



**BANCA
GENERALI**

Banca Generali: a successful business model

Investor presentation

February 2017

Key highlights

FY 2016 results

Capital ratios & dividend

Net inflows, assets and recruiting

Business update & closing remarks

2016: ANOTHER YEAR OF STRONG BUSINESS EXPANSION

- **ROLL-OUT OF NEW VALUE PROPOSITION WELL ON TRACK**

- ✓ Wrapper solutions already established as product of choice both for customers and FAs
- ✓ Promising results from the ongoing deployment of the wealth management platform

Net Inflows

€5.7bn

(Vs. €4.6bn, +22% yoy)

- **BEST EVER NET INFLOWS AT €5.7bn (+22%)**

- ✓ BG strongly outpacing industry trend in 2016 (+22% vs. -5% for the sector)
- ✓ Growing focus on new managed solutions
- ✓ Fading appetite for traditional life policies

- **TOTAL ASSETS AT ALL TIME HIGH OF €47.5bn (+14%)**

- ✓ Accelerating pace of growth (+14% vs. +8.5% CAGR in the last 10Y)
- ✓ Managed and insurance solutions at 76% of total assets
- ✓ Wrappers solutions at €7bn (+63% yoy)

Total assets

€47.5bn

(Vs. €41.6, +14% YTD)

- **GROWING CORE BUSINESS TREND**

- ✓ Growing recurring fees (management fees at €492m (+7% yoy, +4% qoq)
- ✓ Performance fees almost halved due to unfavorable financial markets
- ✓ Cost/Income at best practice levels despite one-off payments to bank funds

Net profit

€155.9m

(vs. €203.6m, -23% yoy)

- **SOLID RESULTS AND STRONG CAPITAL RATIOS**

- ✓ Solid net profit at €155.9m notwithstanding an unfavorable yoy comparison on variable fees
- ✓ CET1 ratio at 16.7%, Total Capital ratio at 18.4% well above regulatory requirements
- ✓ DPS at €1.07 on a 80% pay-out (dividend yield at 4.6% equal to 2x risk-free levels)

Total Capital Ratio

18.4%

(vs. 15.9%, +250bps)

(€ m)		12M 15	12M 16	% Chg
1. Net Financial Income				
Net Interest Income		66.2	58.7	-11.4%
Net income (loss) from trading activities and Dividends		28.9	35.1	21.6%
Net Financial Income		95.1	93.8	-1.4%
Gross fees		652.0	604.7	-7.3%
Fee expenses		-281.2	-295.7	5.1%
Net Fees		370.8	309.0	-16.7%
2. Total Banking Income				
Staff expenses		-80.9	-80.7	-0.3%
General and administrative expense net of other operating income (cost)		-89.3	-95.6	7.1%
Depreciation and amortisation		-5.3	-5.9	11.9%
Total operating costs		-175.6	-182.3	3.8%
<i>Cost /Income Ratio</i>		<i>36.5%</i>	<i>43.8%</i>	<i>7.3 p.p.</i>
Operating Profit		290.3	220.5	-24.0%
Net adjustments for impair.loans and other assets		-6.5	-0.8	-88.0%
Net provisions for liabilities and contingencies		-45.6	-34.9	-23.5%
Profit Before Taxation		238.3	184.9	-22.4%
Direct income taxes		-34.7	-28.9	-16.6%
<i>Tax rate</i>		<i>14.6%</i>	<i>15.7%</i>	<i>1.1 p.p.</i>
Net Profit		203.6	155.9	-23.4%

1. Net Financial Income (NII + Trading income)

proved broadly stable supported by clients' higher assets (+35%) and favorable trading conditions

2. Net Banking Income was driven by a growing management fee component that nearly offset the lower contribution from performance fees (-47% yoy) and the higher amount of fees paid (+5%). The latter reflects the strong increase in business volumes and push on recruiting to exploit favorable market conditions

3. Operating costs came out in line with guidance (+3/4%) even including higher costs to support the ongoing business expansion

4. Provisions fell quite sharply as pay-out was speeded-up. Also comparison is not homogenous as in 2015 provisions were inflated by a €10m charge to a restructuring plan and a €5 million extra charge to FAs' severance indemnity fund in light of the decline in interest rates at the time

