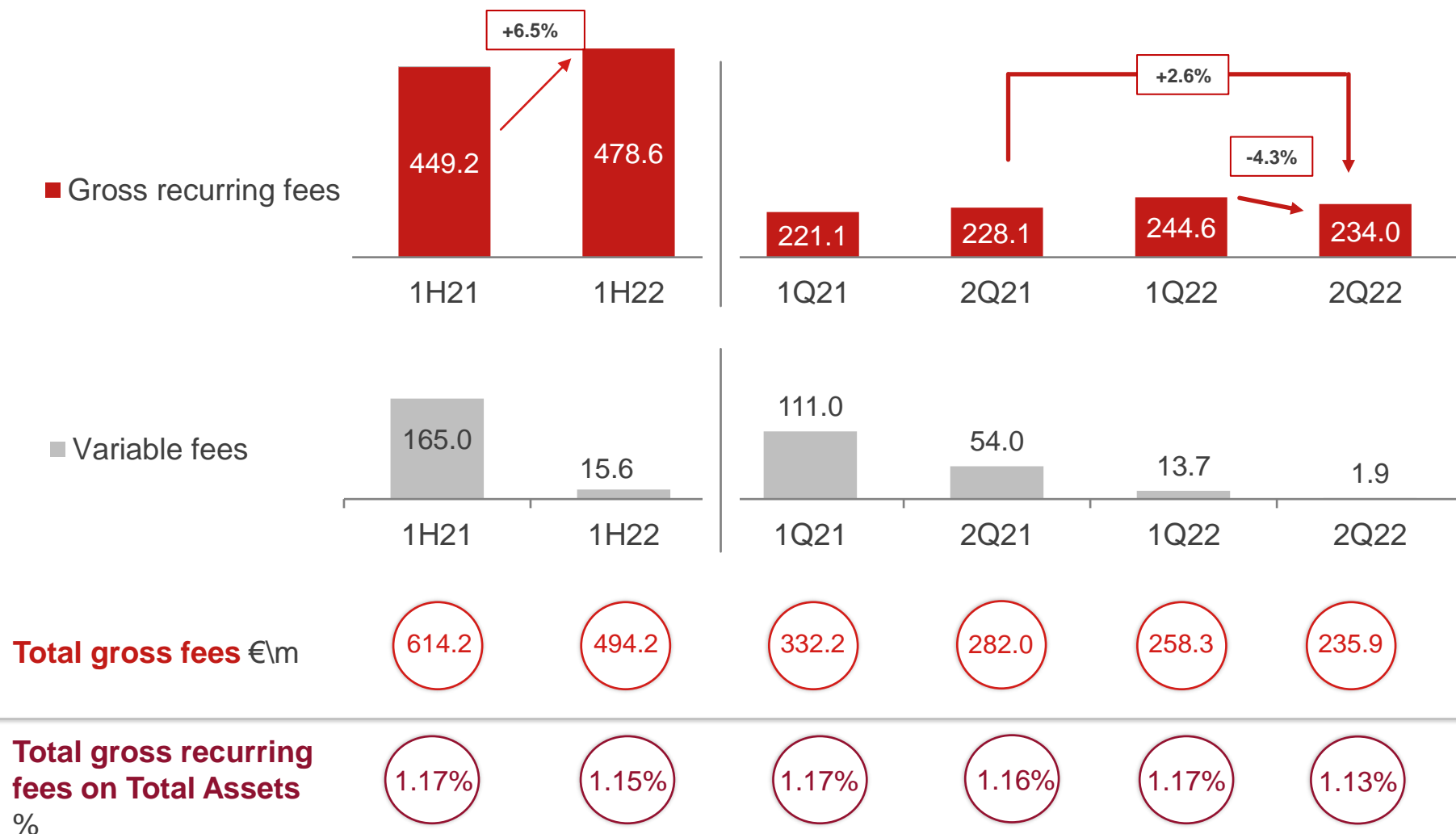


Details in appendix

TOTAL GROSS FEES

SOLID FIGURES DESPITE EXTRAORDINARY BOND AND EQUITY VOLATILITY

Total gross fees €\m



► 1H 2022 gross recurring fees increased by 6.5% YoY, though declining slightly at quarterly level, posted a small decline (-4% QoQ) due to lower assets and clients' activity in the period amid extraordinary market conditions

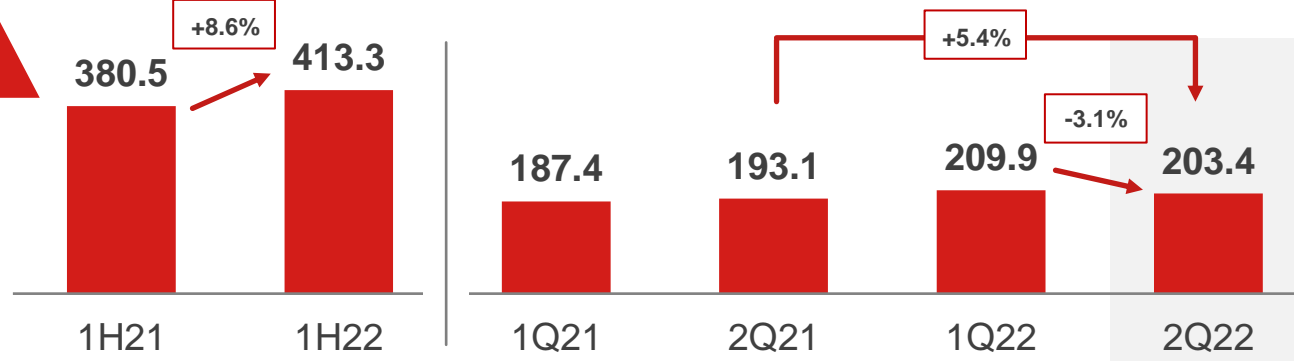
► Contribution from variable fees remained negligible with an unfavorable YoY comparison

MANAGEMENT FEES

TRACKING FINANCIAL MARKETS VOLATILITY, BUT MARGINS REMAIN AT PRE CRISIS LEVELS

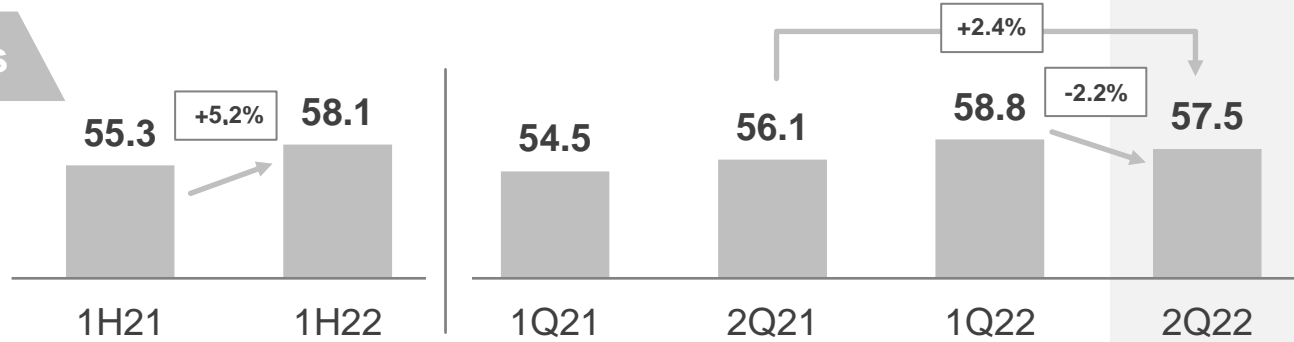
Management fees

€m



Avg. Managed assets

€bn



Management fees on
Managed Assets
%



Management fees on
Total Assets
%



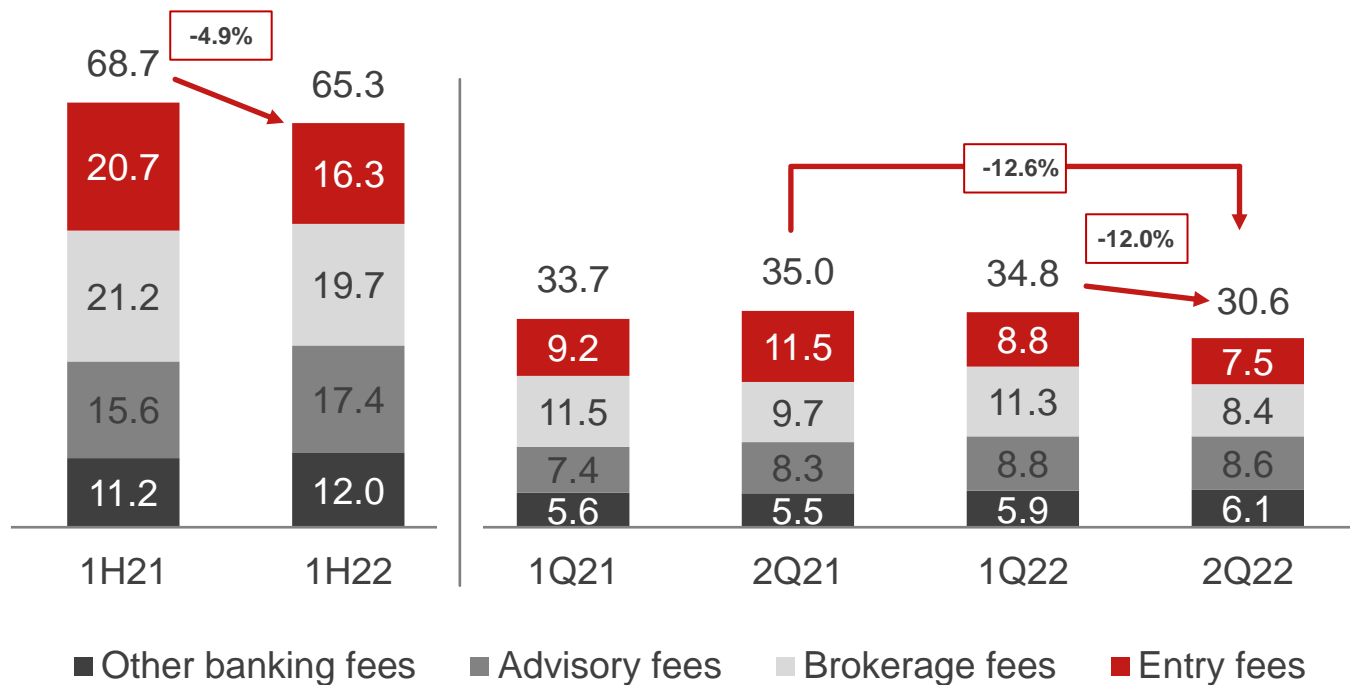
► **1H 2022 Management fees (+8.6 YoY)** proved solid despite some slowdown at quarterly level due to bonds and equity markets' drop in the period

► **Management fee margin at 1.42%** (+4 bps YoY and -1bps QoQ) confirmed in line with 2022-2024 guidance of $\geq 1.41\%$

BANKING AND ENTRY GROSS FEES

TREND LINKED TO REDUCED CLIENTS' ACTIVITY AMID DIFFICULT MARKET ENVIRONMENT

Banking and entry gross fees €\m



► **1H 2022 entry fees** shrank on lower underwriting of funds/Sicavs. This was partially offset by higher placement of structured products (certificates) and other securities

► **1H 2022 banking fees** posted a mixed trend: brokerage fees affected by trading mix (higher bond component) while advisory and other banking fees posted a resilient trend both at interim and quarterly level

