



## 9M 2014 Results and Business Update

4 November 2014

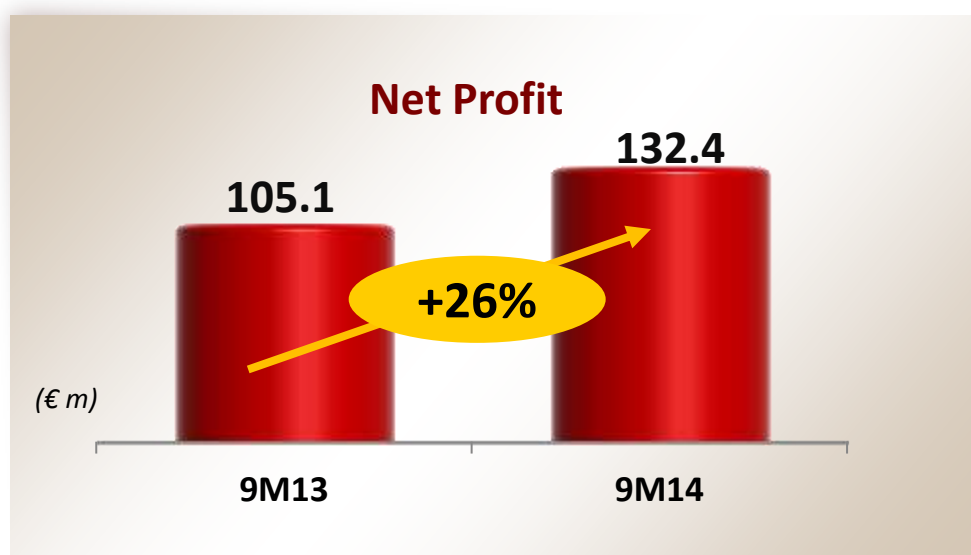
## 9M 2014 Results

Net Inflows, AUM and Recruiting

Business Update

Closing Remarks

# Yet another excellent quarter

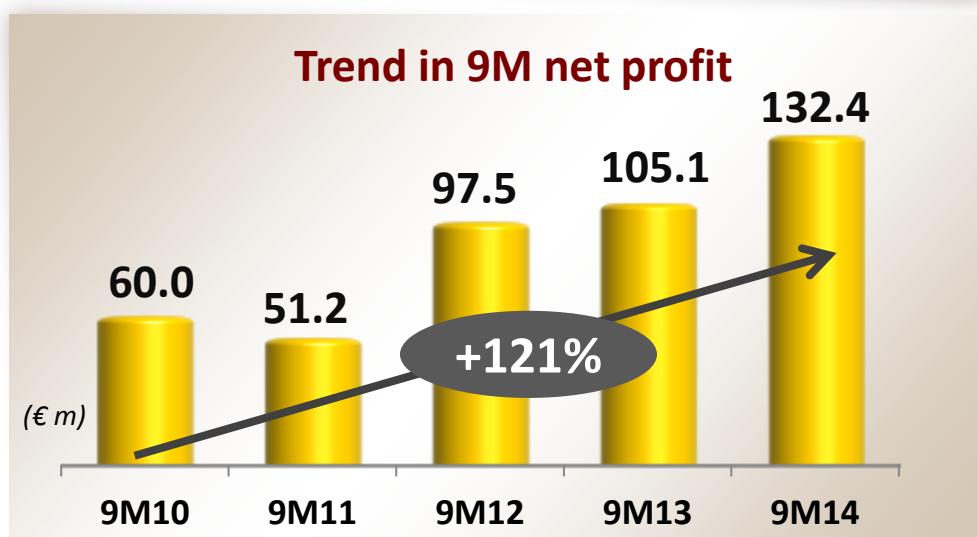


## Steady net profit growth: +26%

- Growth driven by a sustained business expansion with both **net inflows (€3.1bn, +67%)** and **assets (€33.6bn, +19%)** at all-time highs

## Strong 3Q management fees: +24%

- Sharp **acceleration in quarterly run-rate for management fees**, as a result of higher average assets and better product mix



## Outstanding profitability ratios

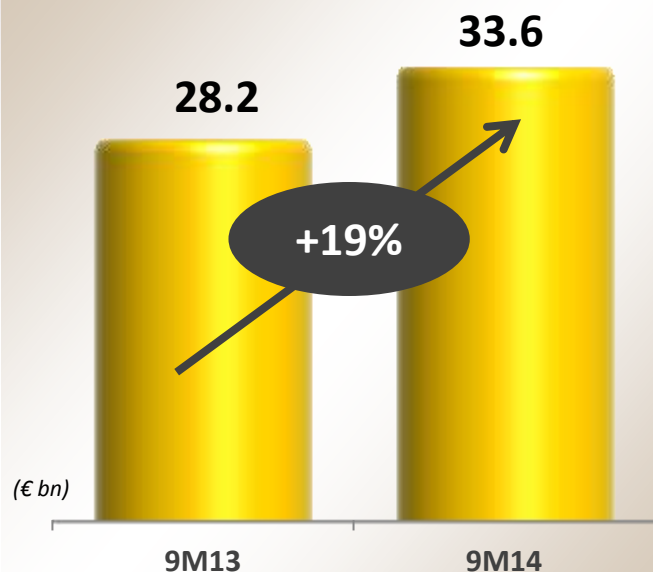
- Asset profitability at 1.86%**, with contribution from recurring items (fee+NII) at 1.57%
- Cost/income ratio further improved at 35.4%** (from 40.3%)

## Solid capital position

- T1 ratio at 13.9% and TCR at 14.3% at top level for the industry

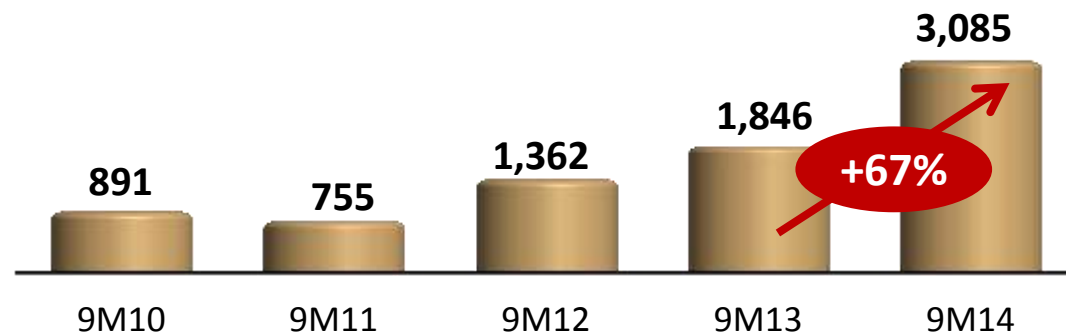
# Net inflows and assets at all-time highs

## Total Assets



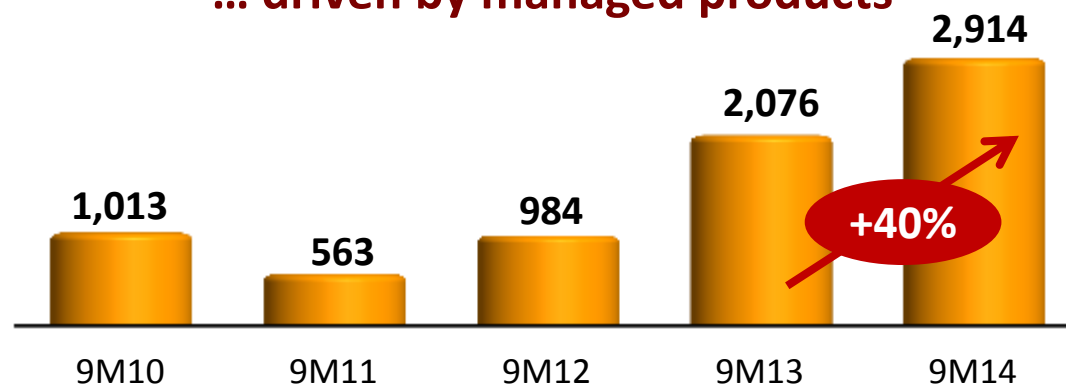
- Strong increase in assets driven by managed products (+23%)
- 9M net inflows already well above 2013 full years levels

## Strong growth in total net inflows ...



(€ m)

## ... driven by managed products





(€ m)	9M13	9M14	% Chg
<b>Net Interest Income</b>	<b>92.3</b>	<b>82.3</b>	<b>-10.9%</b>
Gross fees	295.2	353.6	19.8%
Fee expenses	-129.7	-157.3	21.3%
<b>Net Fees</b>	<b>165.5</b>	<b>196.2</b>	<b>18.6%</b>
Net income (loss) from trading activities	10.4	51.3	394.8%
Dividends	0.9	0.8	-10.0%
Net income (loss) from trading activities and Dividends	11.3	52.1	362.2%
<b>Total Banking Income</b>	<b>269.1</b>	<b>330.6</b>	<b>22.9%</b>
Staff expenses	-51.3	-55.7	8.6%
Other general and administrative expense	-77.6	-90.6	16.7%
Depreciation and amortisation	-3.7	-3.1	-14.8%
Other net operating income (expense)	20.4	29.1	42.4%
Total costs	-112.2	-120.3	7.3%
<i>Cost /Income Ratio</i>	<i>-40.3%</i>	<i>-35.4%</i>	<i>4.9 p.p.</i>
<b>Operating Profit</b>	<b>156.9</b>	<b>210.3</b>	<b>34.0%</b>
Net adjustments for impair.loans and other assets	-1.9	-5.3	179.5%
Net provisions for liabilities and contingencies	-18.8	-29.8	58.9%
<b>Profit Before Taxation</b>	<b>136.3</b>	<b>175.2</b>	<b>28.6%</b>
Direct income taxes	-31.2	-43.6	39.7%
<i>Tax rate</i>	<i>22.9%</i>	<i>24.9%</i>	<i>2 p.p.</i>
Income/(losses) after tax on assets held for sales	3.3	0.7	-78.3%
Minorities interest	-3.3	0.0	-100.0%
<b>Net Profit</b>	<b>105.1</b>	<b>132.4</b>	<b>26.0%</b>