Key highlights

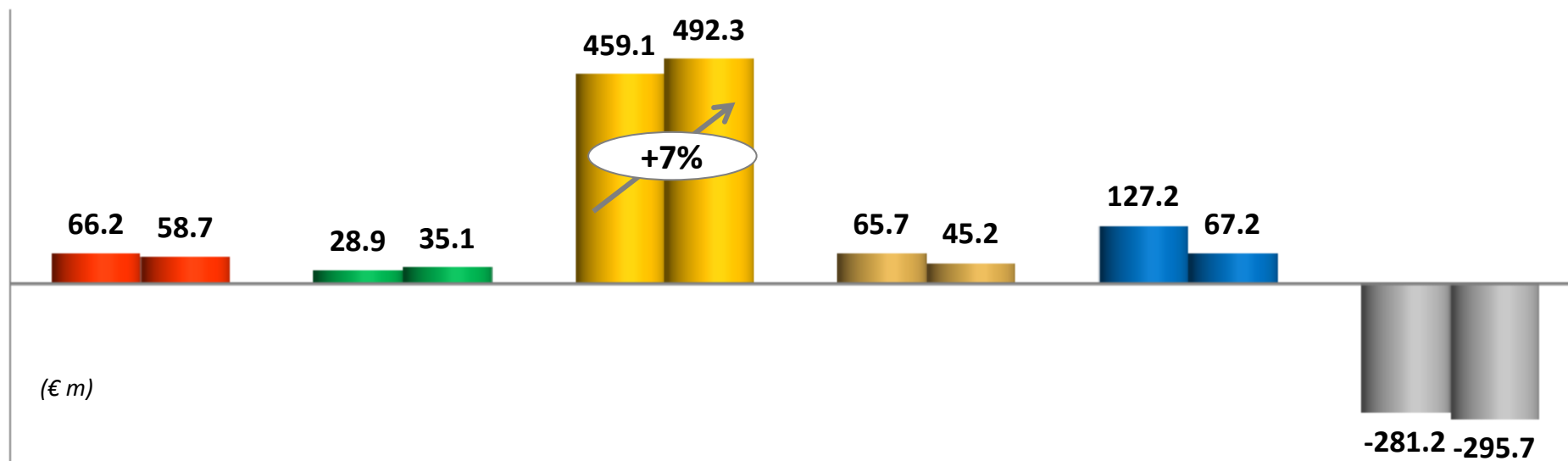
FY 2016 results

Capital ratios & dividend

Net inflows, assets and recruiting

Business update & closing remarks

Net Banking Income (€402.8m, -13.5% yoy)



Net Interest Income

- Strong increase in deposits offsetting lower interest rates
- Favorable trading conditions linked to historical decline in interest rates

Trading & dividend

Management fees

- strong growth in the asset base
- favorable asset mix

Entry & banking fees

- More volatile 2016 financial market conditions compared to the previous year

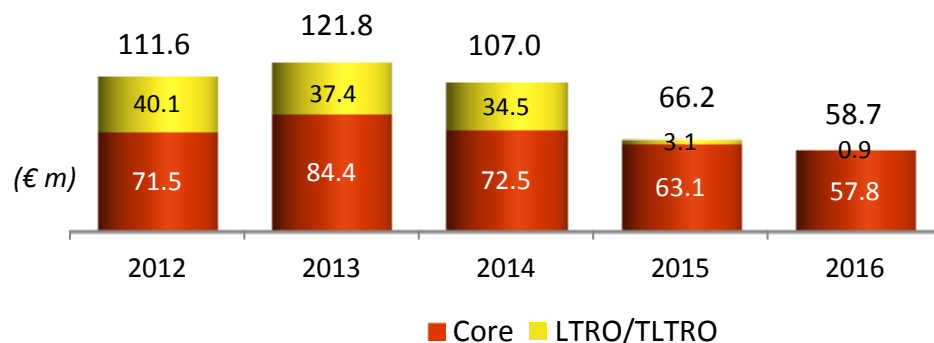
Performance fees

Fee expenses

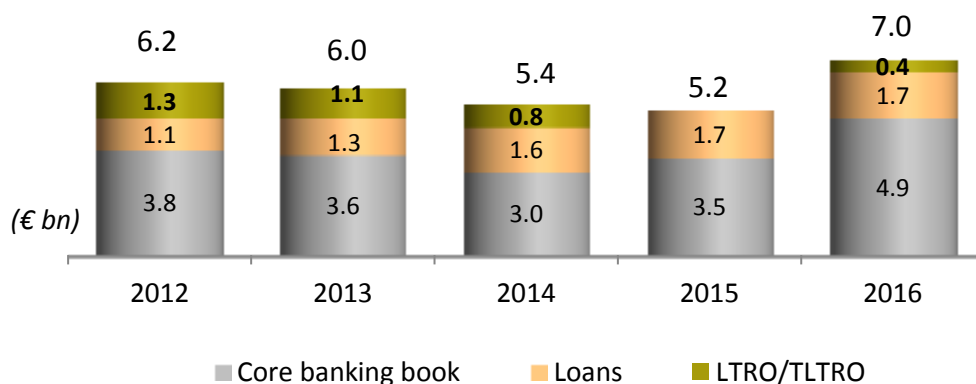
- Increase linked to the strong rise in net inflows and the acceleration in the recruiting activity

FY15 (left column) – FY16 (right column)