Banking and entry gross fees on Total Assets %

0.18%

0.16%

0.18%

0.18%

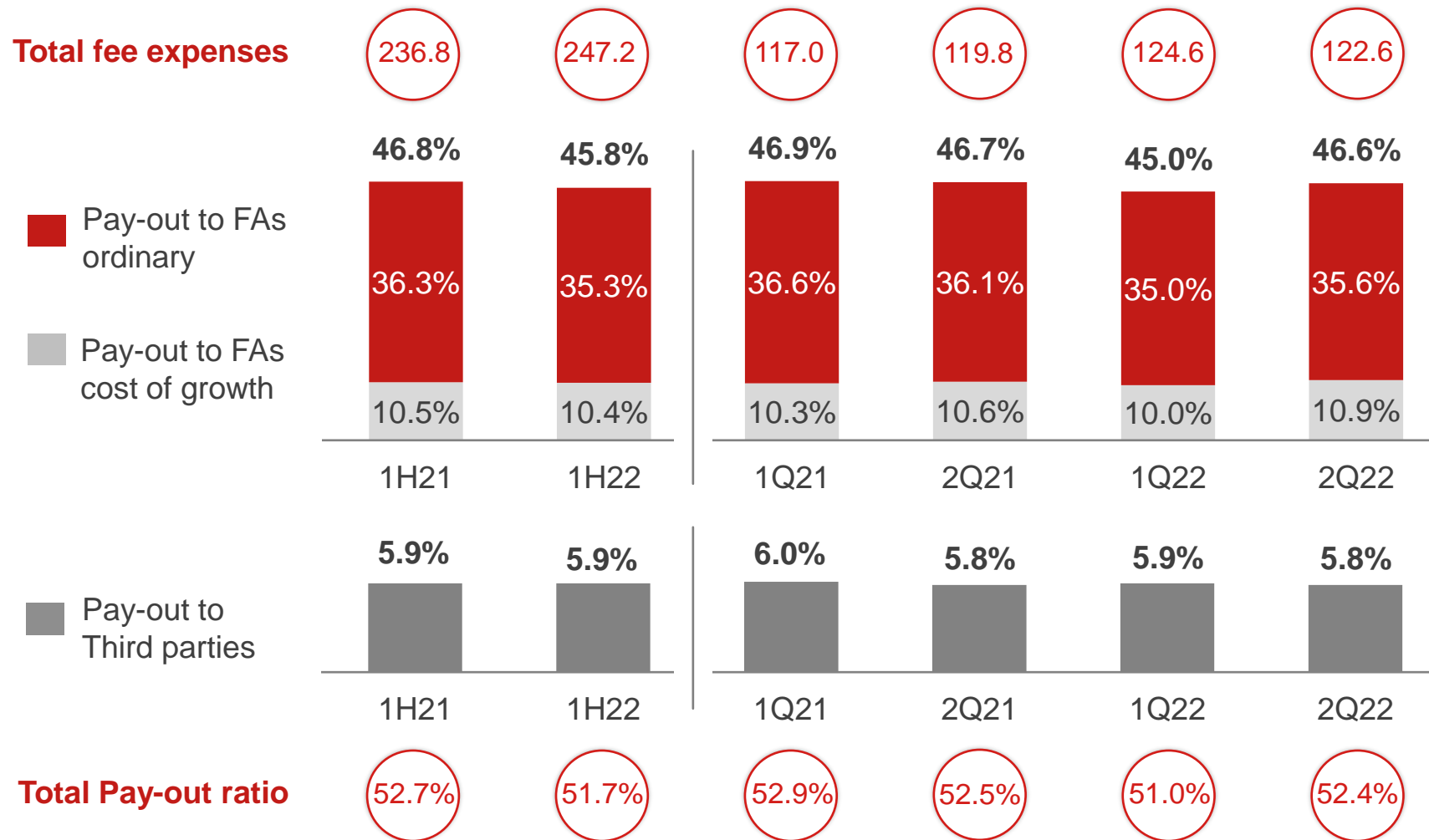
0.17%

0.15%

TOTAL PAY-OUT RATIO

TREND IN LINE WITH GUIDANCE HIGHLIGHTING BUSINESS MODEL'S FLEXIBILITY

Total Pay-out ratio and fee expenses €\m



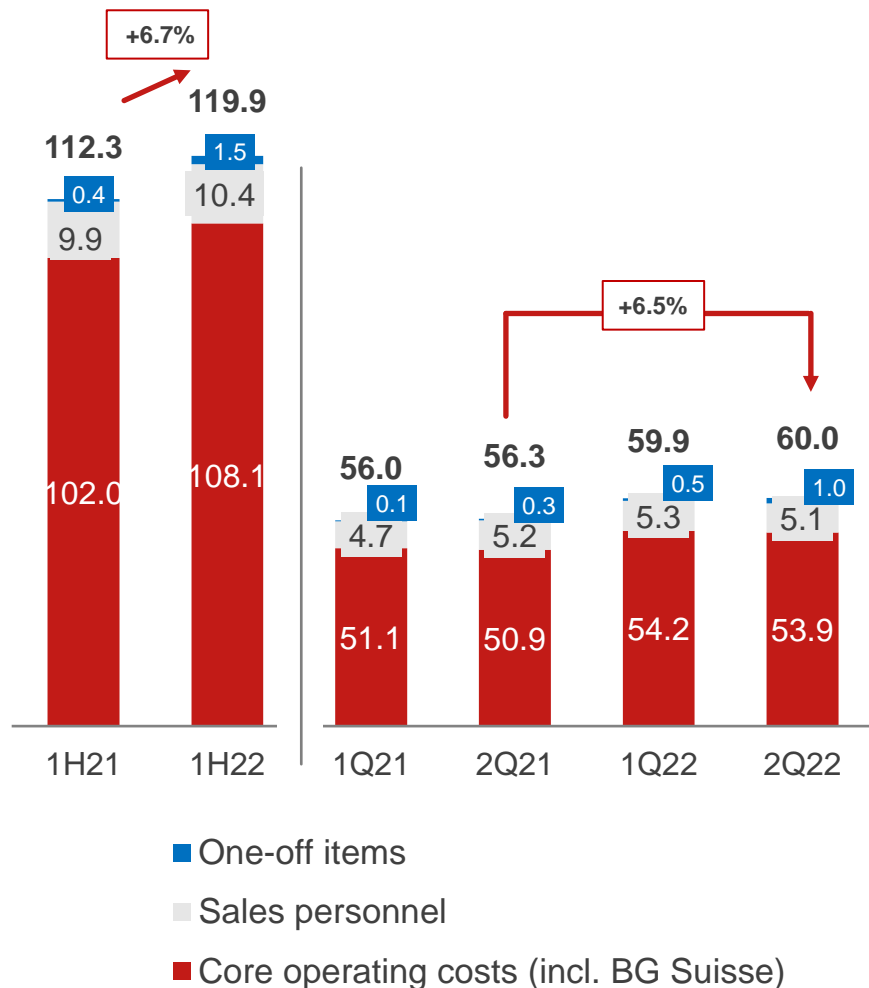
► **1H 2022 Fee expenses (+4.4%)** vs. gross recurring fees (+6.5%) prove business flexibility leading overall to a lower pay-out to FAs (-1bps) mostly linked to business mix

► **1H 2022 Pay-out ratio to third-parties** was stable with a small decrease at quarterly level linked to lower clients' activity on third-party products and platforms

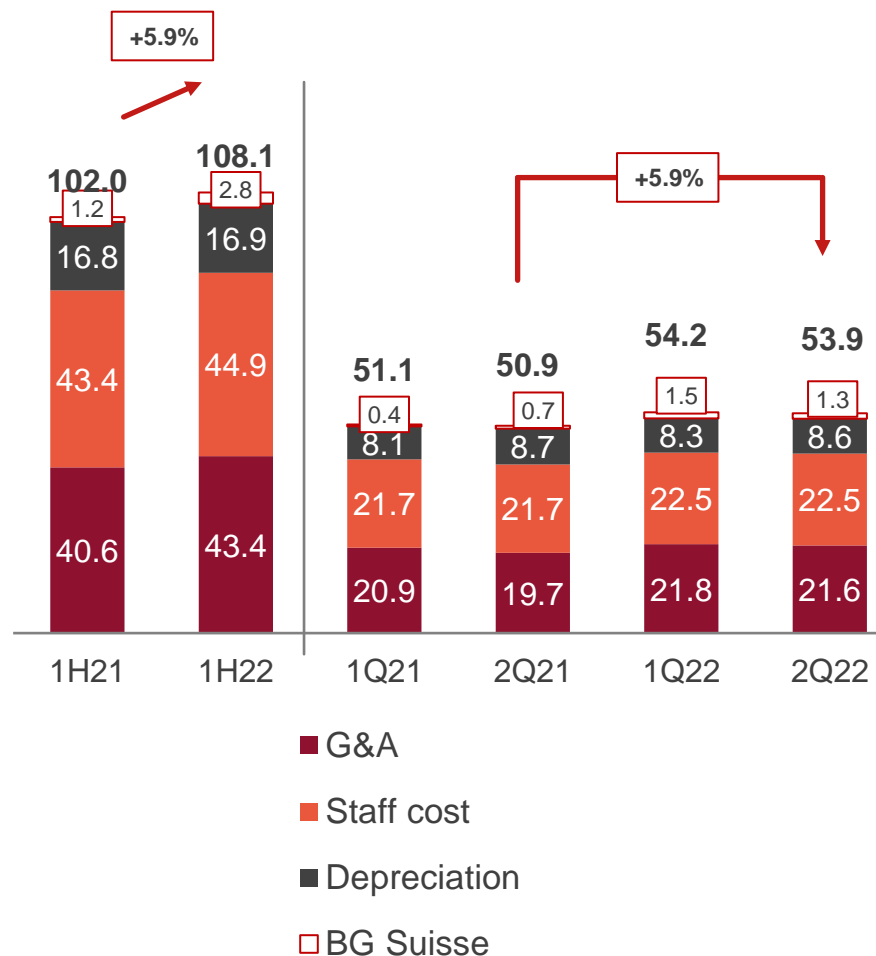
OPERATING COSTS (1/2)

COST EVOLUTION IN LINE WITH GUIDANCE

Total operating costs¹ €m



Breakdown of core operating costs¹ €m



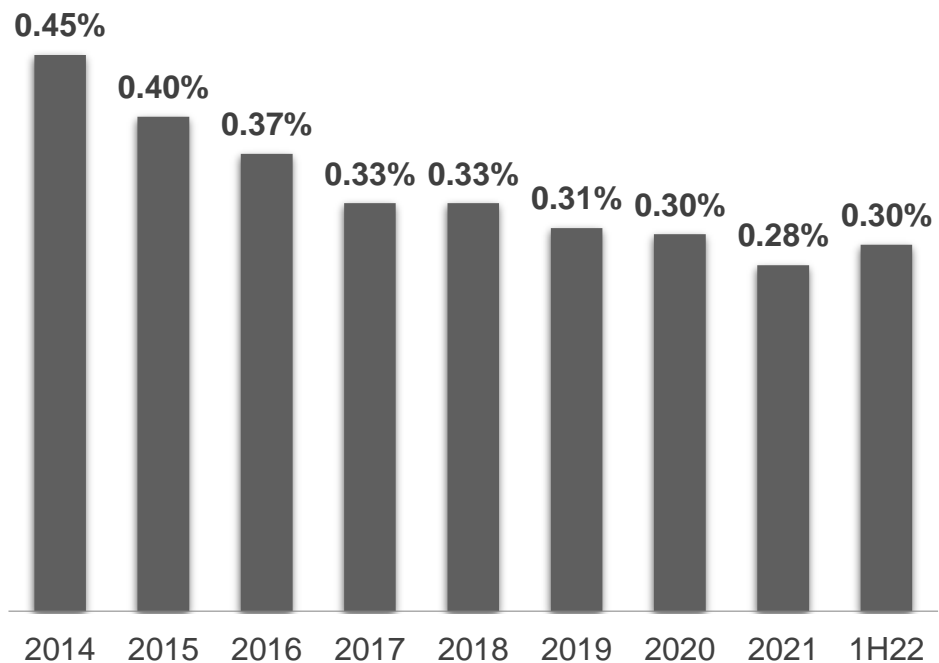
➤ **1H 2022 total operating costs** increased by **+6.7%** (**+5.8% ex- one-off items**). Costs were reclassified in order to include international expansion (BG Suisse) into core operating costs

➤ **1H 2022 Core operating costs** (+5.9%, +4.4% excluding the Swiss project) increased in line with 2022-2024 guidance of CAGR 5.0-6.0%

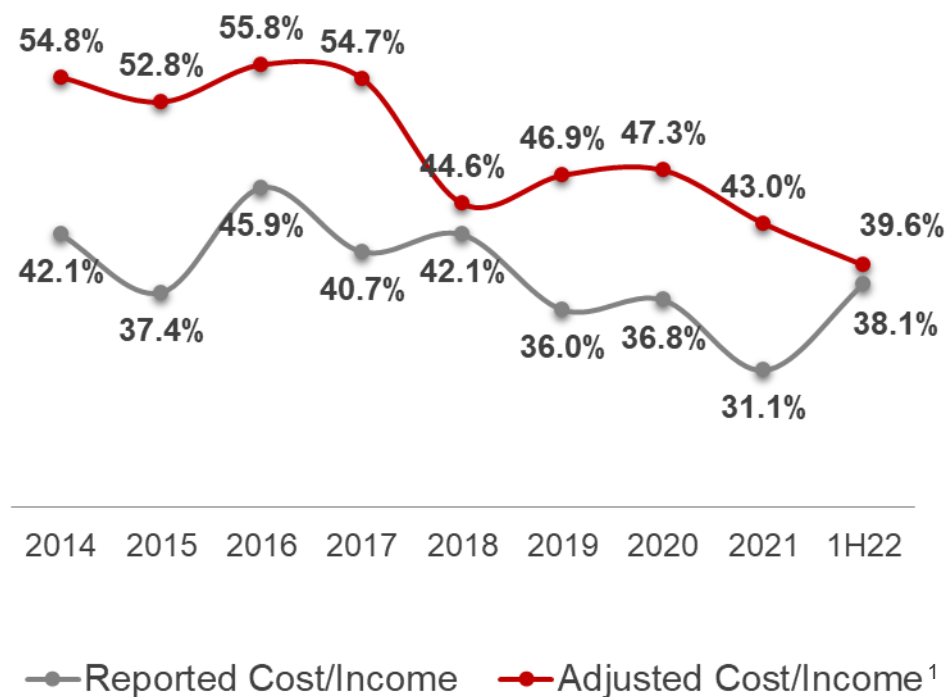
OPERATING COSTS (2/2)

DOWNWARD TREND CONFIRMED

Operating costs / Total Assets



Cost / Income Ratio



SUMMING UP

(€ m)	1H 21	1H 22	% Chg
Net Financial Income	55.3	67.5	22.1%
Net recurring fees	212.4	231.4	8.9%
Variable fees	165.0	15.6	-90.6%
Total Banking Income	432.7	314.4	-27.3%
Core operating costs	-102.0	-108.1	5.9%
Total operating costs	-112.3	-119.9	6.7%
Operating Profit	320.4	194.5	-39.3%
Operating Profit ex. Performance fees	155.3	179.0	15.2%
Net adjustments for impair.loans and other assets	-4.1	-4.9	19.9%
Net provisions for liabilities and contingencies	-18.6	-11.4	-39.1%
Contributions to banking funds	-6.1	-5.9	-4.2%
Extraordinary provision	-79.9	0.0	n.m.
Gain (loss) from disposal of equity investments	-0.1	-0.1	-46.8%
Profit Before Taxation	211.5	172.4	-18.5%
Direct income taxes	-21.4	-41.1	91.9%
<i>Tax rate</i>	<i>10.1%</i>	<i>23.8%</i>	<i>13.7 p.p.</i>
Net Profit	190.1	131.3	-30.9%
Recurring Net Profit	83.3	107.9	29.6%