**Total banking income up by 23%**  
driven by higher net fees and  
favorable trading conditions

**Gross fees up 20%** driven by  
management fees (+21%) thanks  
to the increase in assets and the  
better product mix

**Operating costs up 7%** well below  
the increase in revenues (+23%) and  
assets (+19%)

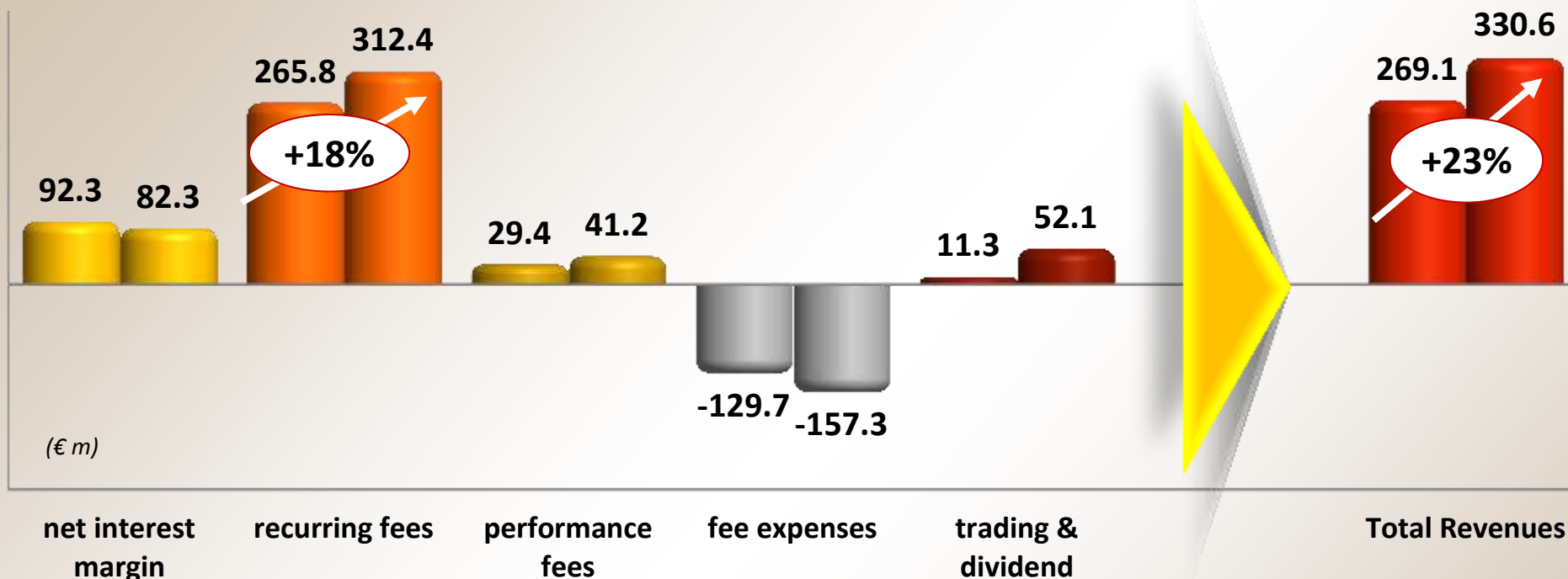
**Higher provisions** reflect the strong  
growth in net inflows and high-gear  
recruiting activity

The increase in **tax-rate** reflects the  
higher share of trading

**Net profit at €132.4m (+26%) best  
9M results in 5 years (+121%)**

# Booming assets feed into revenue growth

## Breakdown of total revenues

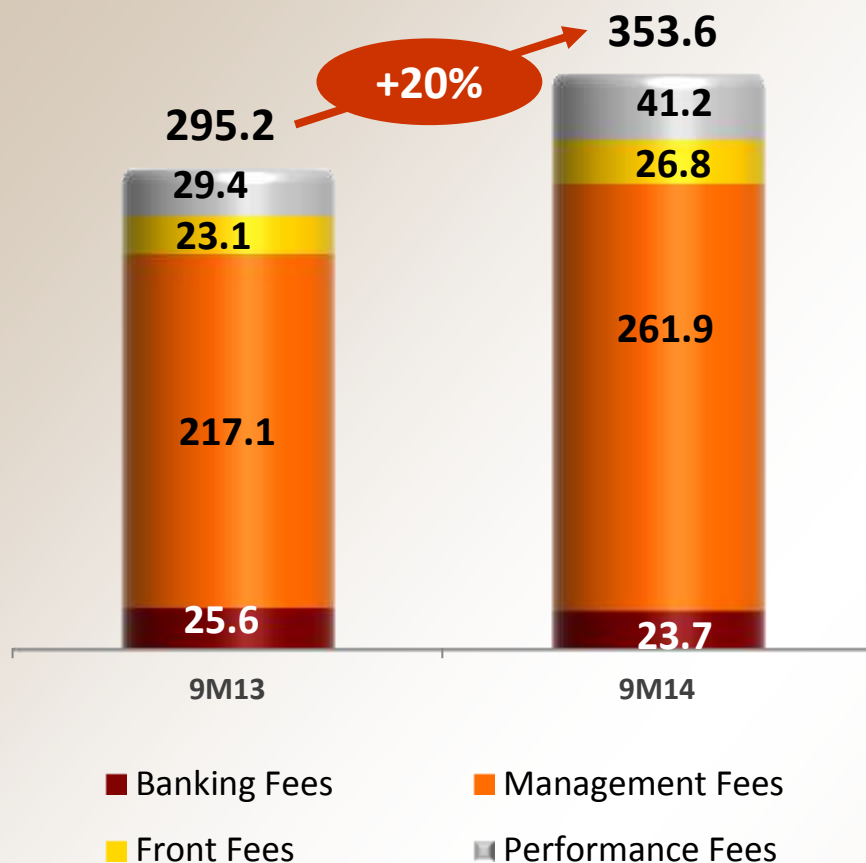


**9M13 (lhs) – 9M14 (rhs)**

- Strong growth in total revenues, with a key contribution from recurring fees
- Favourable trading environment in 2Q more than counterbalanced €10m impact from lower interest rates

# Positive trend across fee-income revenues

## Breakdown of total gross fees



(€ m)

## Gross fees driven by management fees

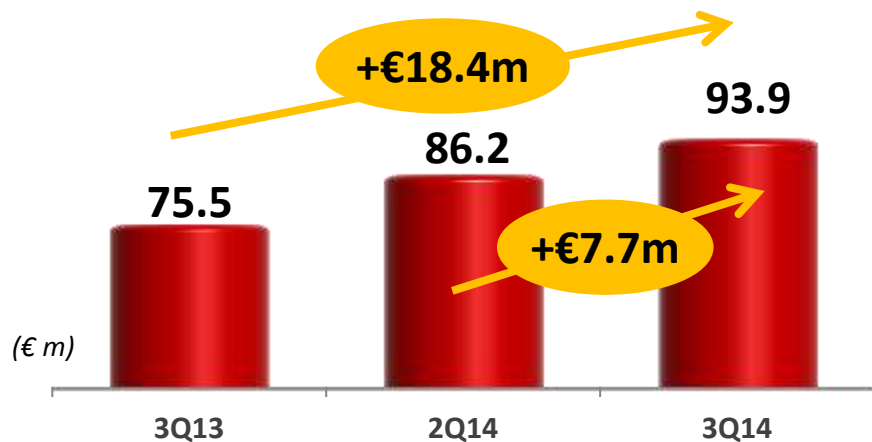
- Double digit growth driven by the continued asset base expansion
- Recurring fees (ex-performance fees) at €312m (+18%) - represent 88% of total fees

## Fee margin

	9M 12	9M 13	9M14
<b>Recurring fee margin</b>	<b>1.22%</b>	<b>1.30%</b>	<b>1.33%</b>
o/w front	0.11%	0.11%	0.11%
o/w management	1.01%	1.06%	1.12%
o/w banking	0.10%	0.13%	0.10%
<b>Non recurring fee margin</b>	<b>0.23%</b>	<b>0.14%</b>	<b>0.18%</b>
o/w performance	0.23%	0.14%	0.18%
<b>Fee margin</b>	<b>1.45%</b>	<b>1.44%</b>	<b>1.51%</b>

# Sharp acceleration in management fees

## Management fees



## Quarterly run-rate for management fees increased sharply QoQ

- Quarterly run-rate for management fees in 3Q14 at €93.9m (+9% qoq, **twice the level of the last two years**)
- The QoQ acceleration is linked to the higher average managed assets (€23.1bn, +18%) and to the better product mix (more BG Stile Libero, funds/SICAVs and other insurance products)

(€ m)