Net Interest Income



Interest-bearing assets¹



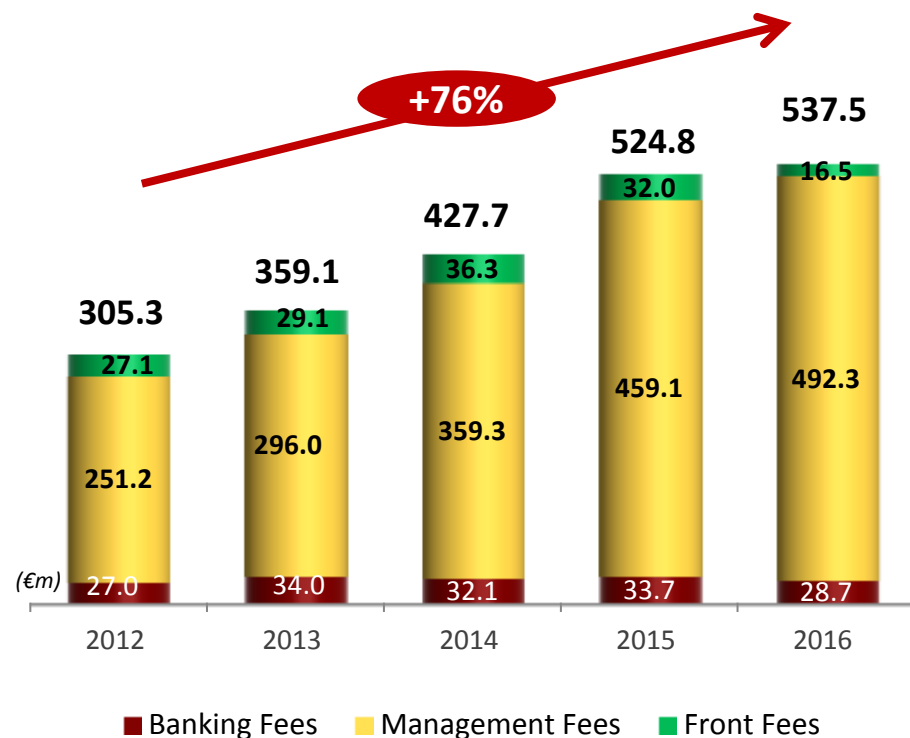
¹ Excluding interbank assets and mandatory reserve

NII supported by strong volumes

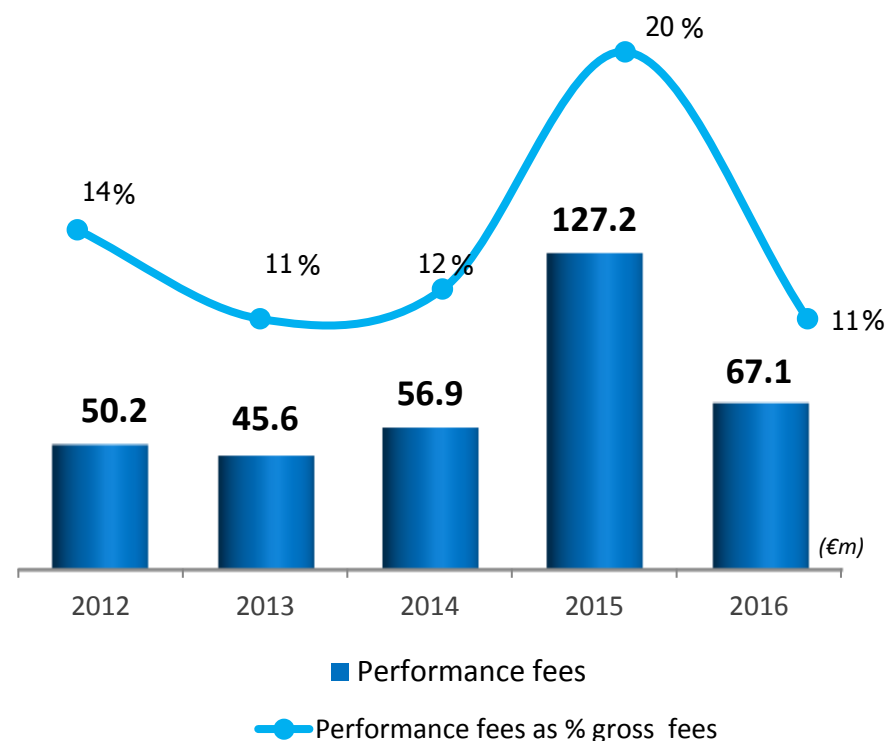
- Net Interest income was buoyed by the **strong increase in total interest-bearing assets (€7.0bn, +35%)** offsetting lower interest rate levels
- Banking book (core +LTRO) amounted to €5.3bn (+51%)** at 99% invested in bonds (o/w 90% in govt and 58% floating), with a 2.1 yrs duration and 4.5 yrs time to maturity
- Lending activity (€1.7bn)** remains an ancillary business. Management is focused on preserving its high-standing asset quality (NPL/total loans at 0.09%) and maintaining margin level instead of pushing for volumes
- TLTRO II** amounts to €400m. It was taken at the end of June 2016. It will last four year and it can be reimbursed from the 2nd year.