Comments

- ▶ **Operating result ex. performance fees (+15%) posted a solid increase amid tough market conditions** leveraging on higher interest rates, resilient net fees and cost discipline
- ▶ **Non-operating charges¹ decreased (-23%)** thanks to lower pension requirements on upwards revision of the discount rates within actuarial purposes and lower provisions for contractual indemnities to the network
- ▶ **Quality of net profit significantly increased:** recurring net profit increased by +30% representing 82% of reported net income vs. 44% last year

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Business update and closing remarks

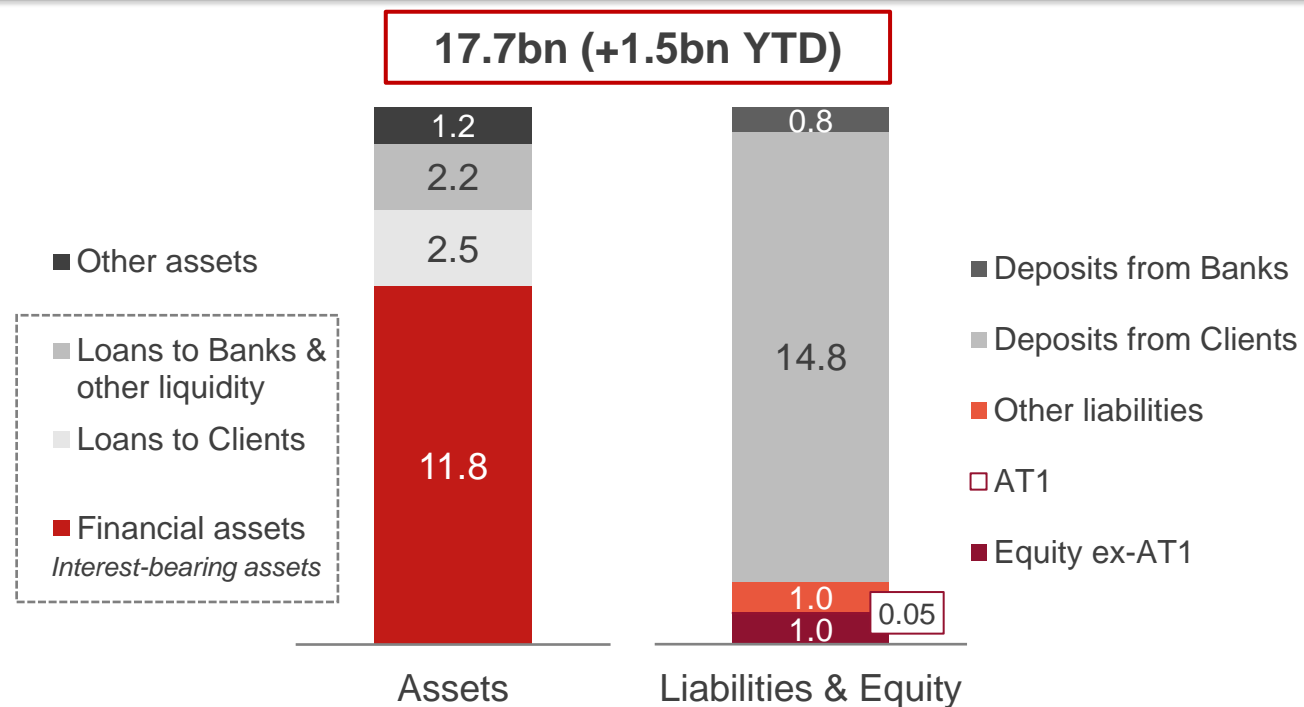
Appendix



BALANCE SHEET (1/2)

HIGH ASSET QUALITY AND GEARING TO VARIABLE RATES

1H 2022 Balance Sheet - Assets and Liabilities €



Clients' Deposits

14.8bn (+1.2bn YTD)

Interest bearing Assets (IBA)

16.5bn (+1.4bn YTD)

▶ **Total assets posted a sizeable increase (€17.7bn, +9% YTD)** driven by clients' deposits (+9% YTD)

▶ Total Interest-bearing-assets (€16.5bn, +9% YTD) are **positively geared to rising interest rates** (62% of total are exposed to variable rates, 66% including securities maturing by year-end)

Loans portfolio (€2.5bn +2% YTD) maintained a strict focus on asset quality

- 1H22 CoR at 0 bps
- NPL/loans¹ at 4bps

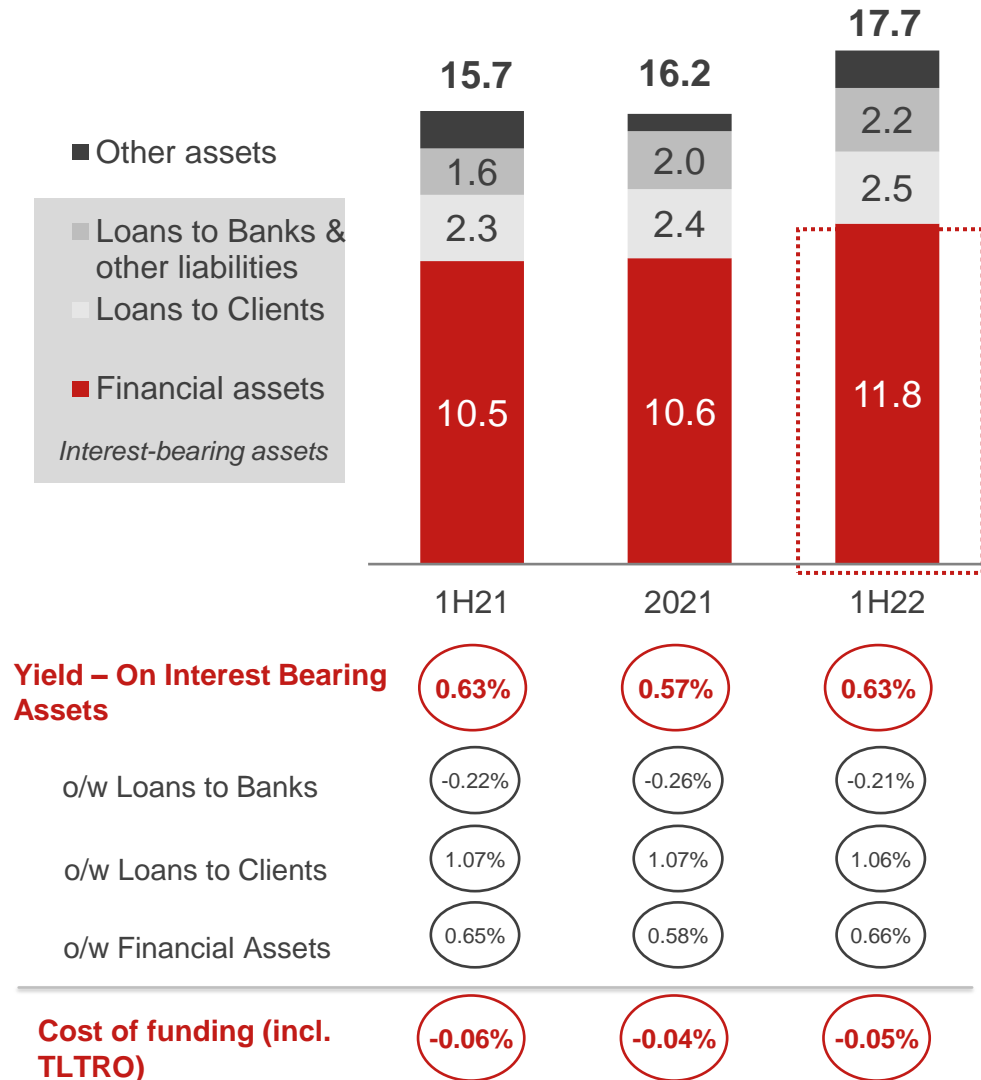
▶ **Total Liabilities are almost entirely linked to clients' deposits**

- **Negligible financial debt** exposure (only €50m AT1 subordinated debt)

BALANCE SHEET (2/2)

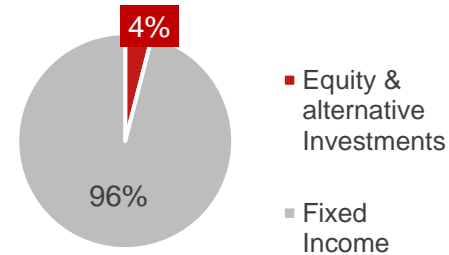
FINANCIAL ASSETS EXPLOITING HIGHER INTEREST RATES

Total Assets and Interest-bearing Assets €\bn

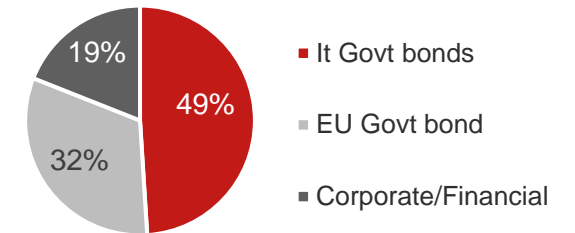


Focus on Financial Assets (banking book) €\bn

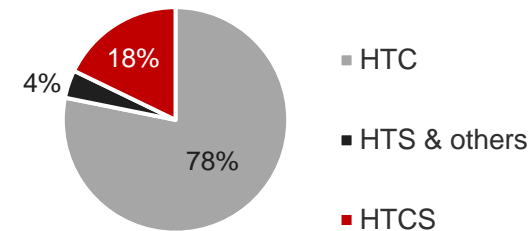
Total PTF Classification



Bond PTF Classification

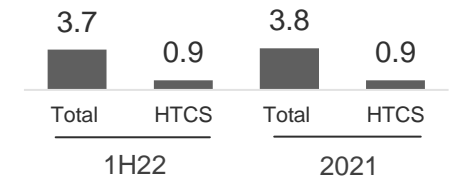


Total PTF - IFRS Classification

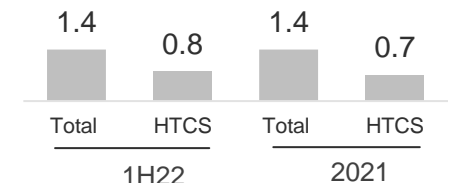


Floating rate bonds 51%, Fixed rate bonds and zero coupon 49%

Bond PTF Maturity



Bond PTF Duration

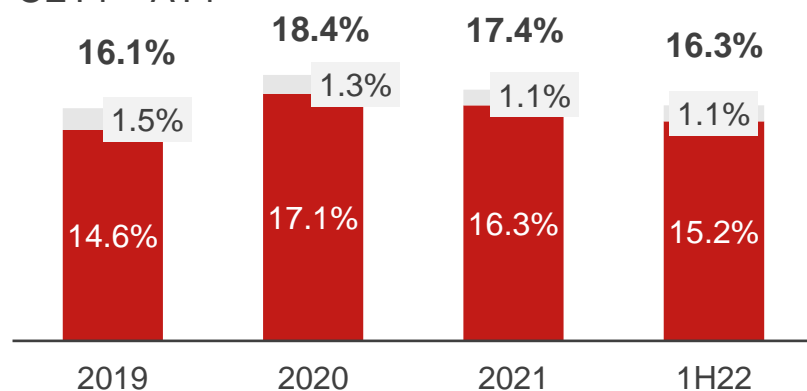


CAPITAL AND LIQUIDITY RATIOS

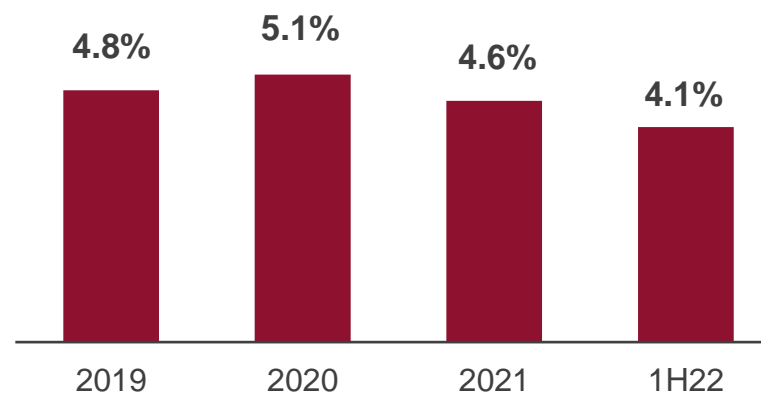
SOLID CAPITAL POSITION OVER PLAN HORIZON SEEN AS A PRIORITY

Total Capital Ratio %

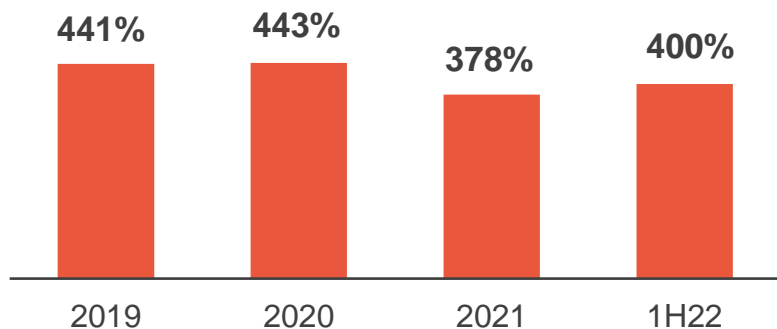
■ CET1 ■ AT1



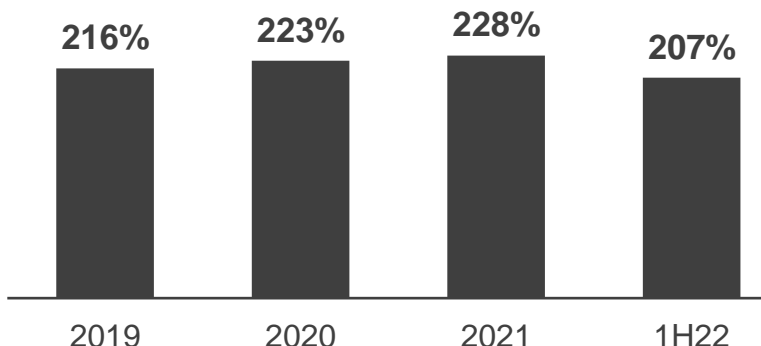
Leverage Ratio %



Liquidity Coverage Ratio €\bn




Net Stable Funding Ratio %



➤ 1H 2022 capital ratios' variation reflect: i) some **seasonality** for the purchase of treasury shares linked to the remuneration policies (-0.7 pts) and ii) higher **RWA** for the expansion of the banking book (-0.6 pts)