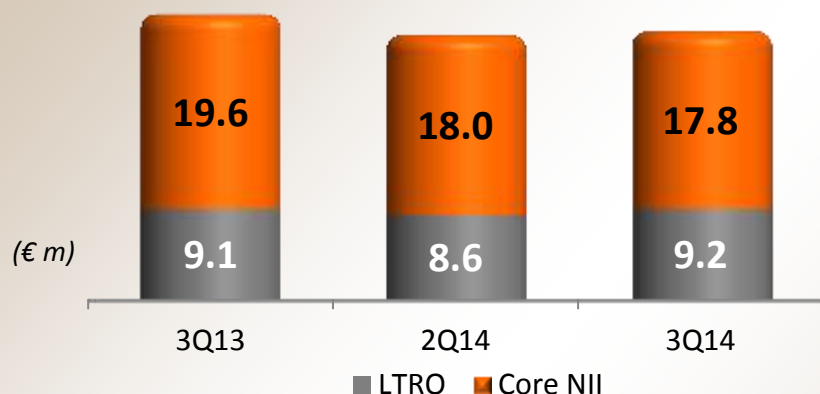
## Quarterly management fees



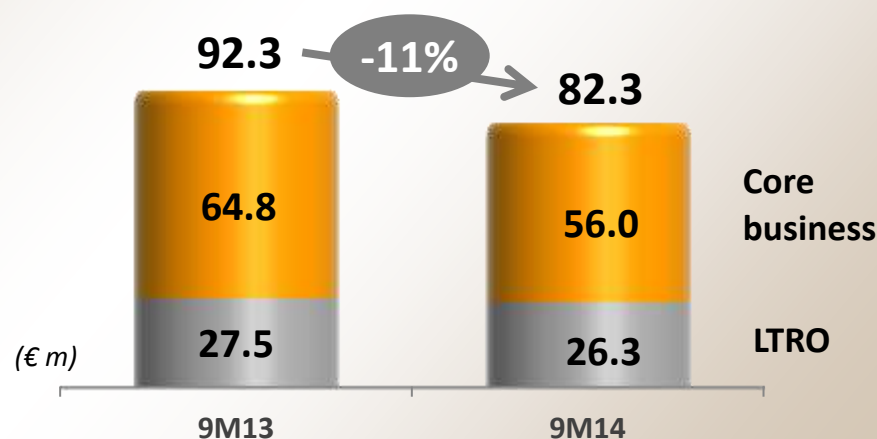


# A cautious profile across NII components

## Net Interest Income



## 9M Net Interest Income (NII)



## Defensive profile for bond portfolio

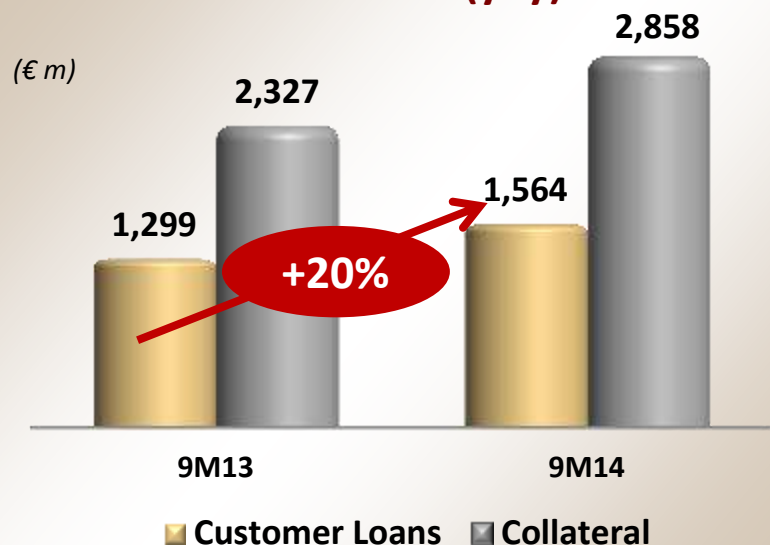
- **Broadly stable NII on a QoQ basis**, thanks to decreasing funding costs and to the increasing contribution from lending activity
- **Defensive investment stance for the Bank's banking book confirmed.** Bond duration at 1.6 years, in line with the last three years (maturity at 2.2 years)

## Growing secured lending activity

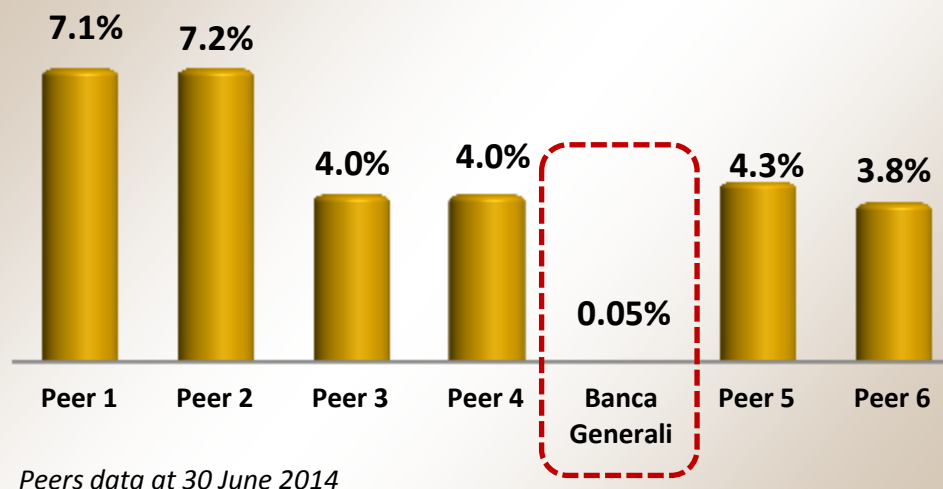
- Lending activity contributed €15m (+40%) to core NII. The increase is linked to higher loan volumes (€1.6bn, +20%) and higher spread (163 bps, +19 bps yoy)
- Secured lending generated 27% of core NII
- **Credit quality is at outstanding levels (NPL at 0.05% of total loans)**
- The CSI consolidation will add some €100m to current loan book

# Secured lending growing importance

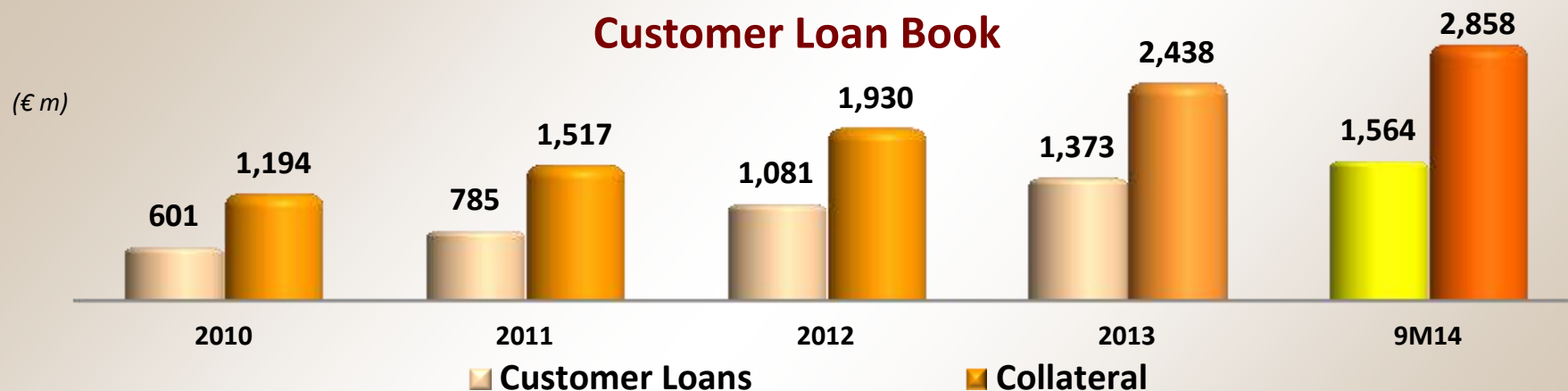
## Loan Book (yoy)



## NPL/total loans to customers

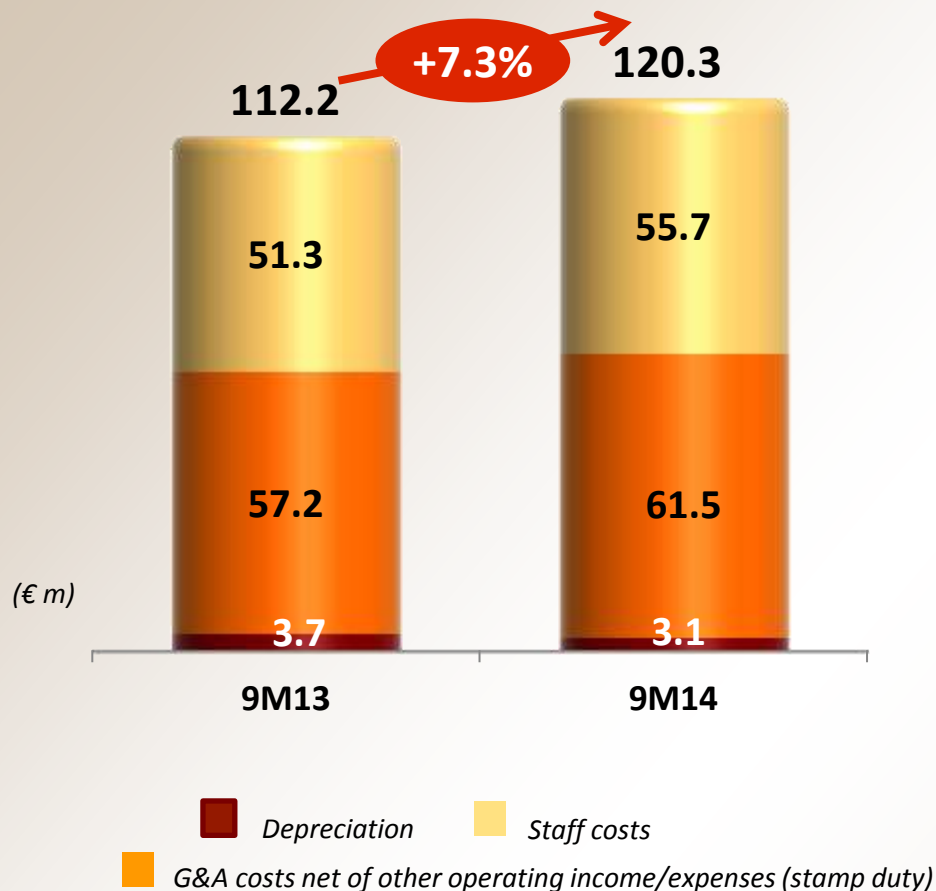


## Customer Loan Book



# Increased scale is driving cost ratio lower

## Operating expenses



## Operating leverage in place

- Cost increase (+7%) is well below the increase in revenues (+23%) and assets (+19%)
- Cost/income ratio down to 35.4% (40.3% in 9M13)