Gross fees: recurring vs. variable fees

Recurring fees (management and other fees)

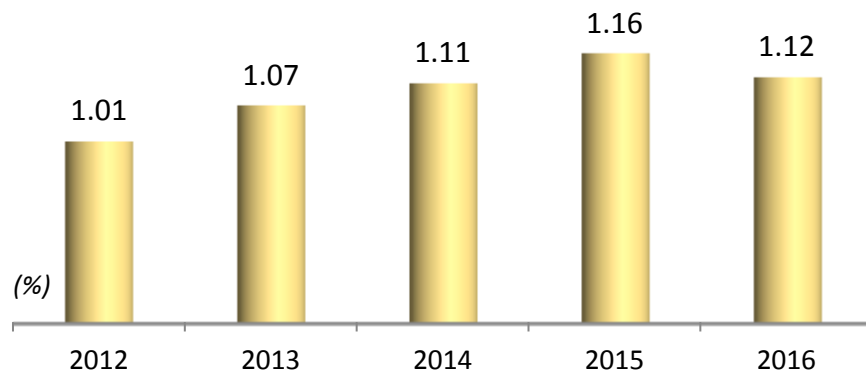


Variable fees (performance fees)

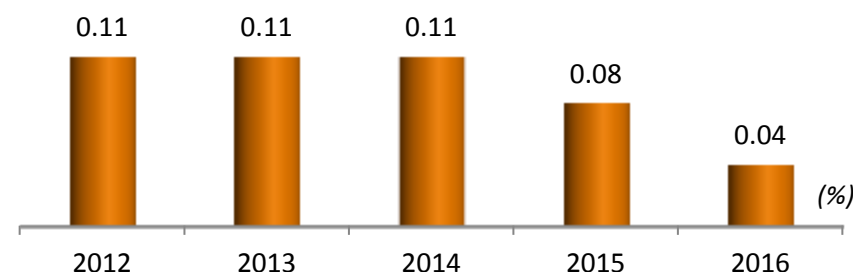


Breakdown of annualised fee-margin

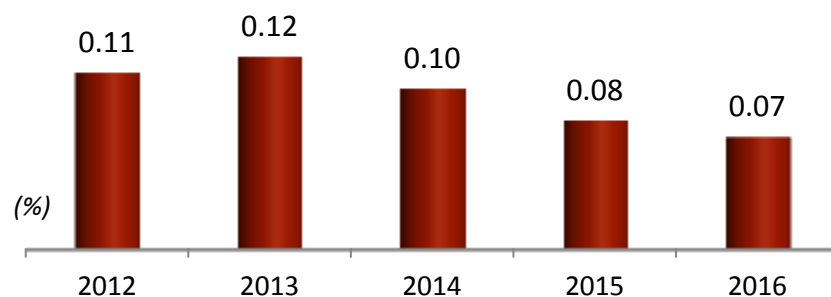
Management fee margin



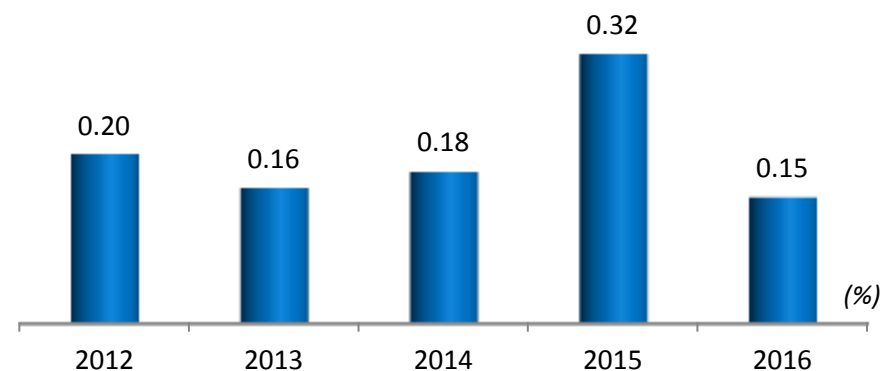
Entry fee margin linked to financial markets