➤ Capital ratios implies also an 84% **dividend pay-out ratio** in accordance with the new outstanding dividend policy

➤ Capital ratios well in line with **SREP requirements** (CET1 8.0% and TCR 12.3%)



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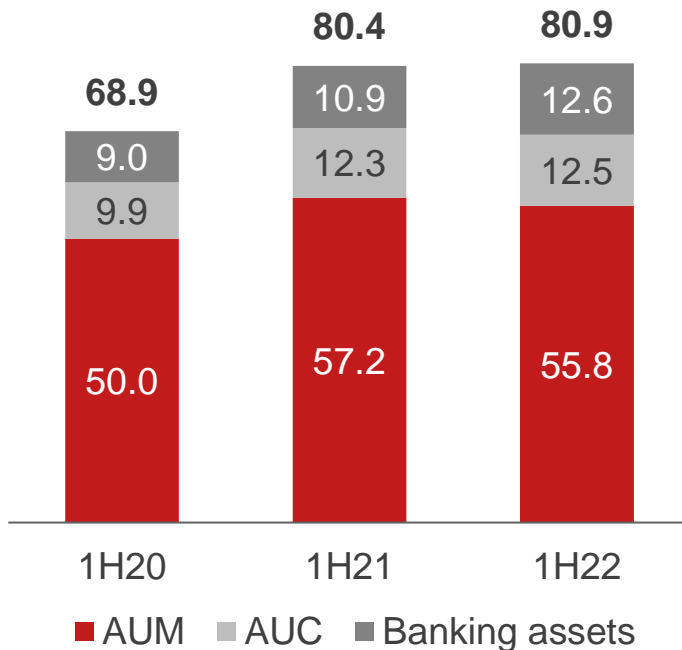
Business update and closing remarks

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TOTAL ASSETS

TESTED BY ONE OF THE WORST STARTS TO THE YEAR EVER FOR FINANCIAL MARKETS

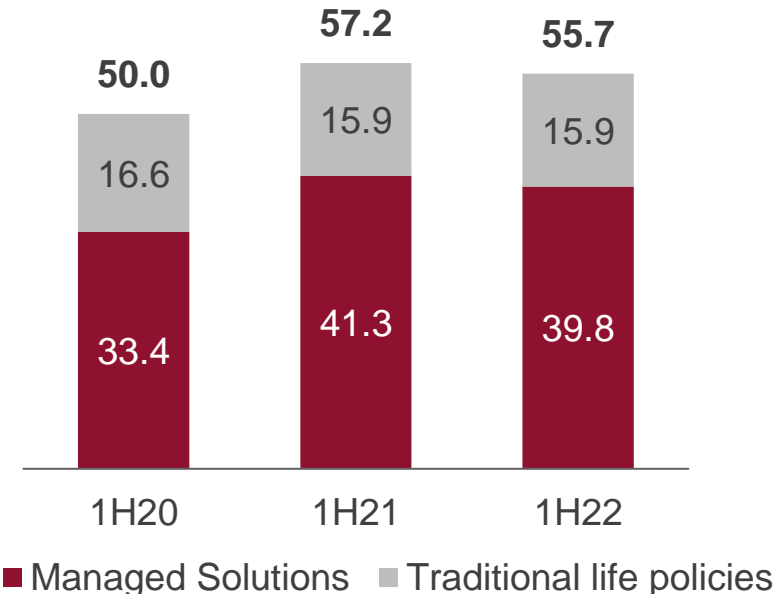
Total Assets €\bn



Assets under Advisory / Total Assets



AUM €\bn



AUM / Total Assets



Managed Solutions / Total Assets



► **Challenging financial markets** hit hard both bond and equity investments in 1H 2022 (Euro govt bond -13.1%, Euro Stoxx 50 -19.6%, MSCI world -21.2%)

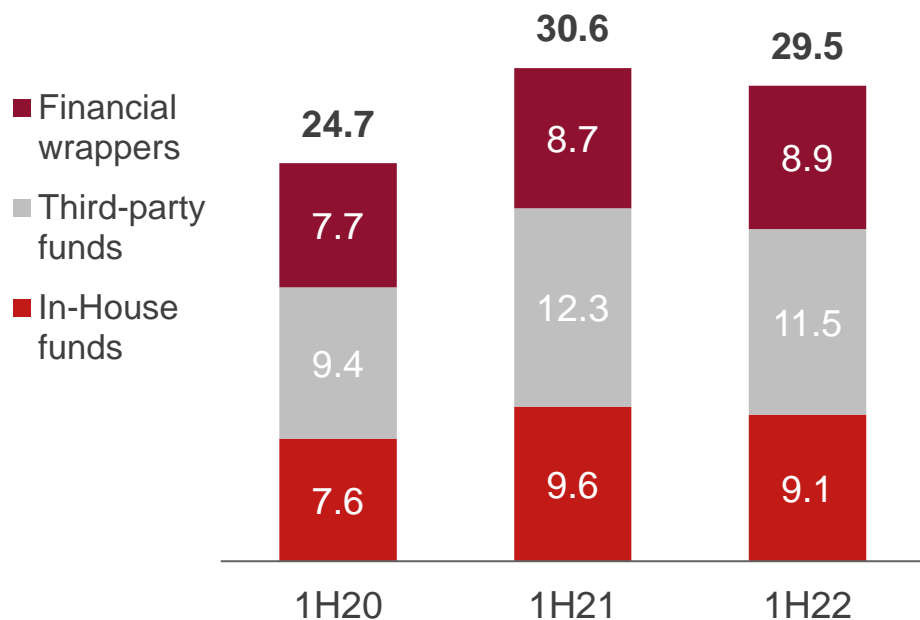
► Amid this background, **BG's total assets** proved resilient YoY (+0.6%) even if lower YTD (-5.6%)

► **Managed solutions¹** are off 2021 peak levels, yet maintain significant progress compared to 1H 2020 levels

AUM BREAKDOWN

IN HOUSE SOLUTIONS PROVED RESILIENT AMID MARKETS TURMOIL

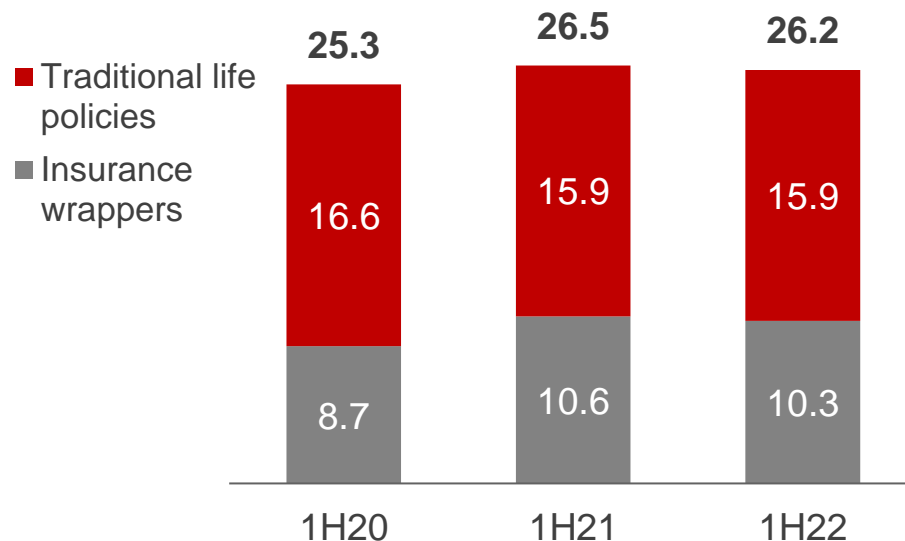
AM products €\bn



In-house solutions (in-house funds + financial wrappers) / Total Assets



Insurance products €\bn



Insurance Wrappers / Total Assets



➤ **Financial wrappers** emerged as the best in class product for their tailor-made approach and diversified strategies

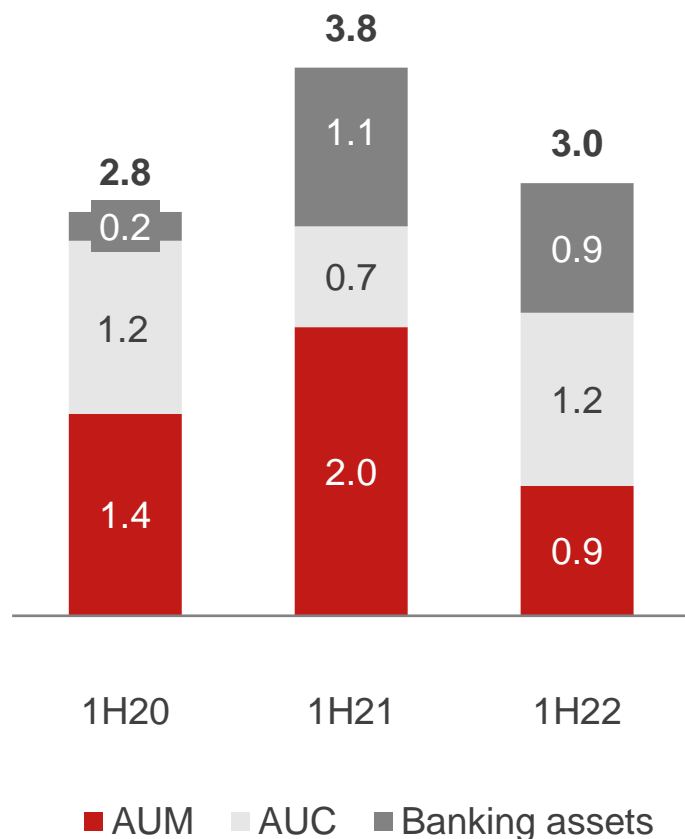
➤ In-house funds, financial and insurance wrappers proved sticky at 35.0% of total assets (vs. 36.0% in 1H21 and 34.8% in 1H20)

➤ **Third-party funds** penalized by exposure to high volatility equity and bond strategies with a LT horizon