## Staff costs

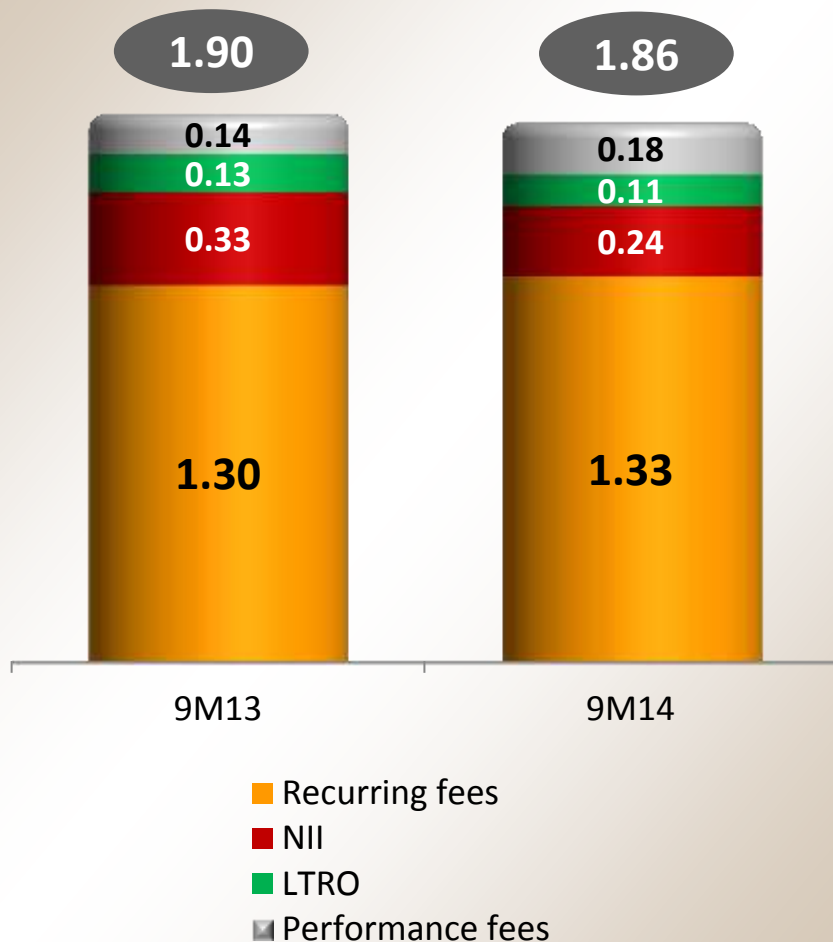
- Costs were driven by: 1) variable incentive schemes linked to the excellent results of the Bank; 2) senior management recruiting for developing new advisory model; 3) more supporting staff linked to increased scale

## G&A costs (net of stamp duty)

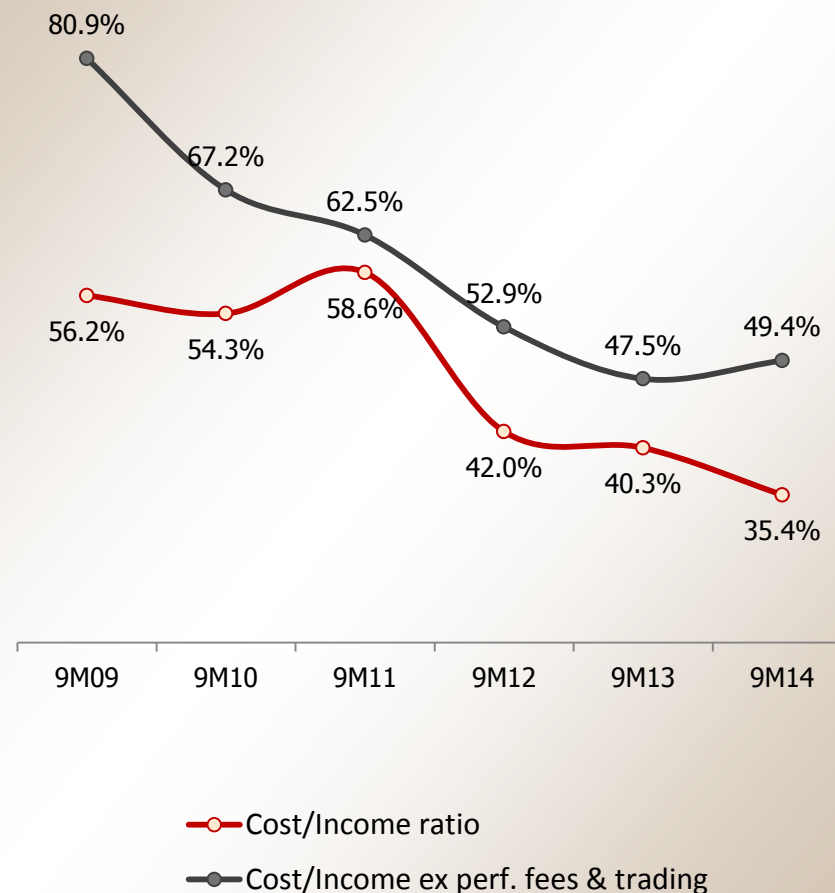
- Total G&A costs incorporated significant one-off costs linked to the CSI acquisition.
- It also incorporated investments for the upgrading of the IT platform and for the development of the new advisory platform

# Profitability ratios at best practice levels

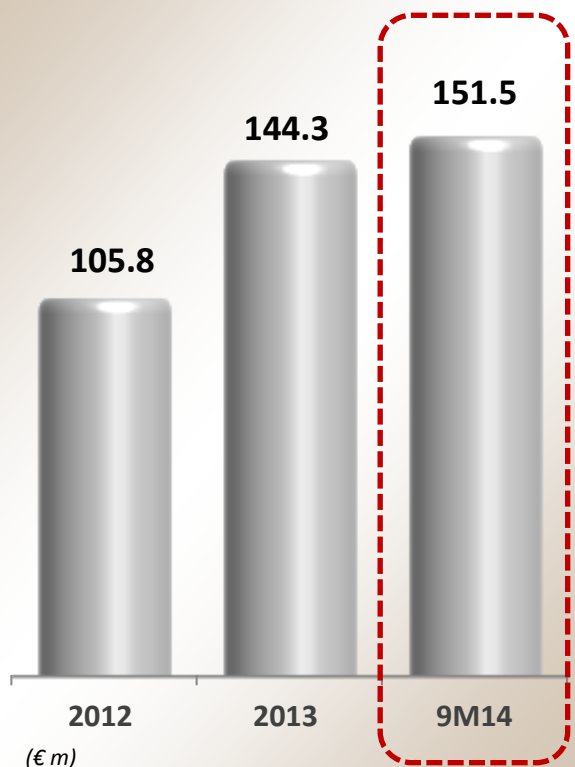
## AUM profitability



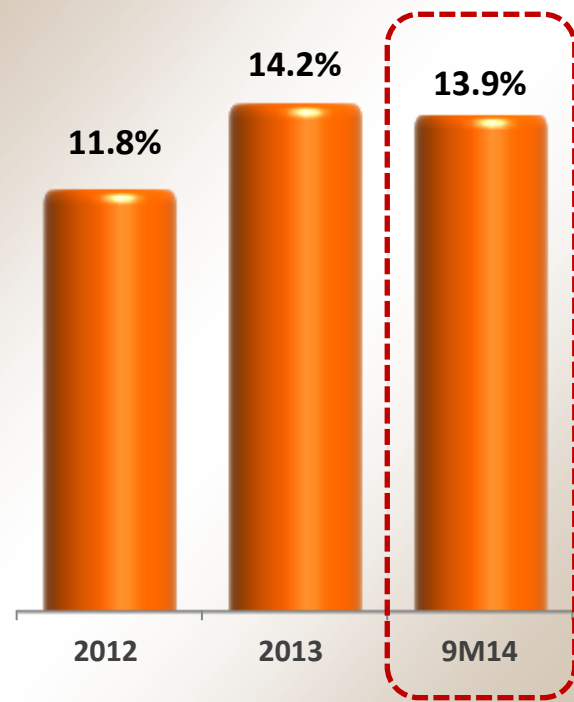
## Cost/Income ratio



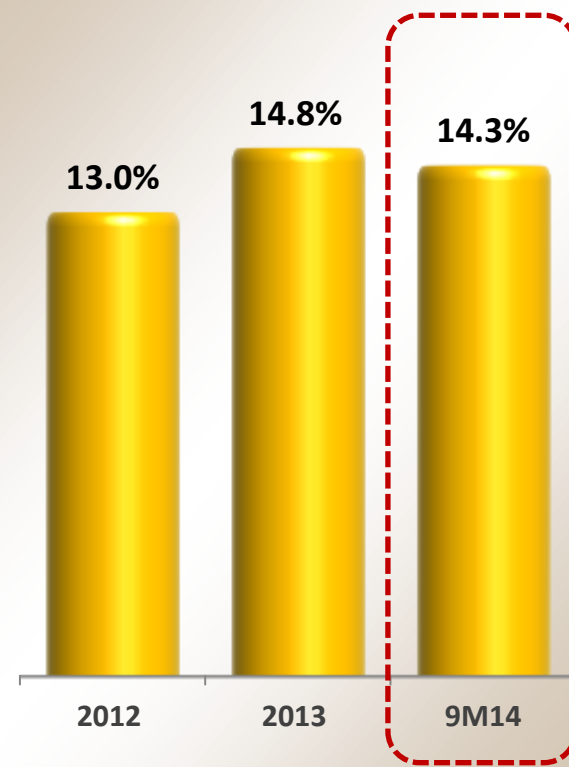
## Excess Capital



## Tier 1 Capital Ratio



## Total Capital Ratio



- The slight decrease in the capital ratios (T1 and TC) is due to the impact of Basel 3 coupled with the expansion in the lending activity