Banking fee & trading commission margin



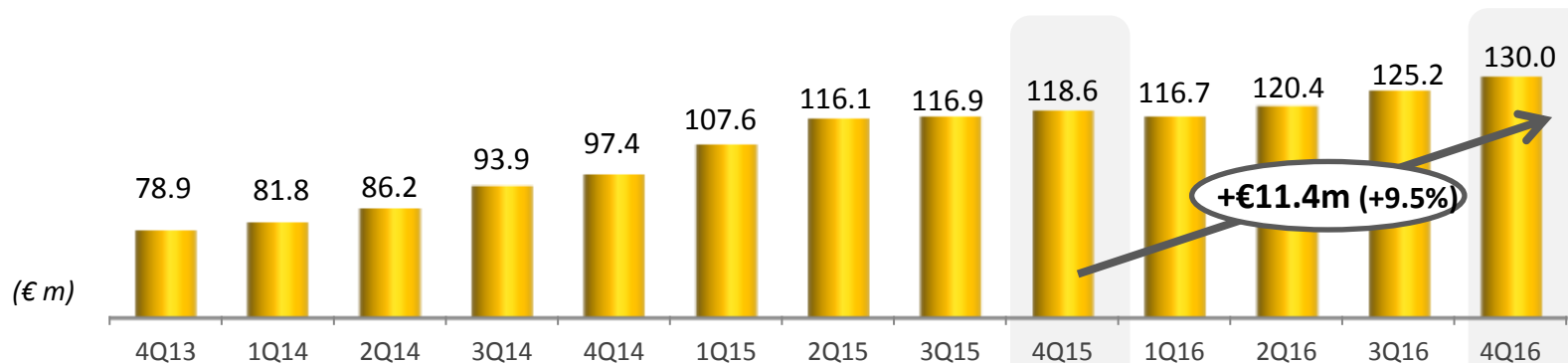
Performance fee margin



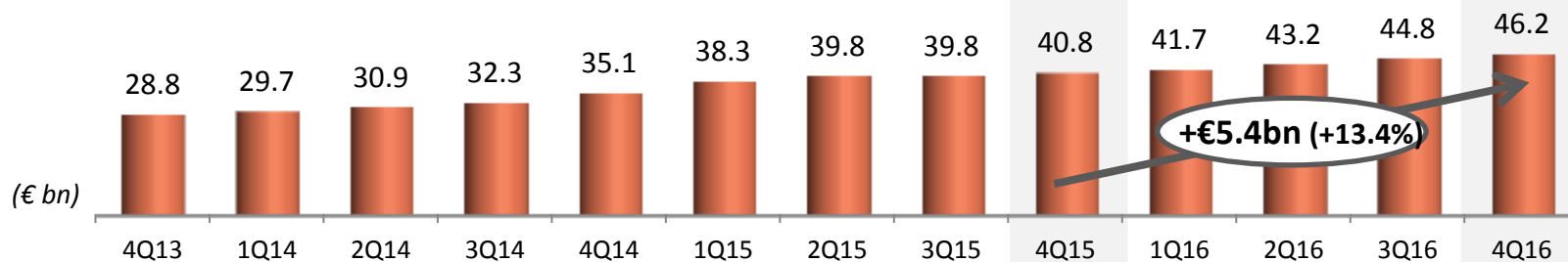
Fee margin based on average assets on an annualised basis

Values, assets, margins: 3Y trend

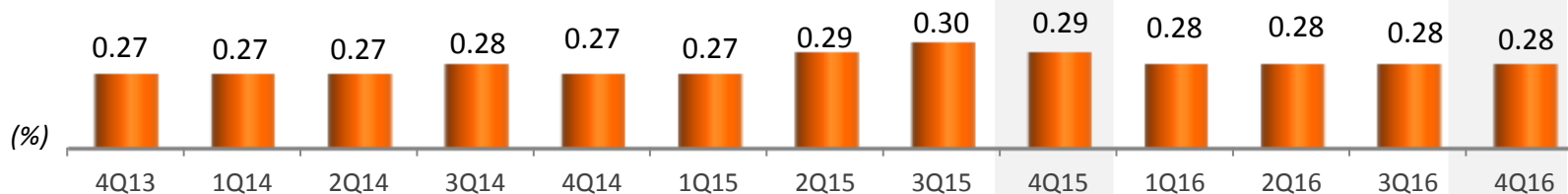
Management fees
increase on assets
growth and stable
margins