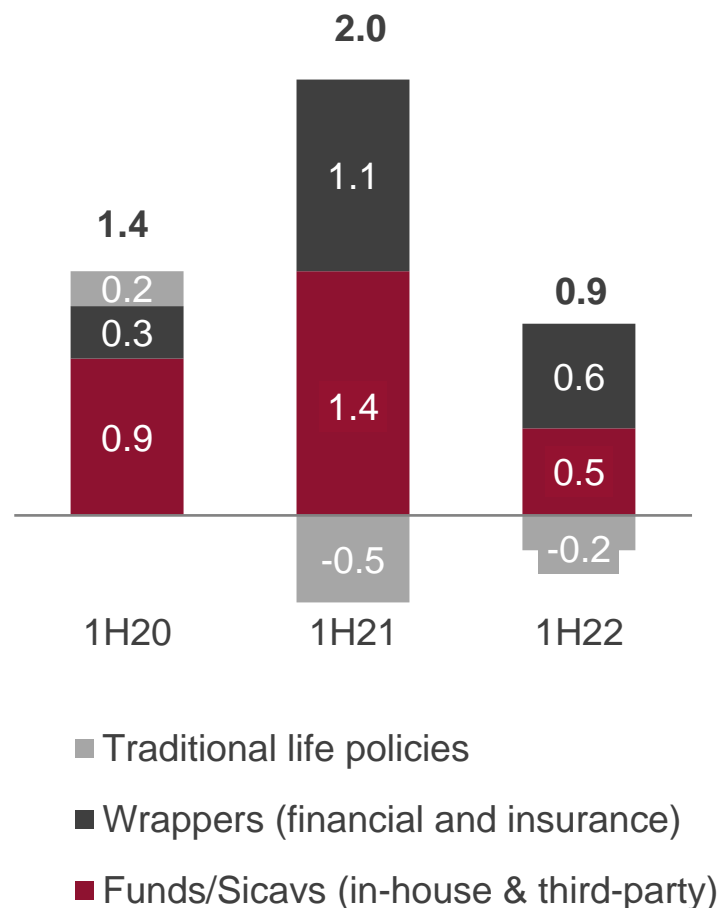
NET INFLOWS

SOLID COMMERCIAL RESULTS CONFIRMING STRUCTURAL GROWTH TREND

Total Net Inflows €\bn



AUM Net Inflows €\bn

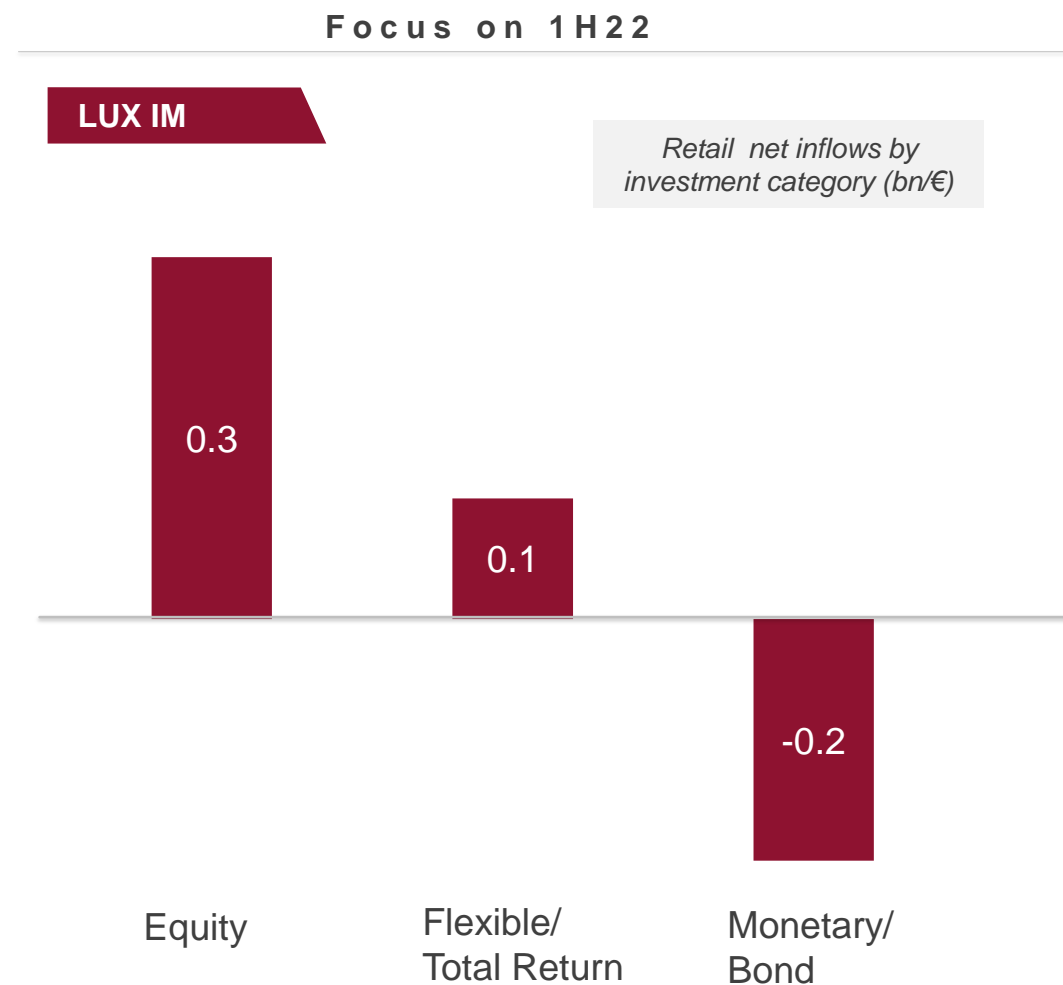
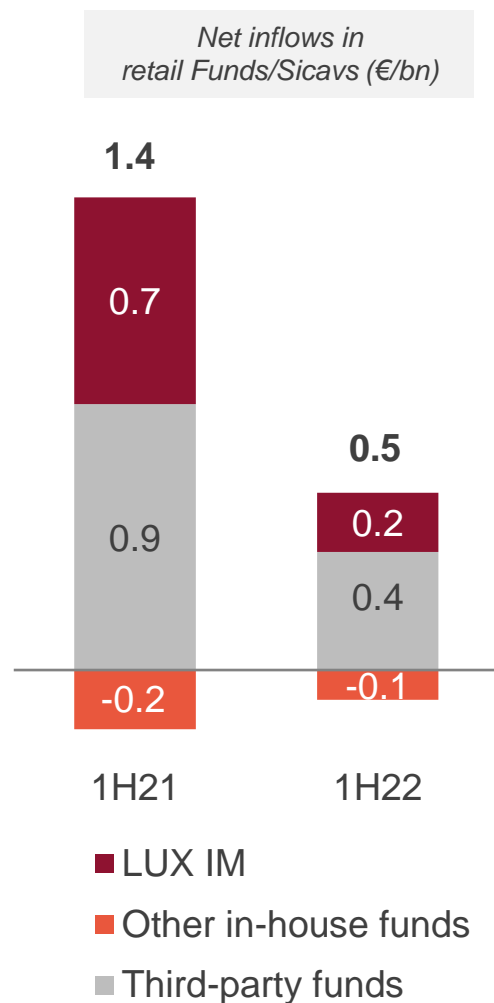


- **Solid trend in volumes** both in absolute and relative terms
- Net inflows in **wrapper solutions** proved extremely solid during 1H 22 for their personalization and advisory component which allow to better face tough market conditions
- Net inflows in **funds/Sicavs delivered positive net inflows** yet off peak levels of the previous year

NET INFLOWS

RETAIL NET INFLOWS REPRESENTED BY EQUITY FUNDS

Focus on Net inflows in retail funds/SICAV €\bn



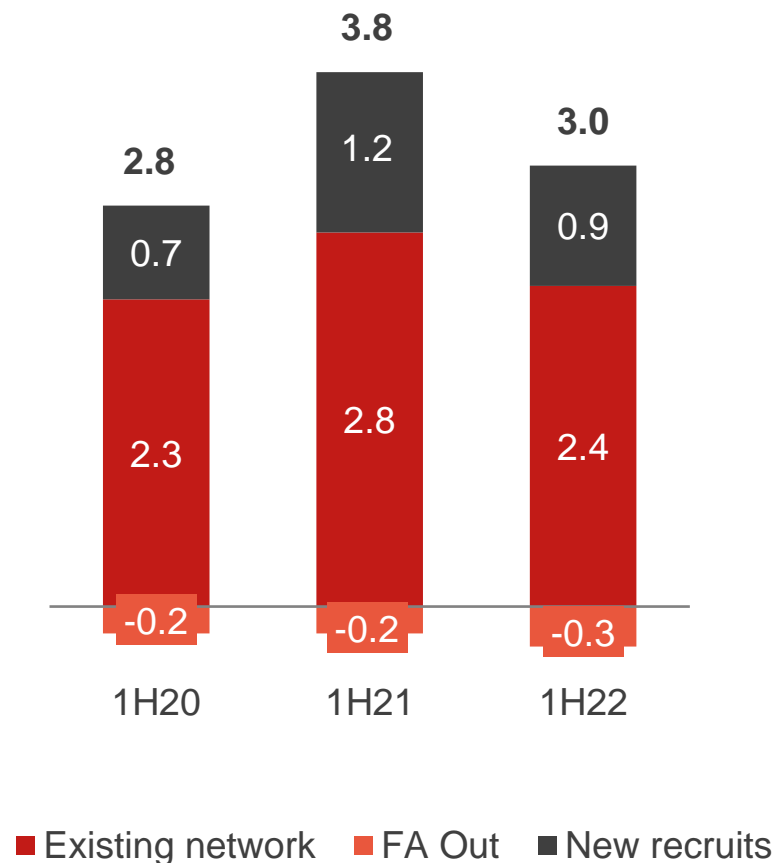
► **LUX IM net inflows at interim level focused on equity funds** and other long term strategies

► **‘Third-party funds’** well supported by the launch of selected fixed income/Target loans funds, particularly well received by clients in current financial environment

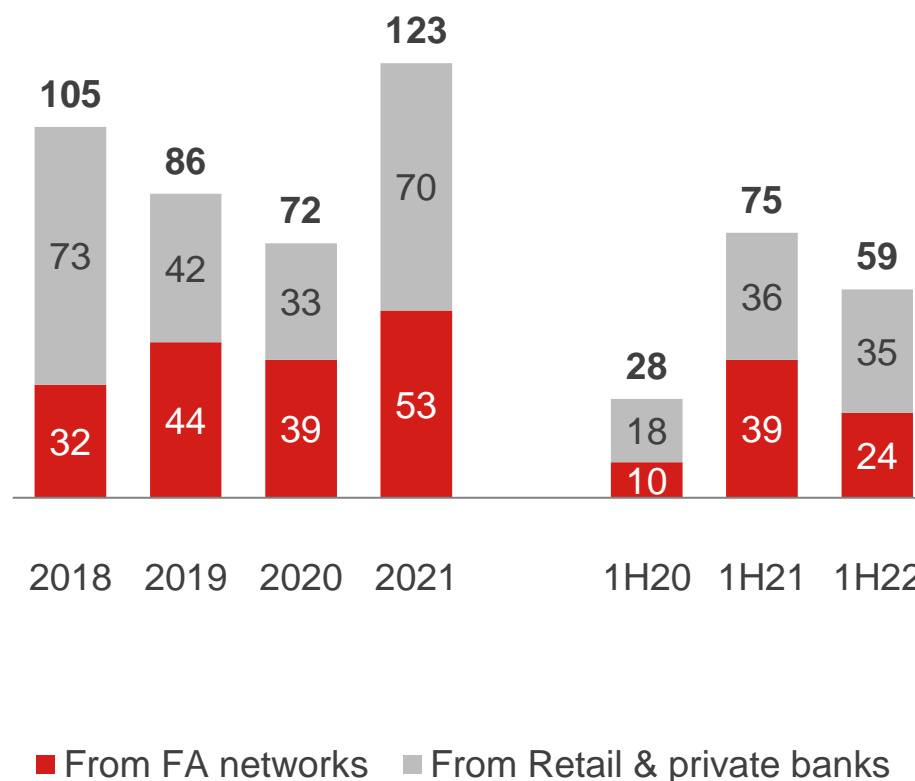
NET INFLOWS BY ACQUISITION CHANNEL

ABOVE AVERAGE CONTRIBUTION FROM EXISTING FAs

Net inflows by acquisition channel €\bn



Recruitment trend # of new recruits



Net inflows driven by existing FAs (81% of total net inflows, a level above previous quarters)

Recruiting in line with 3Y targets, yet lower than 1H 2021 amid tough financial markets

Continued focus on younger profiles

- out of the 59 new recruits, 16 are ≤40 years old
- 7 junior profile on top of the 59 recruits

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2022-2024 STRATEGIC GUIDELINES CONFIRMED

WITH SELECTED ADJUSTMENTS FOR THE NEW MACRO ENVIRONMENT

Pillars

Value of service

Bring the Bank even closer to the FA network and Clients

Innovation

Continue to build a data-driven, digital and open bank

Sustainability

Be the ESG reference point for all our Stakeholders

Guidelines

1. Targeted offer
2. Multi-service model
3. Data-driven management approach

4. Data-driven bank
5. Digital platforms
6. Partnerships ecosystem

7. Clients and FAs
8. Shareholders & Authorities
9. Employees
10. Community & future generations

2H 2022 Priorities

- Push on **diversified client segments and service model**
- In depth **rethinking of the product offer** in the new rate environment
- Prioritization of **network proximity activities** in the short-term

- **Data, platforms and partnerships ecosystem enhancement**
- Strengthen **focus on cyber-security** with training initiatives

- **Social and governance issues** at the forefront in the short term
- **In-depth review of environmental commitments** in light of investors' engagement

NEW COMMERCIAL INITIATIVES FOR 2H 2022

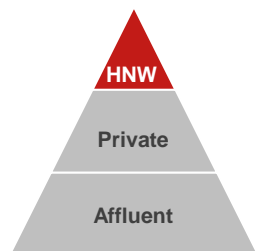
RENEWED FOCUS ON MANAGED SOLUTIONS

Pillars	Outlines	2H 2022 Priorities
Value of service Aligning the bank with clients in the PA Member and Client Innovation Sustainability	Value of service 1. Digital offer 2. Customer service 3. Customer experience 4. Customer journey 5. Digital platform 6. Personalized experience 7. Client and data 8. Innovation 9. Sustainability 10. Community & human generation	2H 2022 Priorities 1. Digital offer 2. Customer service 3. Customer experience 4. Customer journey 5. Digital platform 6. Personalized experience 7. Client and data 8. Innovation 9. Sustainability 10. Community & human generation

Clients

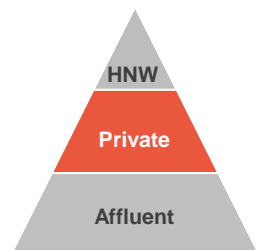
New commercial initiatives

Key features



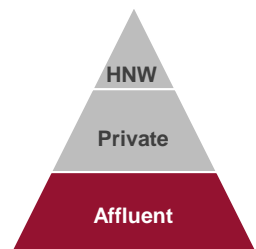
▶ PRIVATE INSURANCE
+
PRIVATE MARKETS SOLUTIONS

- ▶ Launch of private market solutions in partnership with **Generali and top-tier players** **From 4Q22**
- ▶ Extension of **Private Insurance solution** to real assets **From 2Q22**