9M 2014 Results

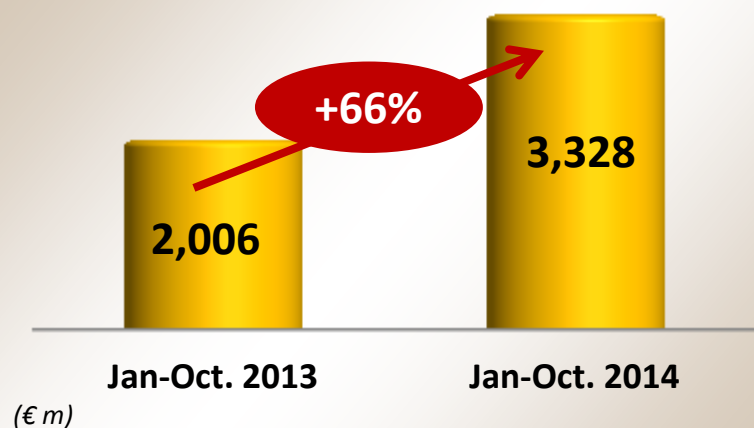
Net Inflows, AUM and Recruiting

Business Update

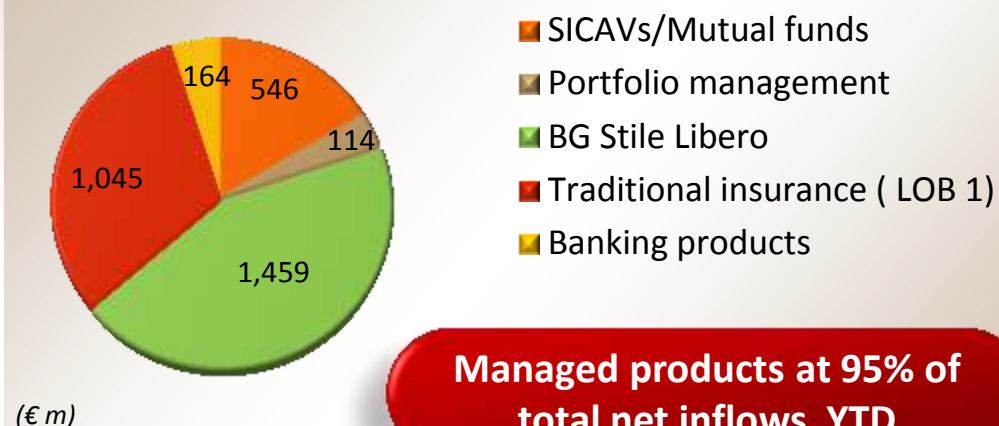
Closing Remarks

# A record year for net inflows

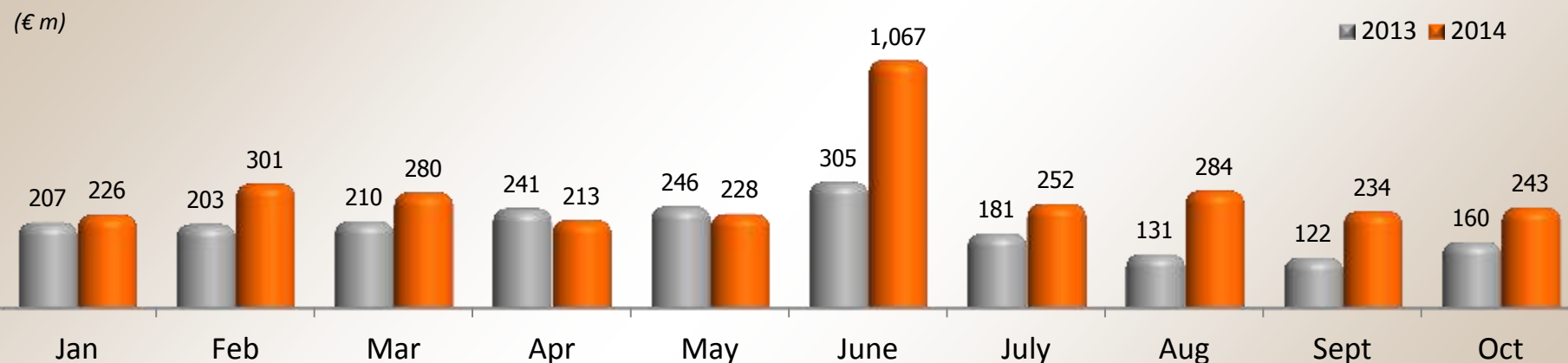
## 2014 YTD net inflows



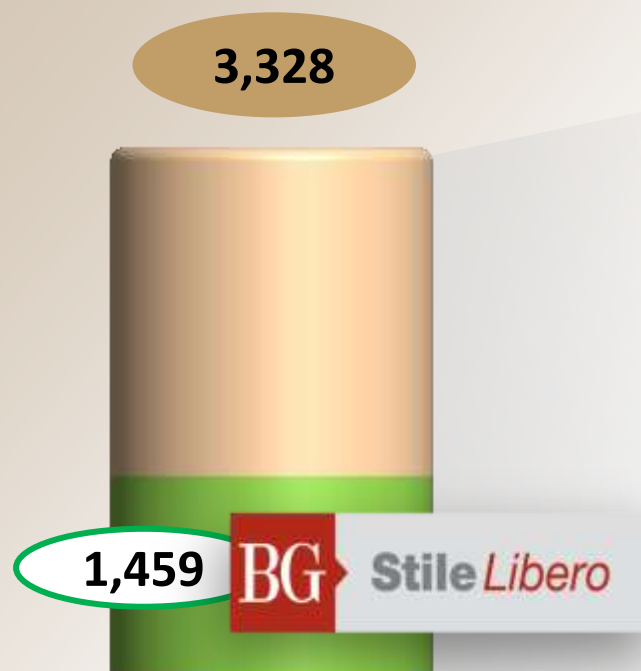
## 10M 14 net inflows split by products



## 2013 vs. 2014 Monthly Net Inflows



# BG Stile Libero delivers above average results



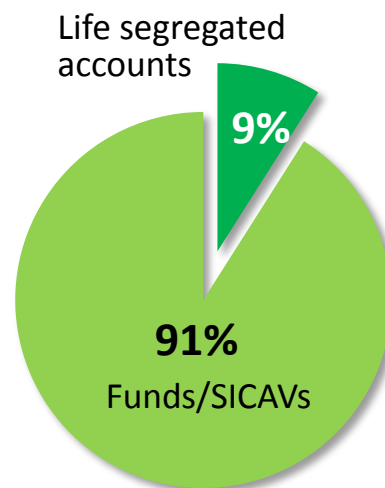
**Jan-Oct. 2014 Net Inflows**

(€ m)

## Established as the key tool for investment planning

- Date of inception: 28 February, 2014
- Net inflows since inception €1.5bn ( $\approx$  44% of tot. net inflows)