Total average assets
further up on higher
inflows

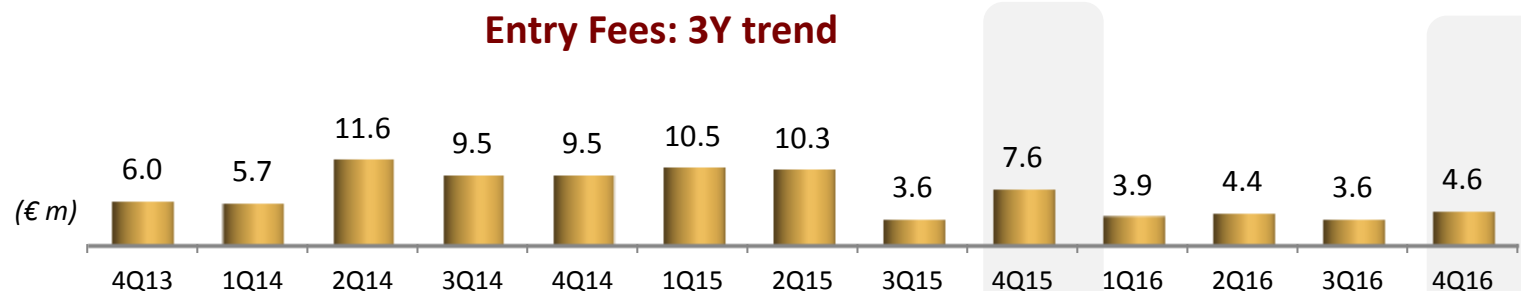


**Stable management
fee margins**

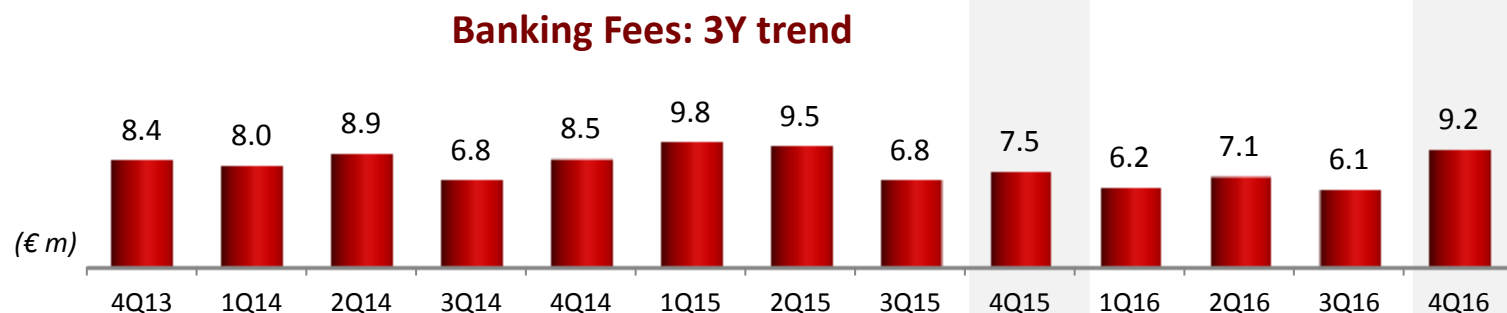


Entry and banking fees trending higher in 4Q

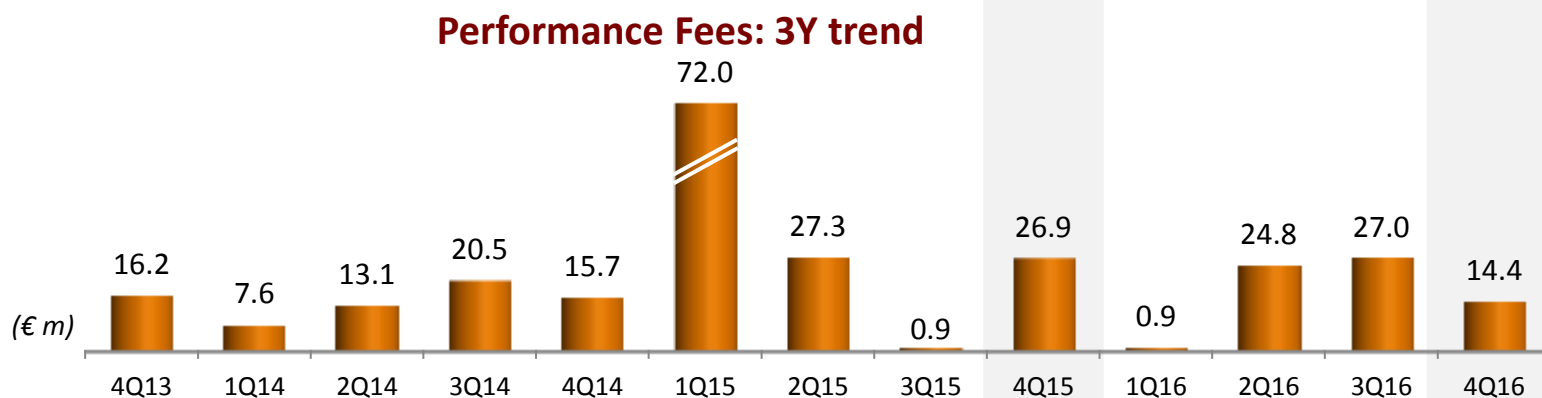
Pick-up in 4Q **entry fees** thanks to more favorable financial markets