▶ FINANCIAL WRAPPER
BG SMART TARGET

- ▶ Financial wrapper with **capital protection features** **From 3Q22**
- ▶ Active management of the bond component and **progressive allocation** to equity markets according to a proprietary model



▶ **BG OLTRE**
PEOPLE, PLANET & DIGITAL TRANSFORMATION
INSURANCE WRAPPER

- ▶ First **insurance wrapper** focused on the main ESG themes **From 2Q22**
- ▶ Dynamic management of the **equity exposure** linked to market volatility



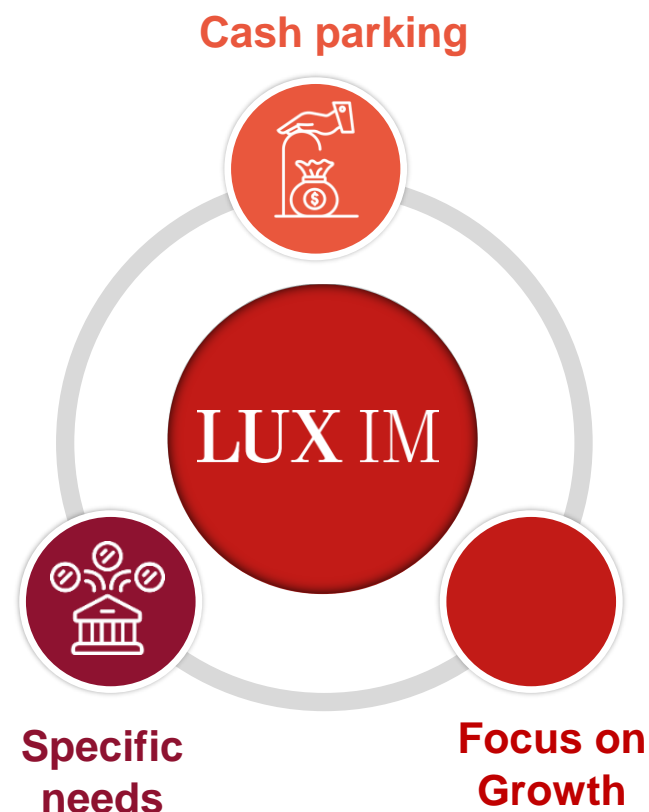
Details in appendix

IN-HOUSE PRODUCTS - LUX IM

LAUNCH OF NEW SUBFUNDS TO EXPLOIT CURRENT MARKET CONDITIONS

Pillars	Guidelines	2022 Priorities
Value of service Being the best place to invest in the FA for clients and advisors	1. Support the client 2. Support the advisor 3. Support the investor	1. Client satisfaction 2. Advisor satisfaction 3. Investor satisfaction
Innovation Developing new products to meet the needs of clients and advisors	4. Innovation in products 5. Innovation in services 6. Innovation in distribution	4. Innovation in products 5. Innovation in services 6. Innovation in distribution
Sustainability Being the best place to invest in the FA for clients and advisors	7. Climate and ESG 8. Environmental and social 9. Governance and ethical	7. Climate and ESG 8. Environmental and social 9. Governance and ethical

New LUX IM strategies



Description

Launched
18 July 2022

CASH PARKING - A starting point to build the investment portfolio



➤ LUX IM Nordea European Covered Bond (art. 8 SFDR)

➤ LUX IM Pictet Conservative Allocation

GROWTH - New investment strategies focused on growth themes



➤ LUX IM Fidelity Global Technology Fund (art. 8 SFDR)

➤ LUX IM Robeco Global Consumer Trends (art. 8 SFDR)

➤ LUX IM Global Equity Value

ONE OF A KIND - Distinctive features to address specific clients' needs



➤ LUX IM Banor Catholic Value (art. 8 SFDR)

2nd Pillar

Innovation

Continue to build a data-driven, digital and open bank

New initiatives

Description

Main facts/achievements



Data-driven bank



Construction of the Bank's **new data architecture**



Datalake uploaded to **cloud architecture** with expansion of datasets in progress (analytics Amazon AWS environment);



Fast operations



Business process **automation and digitalization**



Digitization of several business processes and launch of **back-office process monitoring dashboard**



Cybersecurity



Activities aimed at strengthening the **Bank's cybersecurity profile**



Enhanced focus on **training and communication** activities

3rd Pillar

Sustainability

Be the ESG reference point for all our Stakeholders

New initiatives

Description

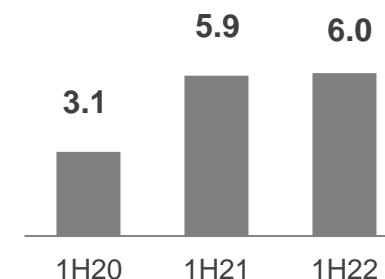
Main Actions/Achievements



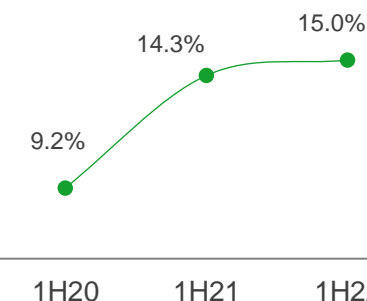
Clients and FAs

- ▶ Increase of **ESG AUM** on managed solutions
- ▶ Advanced **ESG training** and **ESG EFPA certification**

Assets
in ESG products €\bn




ESG as %
of Managed Solutions



Environment & future generations

- ▶ Reduction of **carbon footprint**
- ▶ Asset Managers **engagement**

- **46% carbon footprint¹ reduction** at end-June calculated on 1H 2022 total assets referring to corporate investments held by BG FML, to financial wrappers and BG's banking book
- **ESG Engagement letter** to be sent in 3Q 2022 to AM Partners



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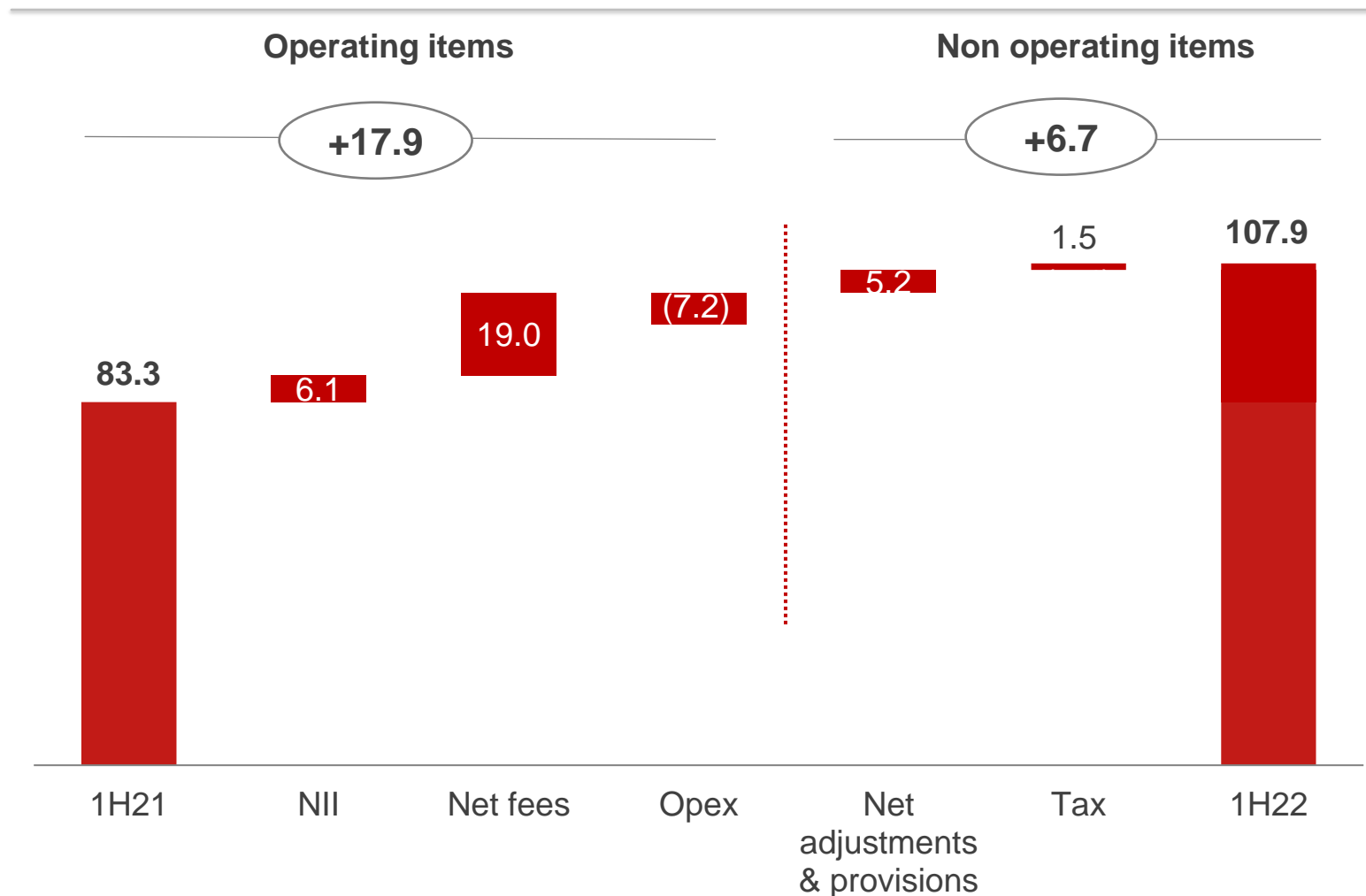
Appendix

- **Financials**
- **Strategy**

RECURRING NET PROFIT

INCREASE IN RECURRING NET PROFIT ABOVE 2022-2024 TARGET

Build up of recurring net profit €\m



Higher 1H 2022 recurring net profit (+ 30% YoY) amid tough market conditions

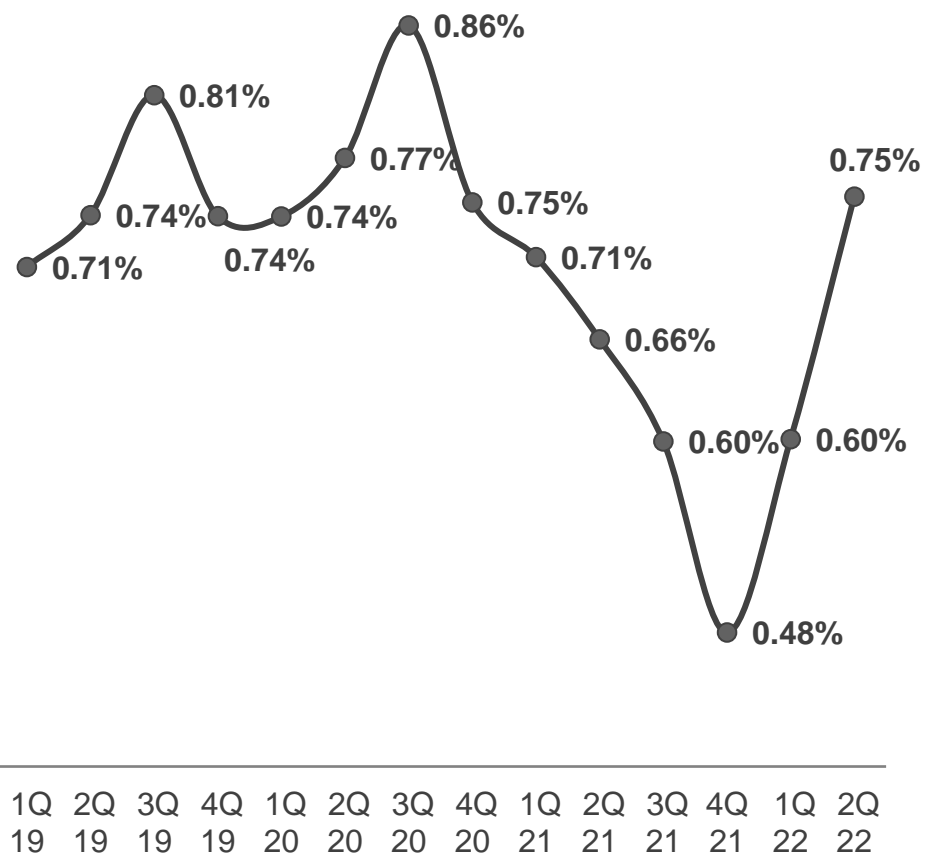
➤ **Higher recurring operating result¹ (+15%)** driven by higher revenues leveraging on higher rate environment and increased business size for both banking and AUM assets

➤ **Positive contribution from non operating items** mainly on the upwards revision of discount rates for actuarial provisions