## BG Stile Libero: underlying assets



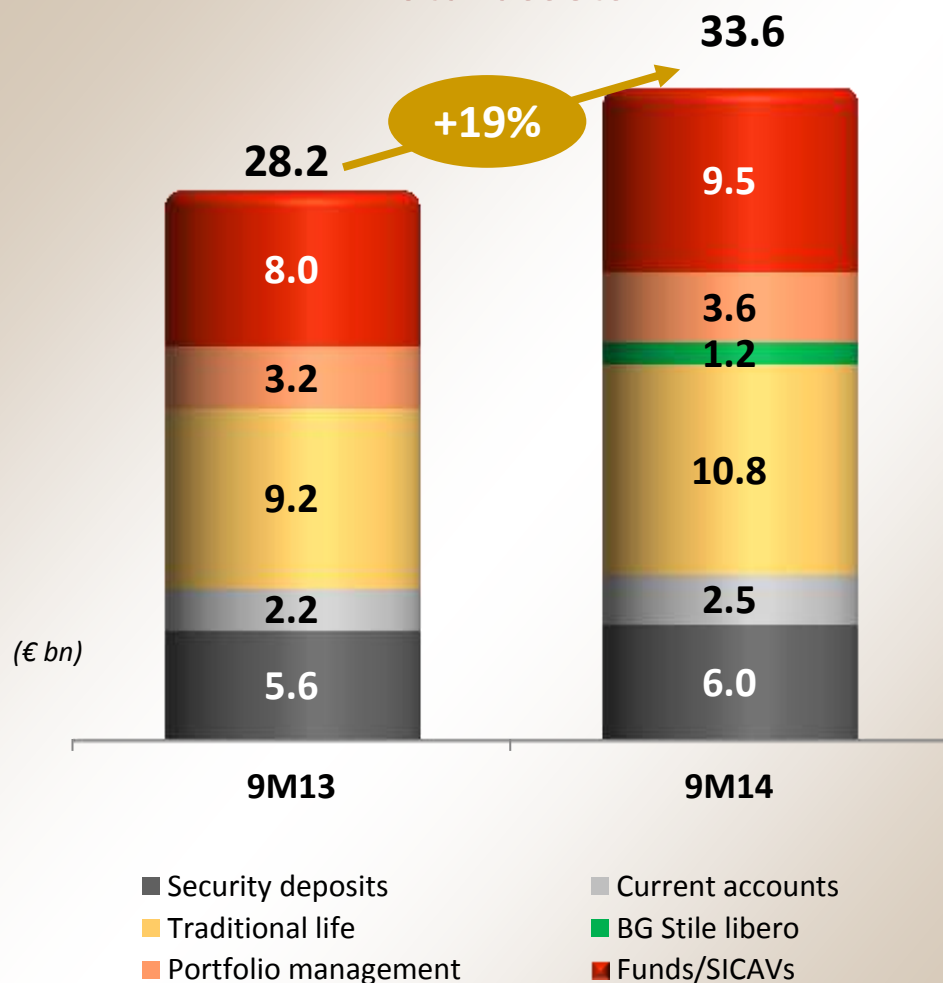
BG SELECTION SICAV

BG SICAV

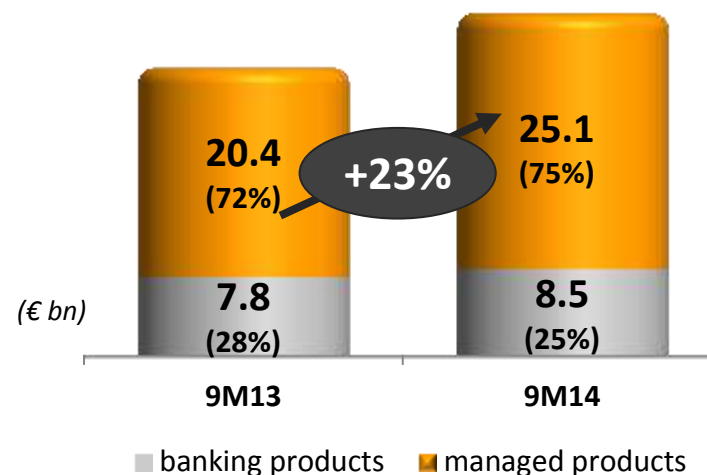
Aberdeen		HSBC 	
Amundi		INVESTOR OF ROTTERDAM	
ANIMA		J.P.Morgan	
BLACKROCK		KAIRÓS	
BNP PARIBAS		LEMANIK	
Controlfida		M&G	
DNCA		Morgan Stanley	

# Continued increase in managed assets (+23%)

## Total assets

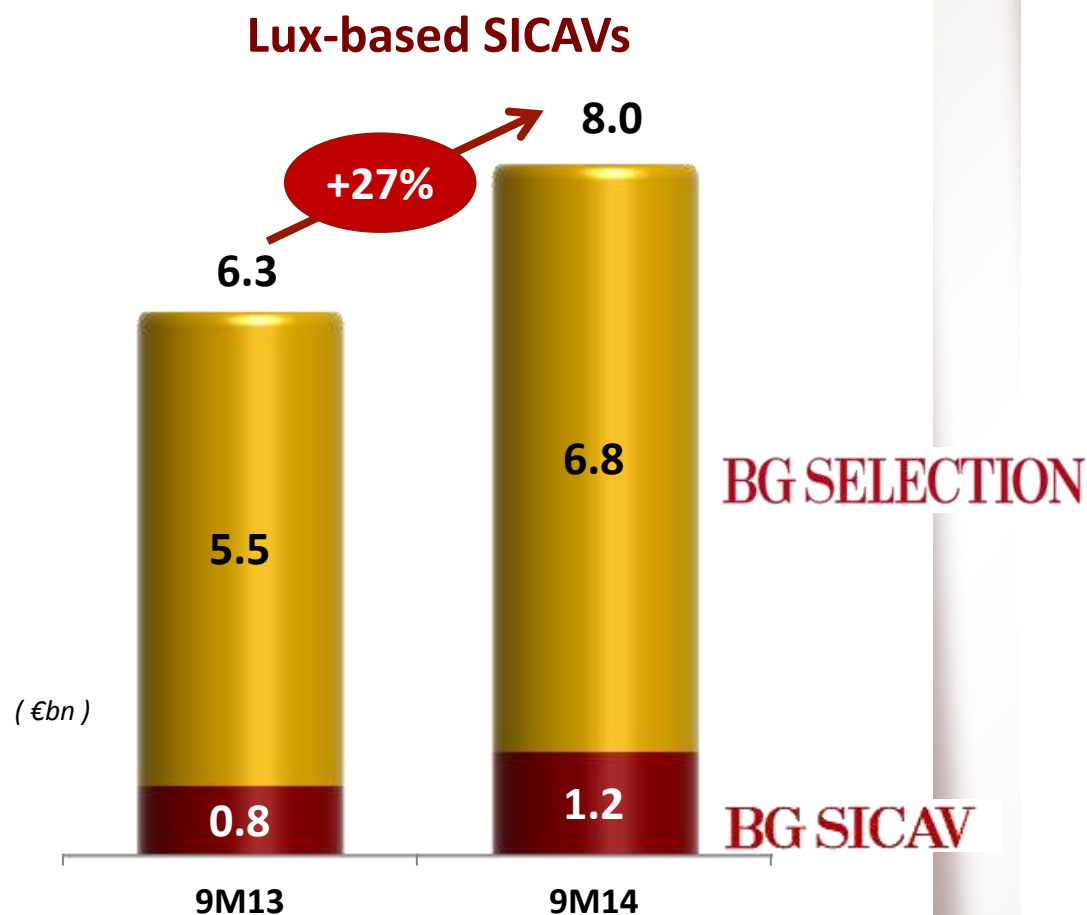


## Managed vs. Banking products



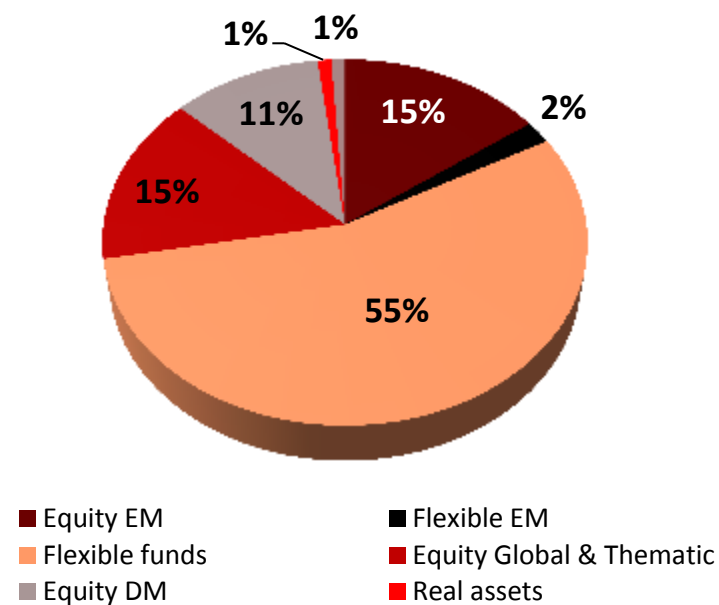
## Managed assets at 75% of total (+3pps yoy)

- Total assets at €33.6 (+19%), driven by managed assets (€25.1bn, +23%)
- The bank is indeed exploiting increased demand for enhancing portfolio diversification and seizing worldwide investment opportunities



(Assets at 30 September 2014 - €bn)