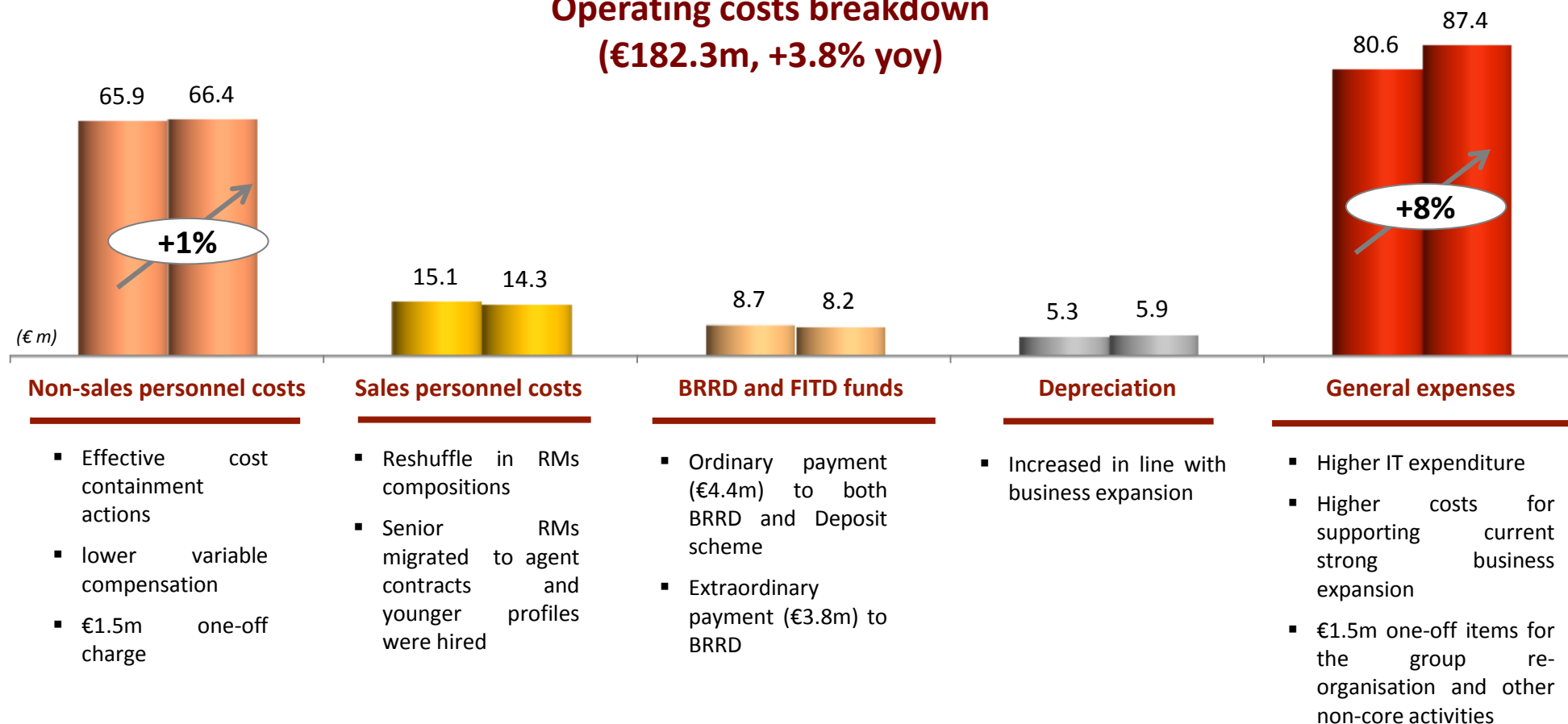
Banking fees increased in 4Q thanks to higher trading volumes and higher advisory fees



Variable fees linked to financial markets

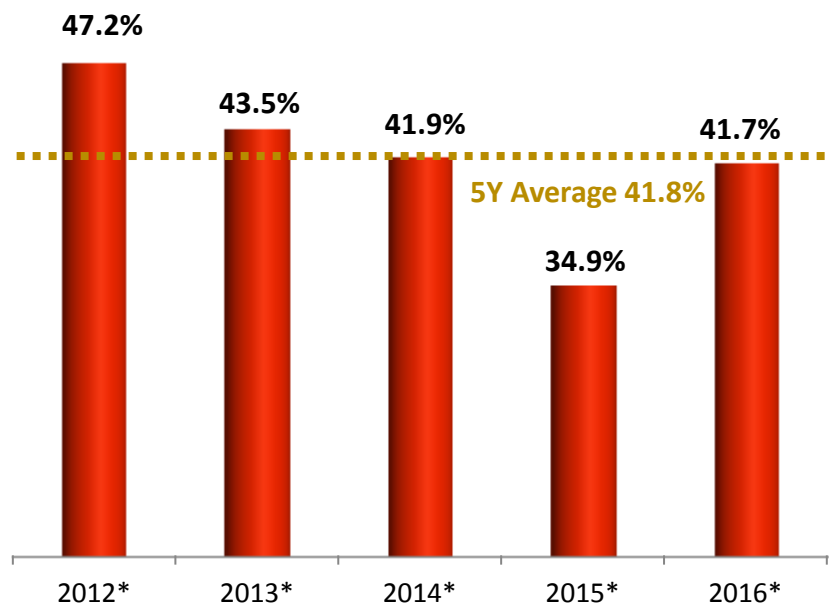


Operating costs breakdown (€182.3m, +3.8% yoy)