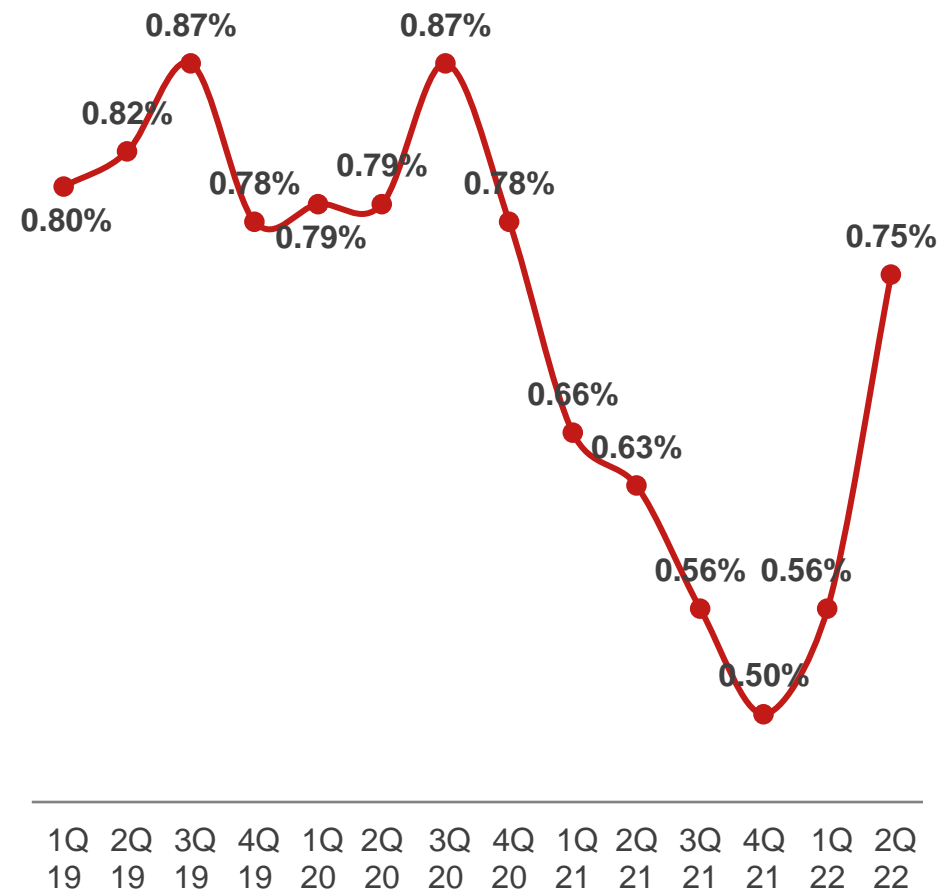
INVESTMENT YIELDS

TOTAL NII YIELD TRACKING INVESTMENT YIELD ON FINANCIAL ASSETS

Total NII yield: quarterly trend



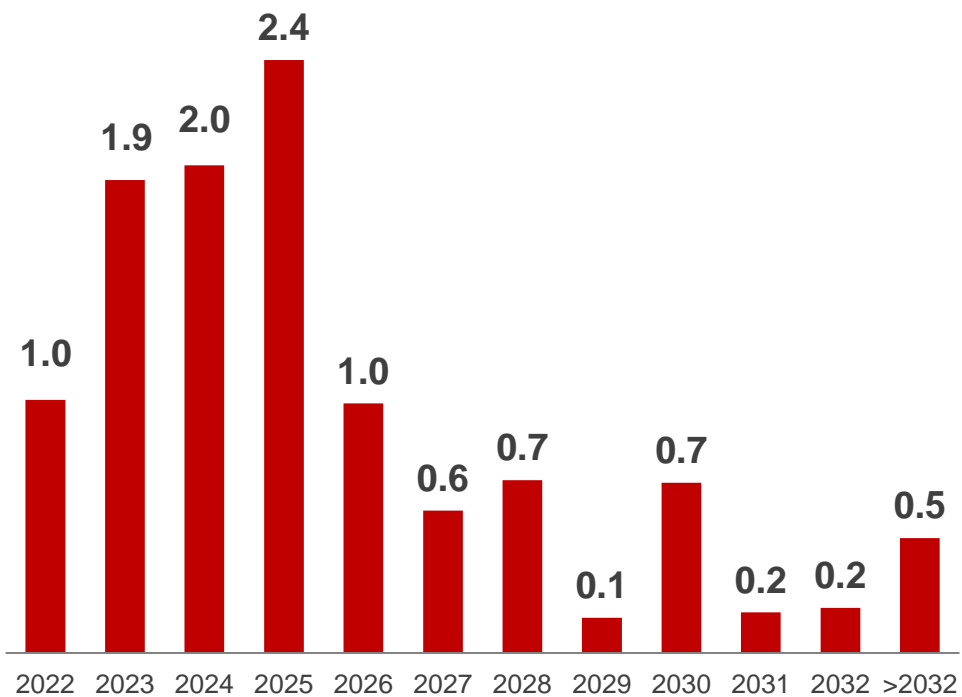
Financial assets yield: quarterly trend



BANKING BOOK - MATURITIES

€5BN OF ASSETS EXPIRING OVER THE NEXT THREE YEARS

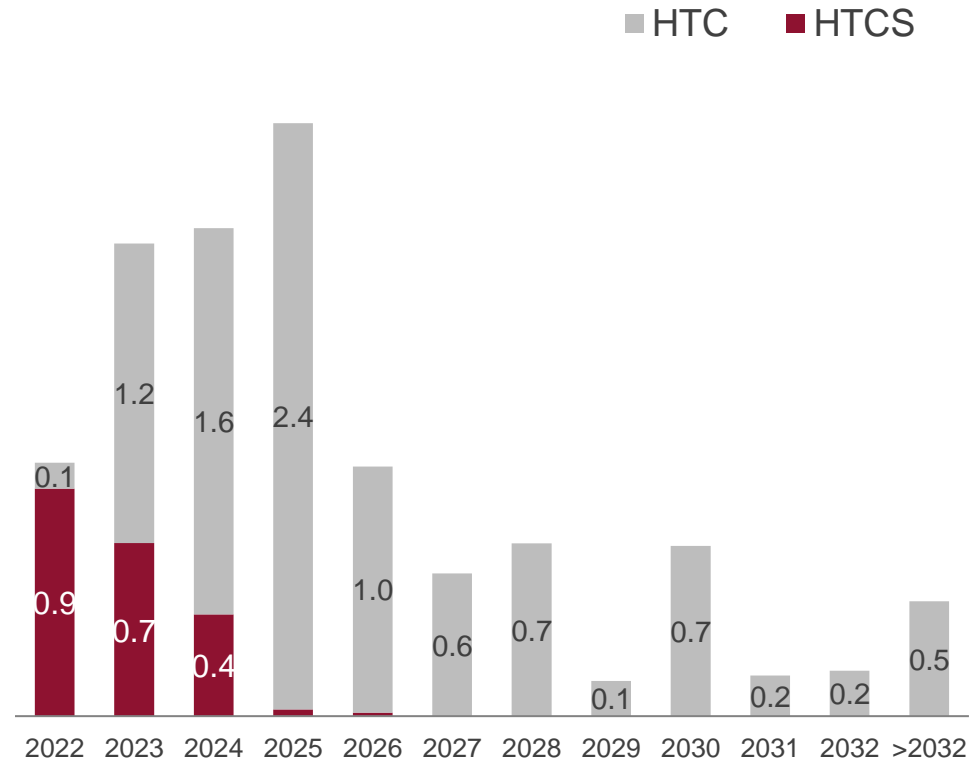
Banking book maturities by year €\bn



% of fixed rates

60%	58%	73%	53%	41%	35%	54%	21%	10%	5%	0%	0%
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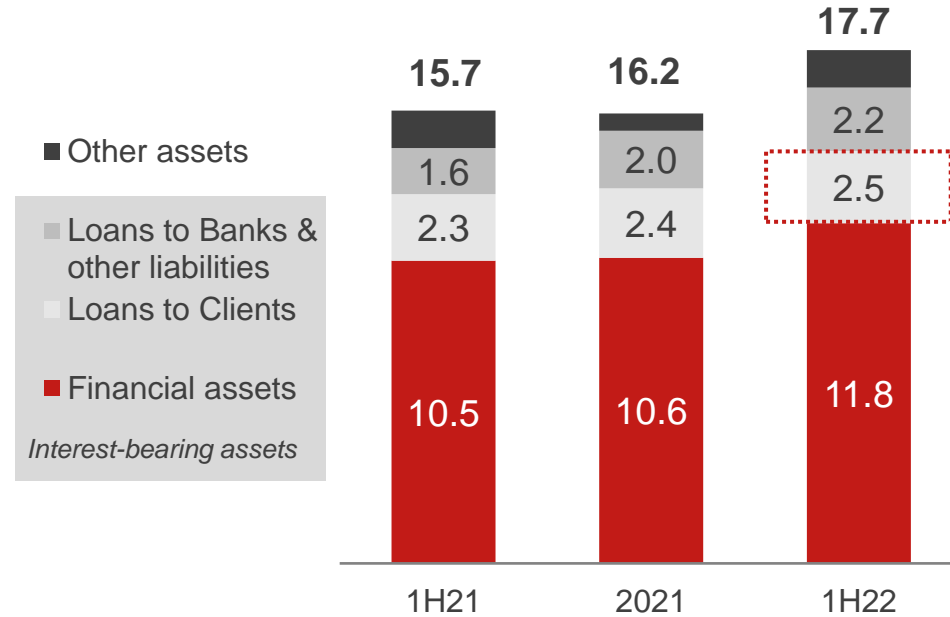
Banking book maturities – Split by accounting treatment €\bn



BANKING BOOK – LOAN BOOK

HIGH QUALITY LOAN BOOK

Total Assets and Interest-bearing Assets €\bn

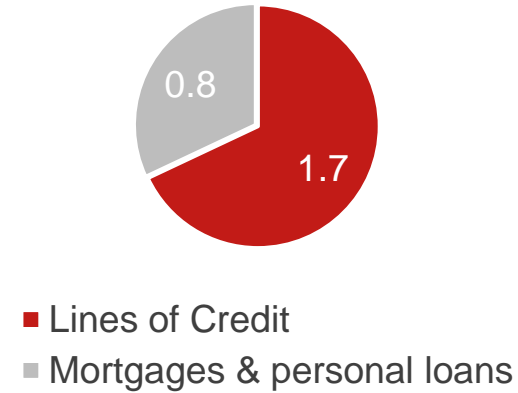


Yield – On Loans to Clients

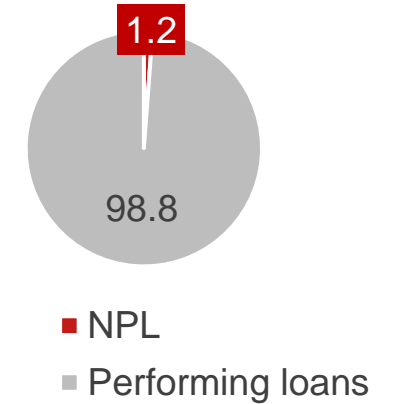


Focus on Loan Book (banking book) €\bn

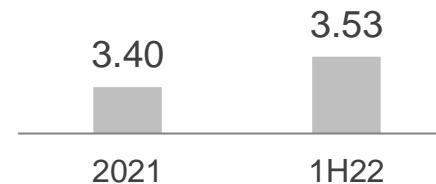
1Q22 Credit Book bn/€



Lending Quality %



Granted loans, bn/€

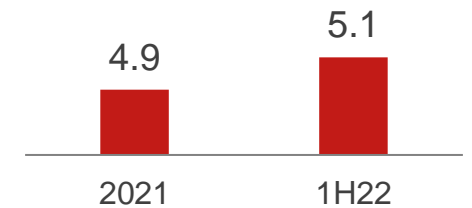


Drawn loans/
Granted loans

72%

71%

Collateral assets, bn/€



Collateral assets/
Drawn loans

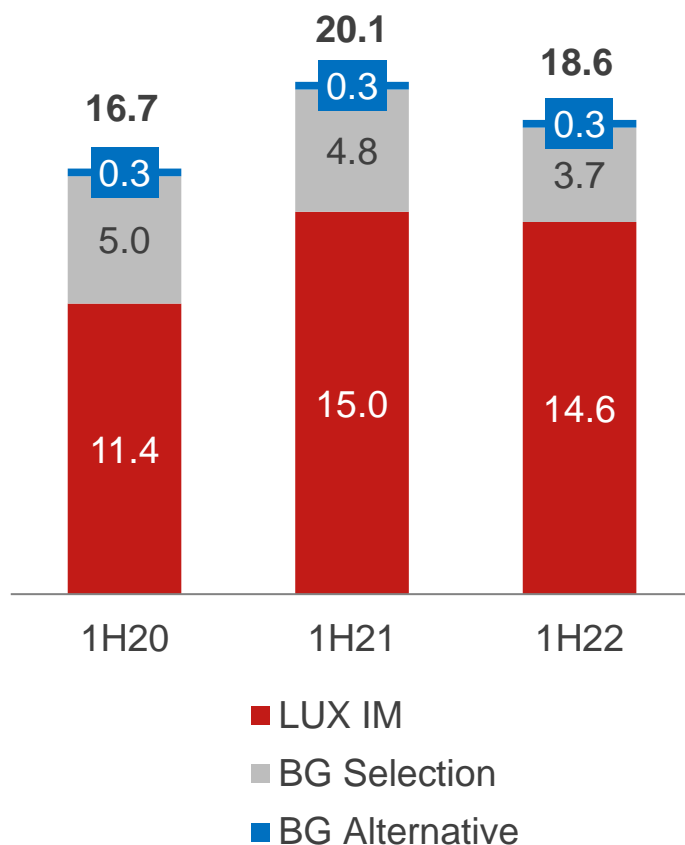
202%

204%

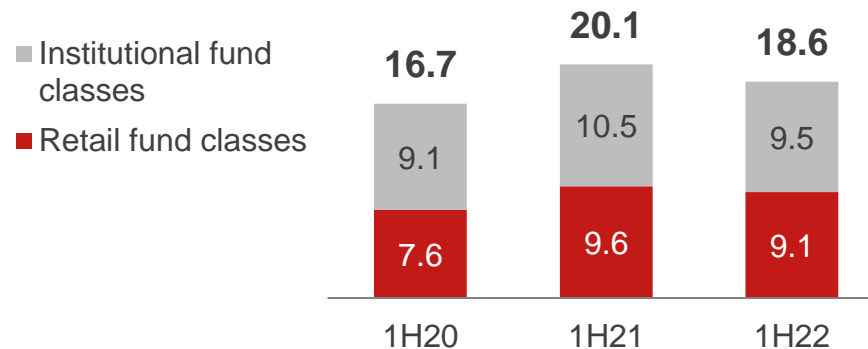
MANAGEMENT COMPANY (BG FML)