## Asset split BG SELECTION





**Jan-Oct.  
2014**

**YTD No. recruits**

**84**

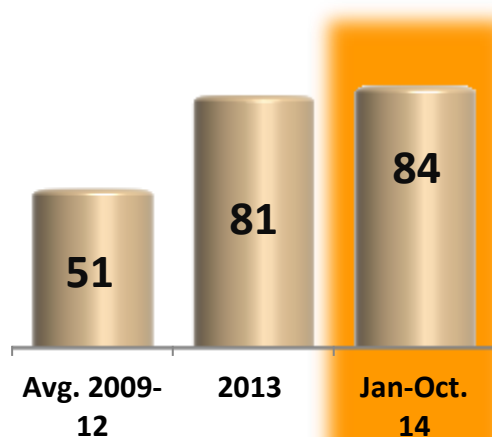
**Related assets**

**€ 1.5bn**

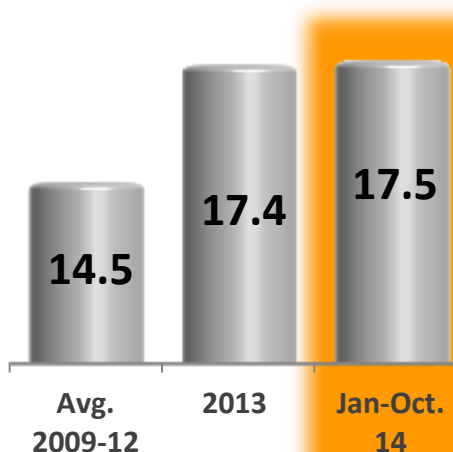
**Avg. portfolio/recruits**

**€ 17.5m**

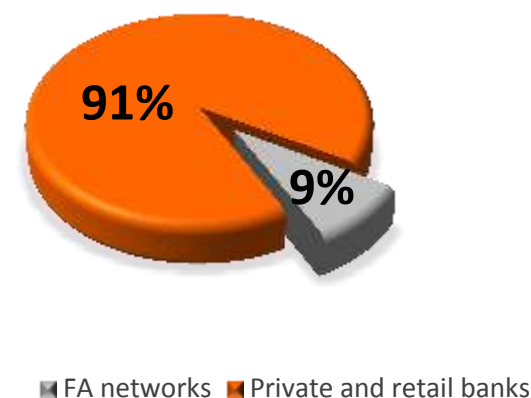
**No. of recruits per year**



**Assets/recruits**



**Recruiting sources**



9M 2014 Results

Net Inflows, AUM and Recruiting

**Business Update**

Closing Remarks

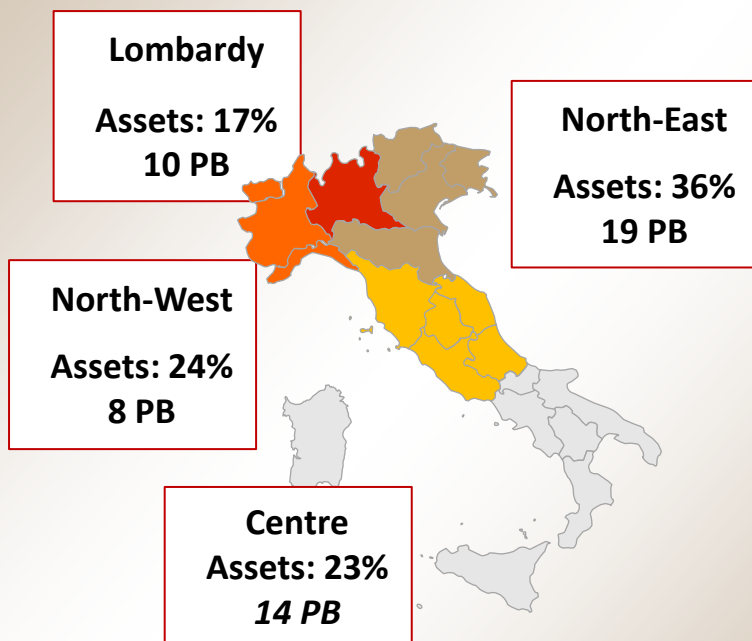
## Credit Suisse's Italian business acquired ("CSI")

- Transaction completed on 31 October, 2014
- Deal approved by the Bank of Italy
- Asset migration already completed

## Economics of the deal

- **Private Bankers: 51**
- **Total assets: ≈€1.9bn**
- **Total acquisition consideration: €45m**
- Deal funding: issue of a **€43m Tier 2 subordinated debt**, cash **€2m**
  - Cost of debt: 3.48% fixed up to 2019
- Deal expected to be **earnings accretive from 2015**

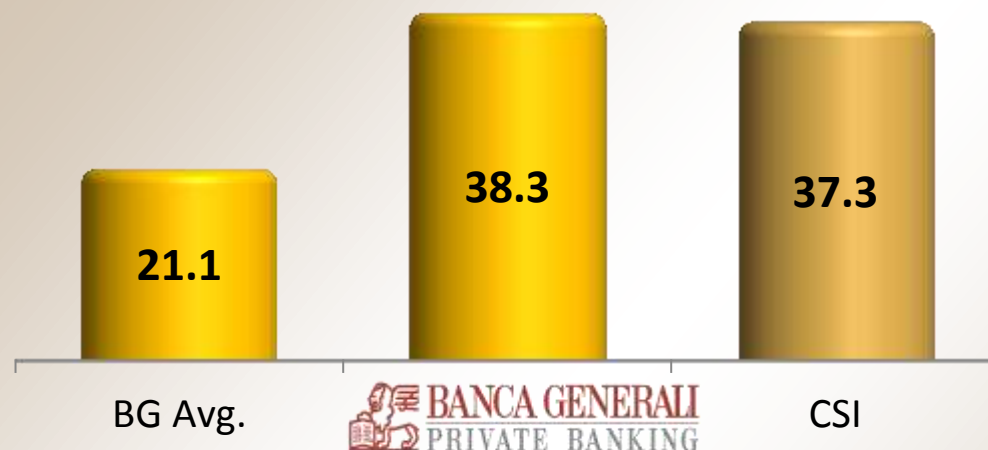
## CSI operations - Geographical distribution



### Distribution fit

- Reinforcing BG's presence in the North and Centre of Italy

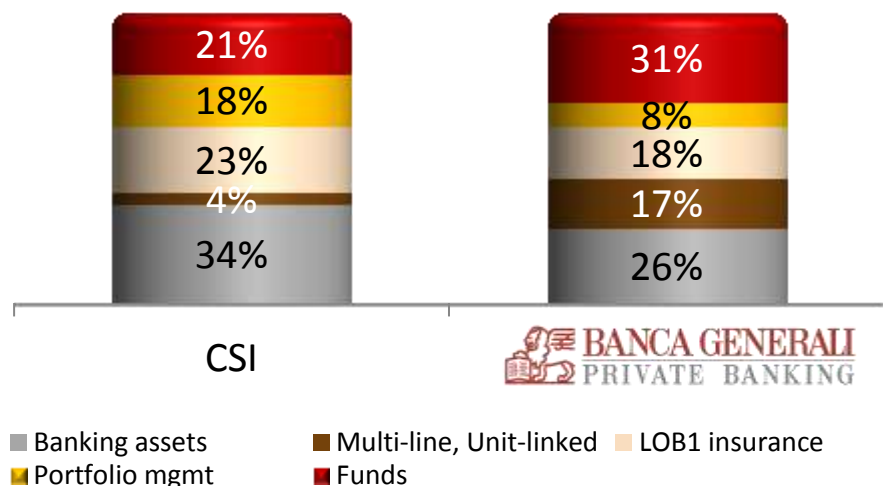
## Assets/FA



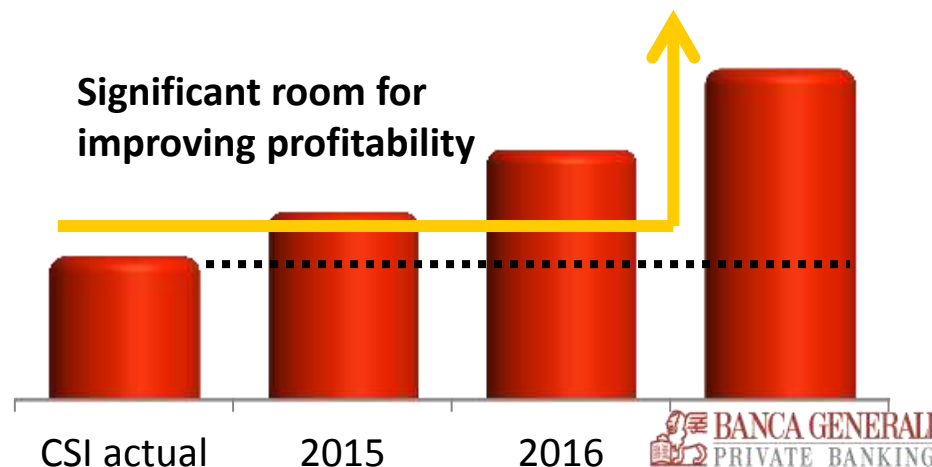
### Market positioning

- Strengthening market share in the private banking sector
- Same FA culture and approach to customer service
- Prompting up recruitment of high-profile professionals

## Average Portfolio mix (PB only)



## Gross margin



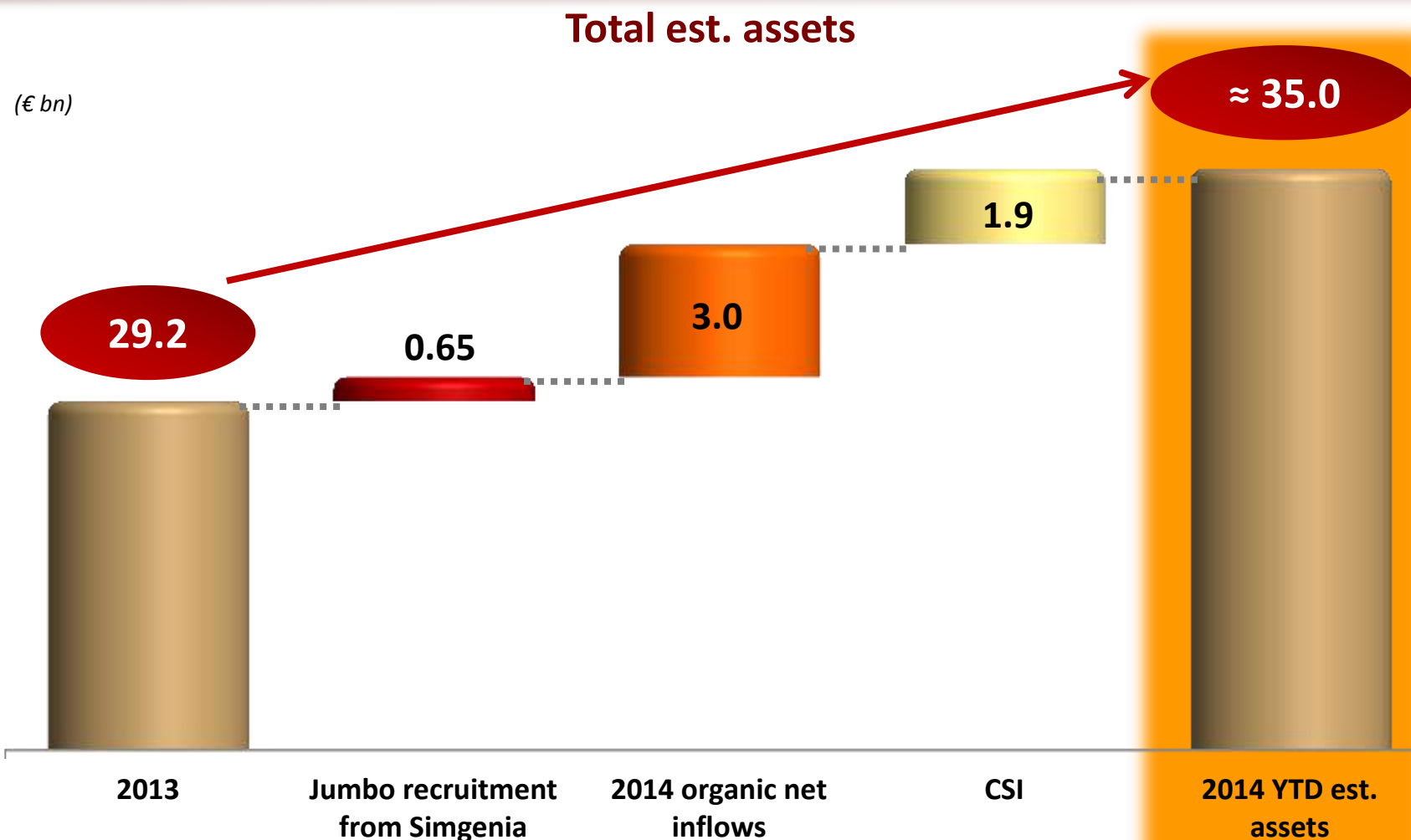
## Acquisition expected to be accretive from 2015

- Current CSI profitability is in line with private banking divisions of traditional retail banks
- Increased productivity of the operations acquired stemming from: 1) BG's more comprehensive banking services supported by digital tools and local branches; 2) BG's more advanced insurance offer, including unit-linked and multi-line insurance; 3) BG's wider open architecture offer and more sophisticated in-house products (BG Selection, BG Sicav, BG Stile Libero)
- Negligible additional fixed costs

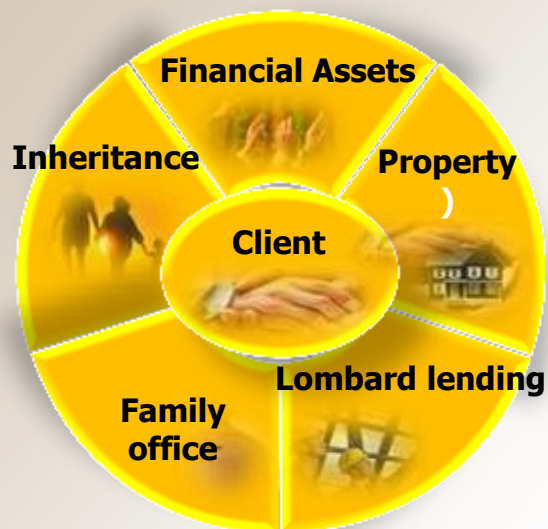
**Low execution risk**

**Proven expertise in past integrations**





## New Advisory platform



**NEW**



Corporate finance advisory service provided through an exclusive agreement with **pwc**, a leading player in the SMID sector in Italy and worldwide

**Analysis**

Investment advice on real-estate assets based on a property database

**CHIOMENTI**

STUDIO LEGALE

Specialized advice concerning legal, tax and estate issues






**TOSETTI VALUE**




Independent advice of one of the leading Family Offices in Italy for UHNWI

Agreement with  , a global brand with a focus on mid-caps and a capillary presence on the Italian market

## What it is not

-  Corporate lending
-  Trading on corporate securities
-  Treasury management

## What it is

-  M&A
-  Corporate restructuring
-  Optimisation of financial structure

**A new  
business  
opportunity**

## APP Home banking



- **New functions available** (bank form on QRcode, bancomat payment/withdrawal)
- **Better usability**



## Wider fund offer and Portfolio advisory



- **40 fund managers, 800 funds available**
- **Recommended portfolio provided by six main fund managers**
- **Enhanced insurance coverage**

## BG SICAV

### New third-party mandates

**Controlfida**



**GENERALI**  
Investments Europe



**TENAXCAPITAL**  
Asset Management

## New distribution agreements

**CREDIT SUISSE**  
Asset Management

**PIMCO**

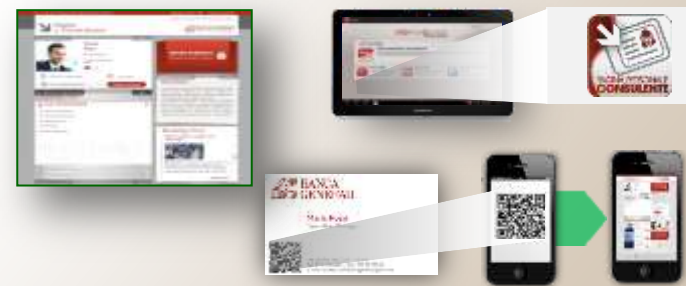


**JANUS CAPITAL**  
Group



## Personal branding

- FA personal web page (+ press), device independent
- QR code on business card



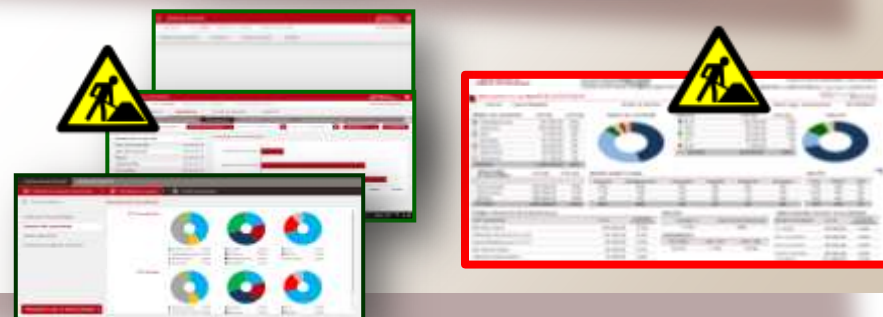
## Business tools

- App Financial desk (+ extended press)
- Digital signature
- Portfolio creation and analysis
- App for recruitment



## Personal Advisory

- BG Personal Advisory
- Comprehensive report



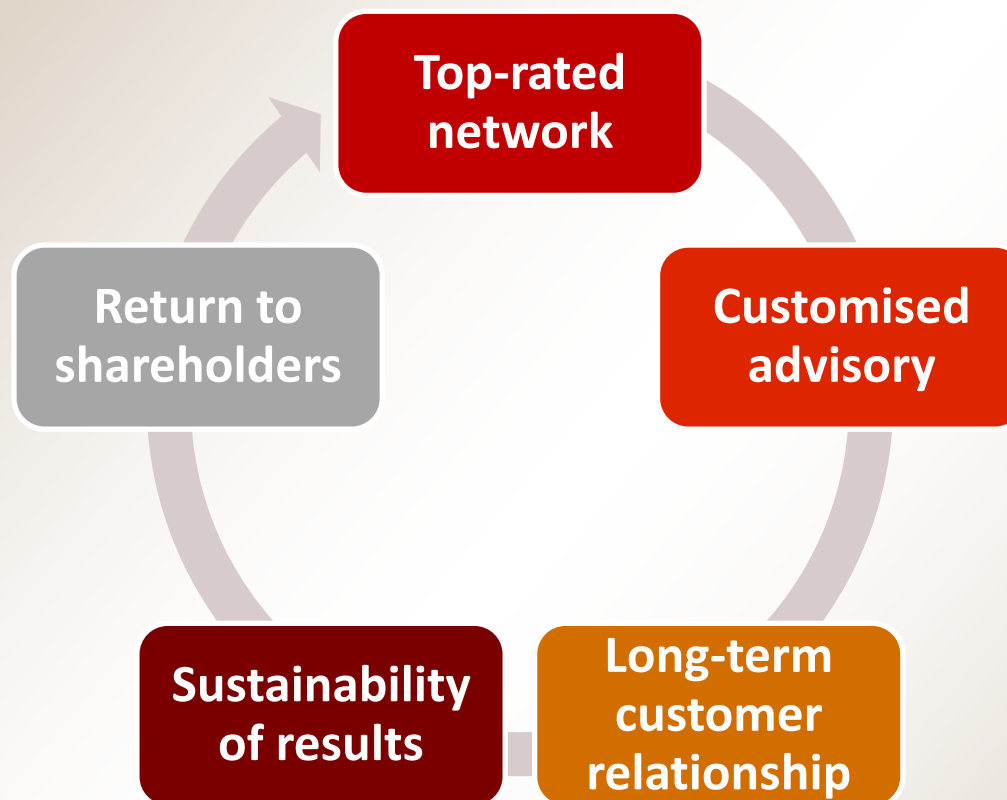


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**We aim to be the first choice for:**  
**Clients, Financial Advisors and Investors**

## Banca Generali Investor App



The Banca Generali Investor App has been designed specifically for Investors and Analysts. It's a tool that allows users to keep up to date with the Group's latest developments. The App is available on the App Store and on the Android Market

## Investor Relations Contacts

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## Corporate Website

[www.bancagenerali.com](http://www.bancagenerali.com)

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

*S. Grassi, CFO*

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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.

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