FINANCIAL MARKETS VOLATILITY TAKING ITS TOLL ON LUX BASED ASSETS

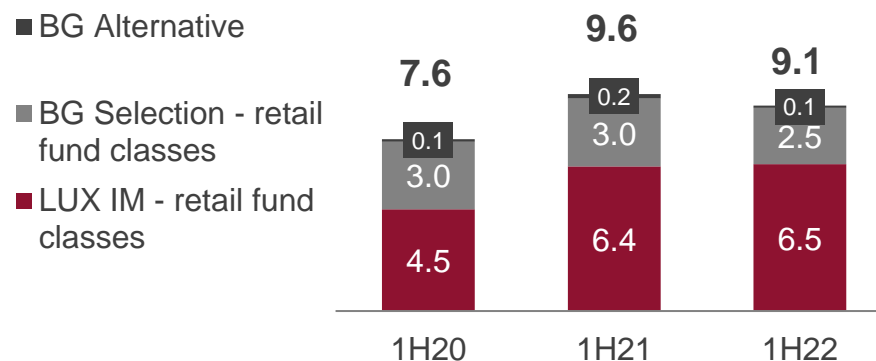
BG FML - Assets by SICAV €\bn



BG FML - Total Assets €\bn




BG FML - Retail fund classes €\bn



» LUX IM growth continues representing 78% of total LUX based assets (+3.2bn over last three years)

» Retail fund classes at 49% of total BG FML assets (+1.0 ppt YoY)



To be the No.1 private bank, unique by
value of service, innovation and sustainability



1H 2022 Financial Results

Balance Sheet & Capital ratios

Net Inflows, Assets and recruiting

Business update and closing remarks

Appendix

- Financials
- Strategy

PRIVATE MARKETS

LEVERAGING OUR PARTNERSHIP WITH GENERALI GROUP

GENERALI GROUP



LION RIVER

- Entity of Generali Group specialized in **private equity**
- €11 bn Assets Under Management
- Track record of over 15 years
- Net IRR above 16%



GENERALI
Real Estate

- Among the top 10 **real estate** asset managers in the world
- €36.6 bn Assets Under Management
- Track record of over 100 years
- Investment team of more than 400 people around the world



GENERALI
GLOBAL
INFRASTRUCTURE

- Entity of Generali Group specialized in **infrastructures**
- €3.3 bn Assets Under Management

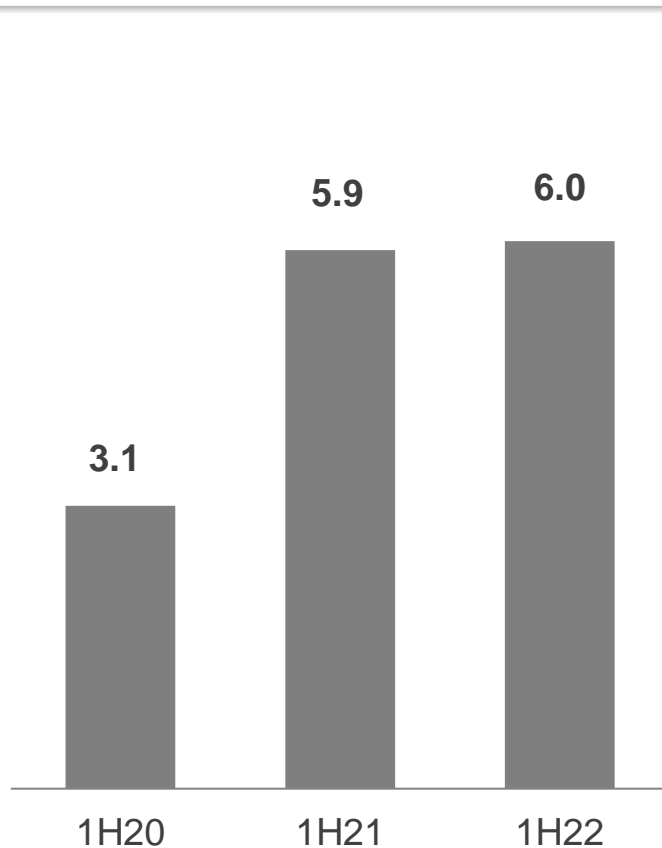


**LAUNCH
3Q22**

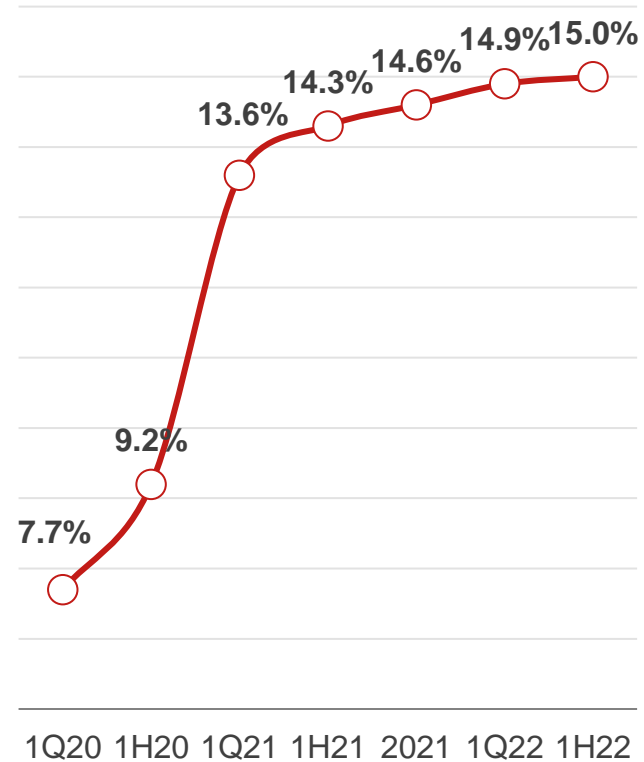
ONGOING SUSTAINABLE GROWTH

ESG PRODUCTS AT 15.0% OF MANAGED SOLUTIONS

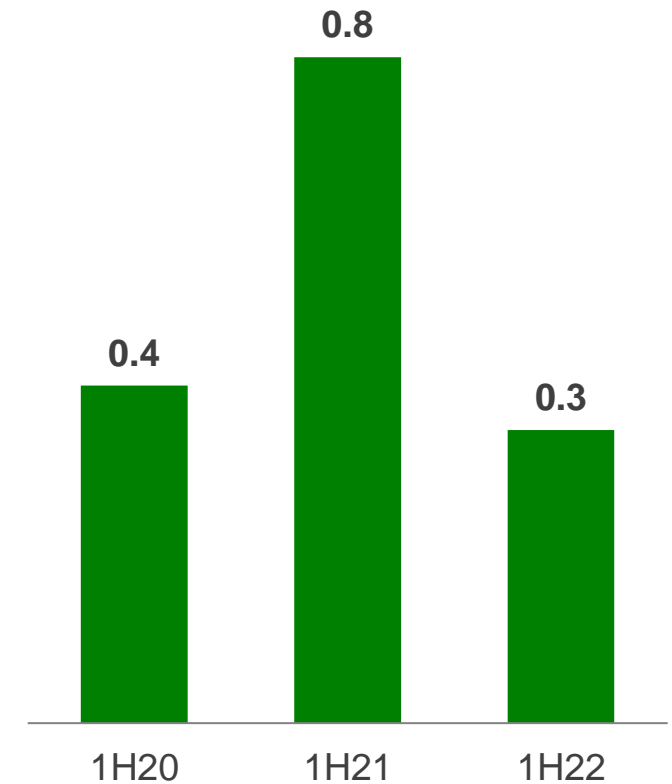
Assets in ESG products €\bn



ESG as % of Managed Solutions



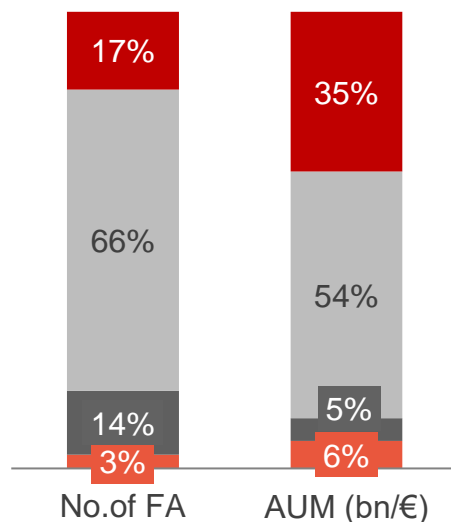
Net inflows in ESG products €\bn



FINANCIAL ADVISORY NETWORK

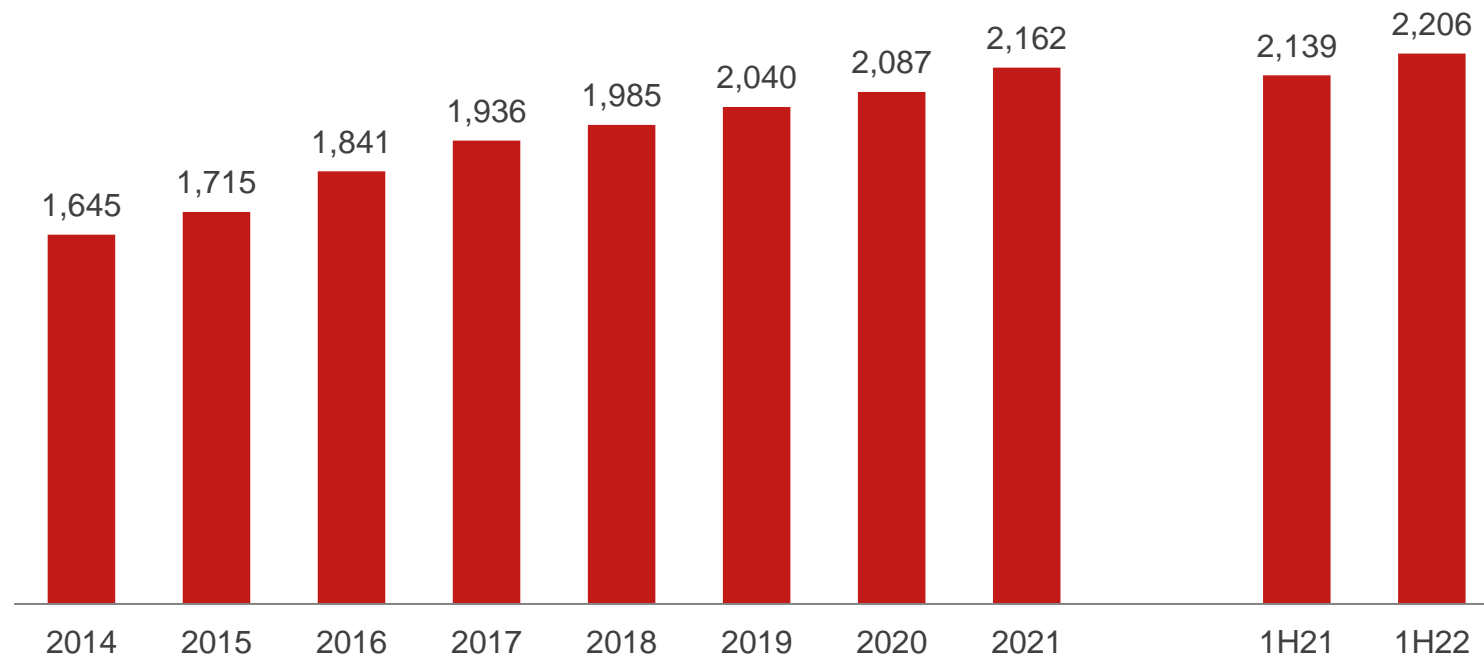
STEADY GROWTH BY SIZE AND QUALITY

Breakdown by
cluster of FAs¹



- Wealth Managers
- Private Bankers
- Financial Planners
- Relationship managers

Total No. of FAs #



Headline FA retention at **97.8%** - Core FA retention at **99.2%**

141 FA Teams (15% of total assets) - Avg. Portfolio: €85.1m assets per Team²

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

Certain statements contained herein are statements of future expectations and other forward-looking statements.

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

The user of such information should recognize that actual results, performance or events may differ materially from such expectations because they relate to future events and circumstances which are beyond our control including, among other things, general economic and sector conditions.

Neither Banca Generali S.p.A. nor any of its affiliates, directors, officers employees or agents owe any duty of care towards any user of the information provided herein nor any obligation to update any forward-looking information contained in this document.

NOVEMBER						
Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

9M 2022 Results Conference Call

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Banca Generali Investor App