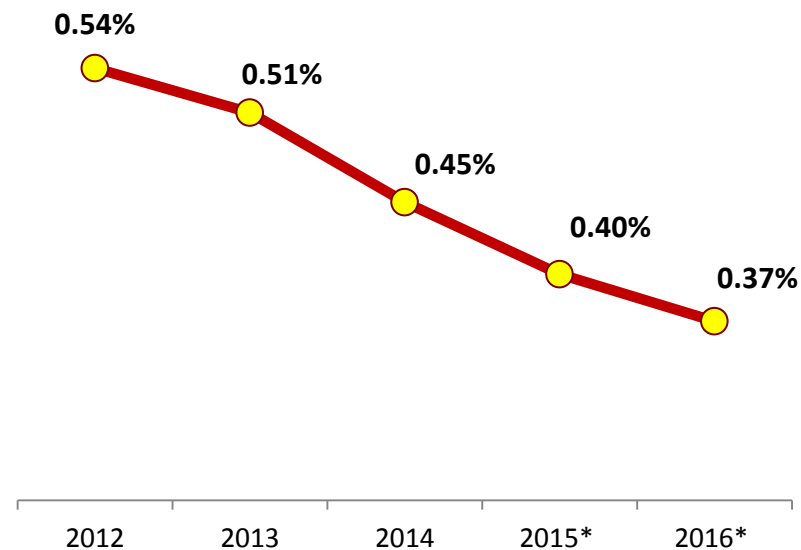
FY15 (left column) – FY16 (right column)

Cost/Income



* Adjusted for the extraordinary components (LTRO, BRRD payments)

Operating costs/Total assets



* Adjusted for the extraordinary components (BRRD payments)

Key highlights

FY 2016 results

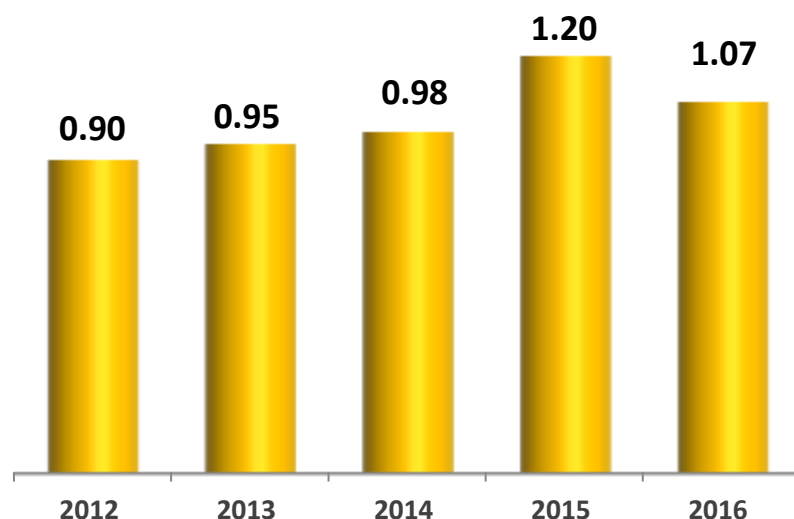
Capital ratios & dividend

Net inflows, assets and recruiting

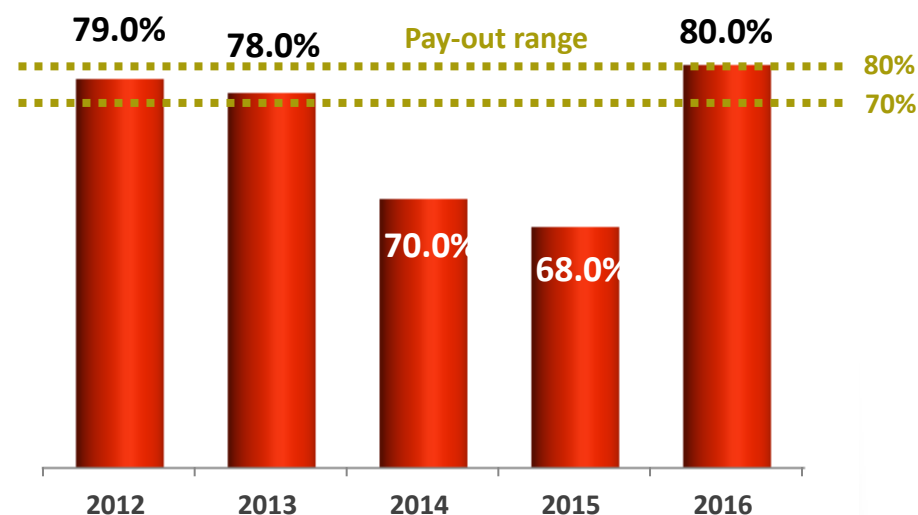
Business update & closing remarks

High dividend pay-out supported by capital strength

Dividend per Share (DPS)



Dividend pay-out ratio

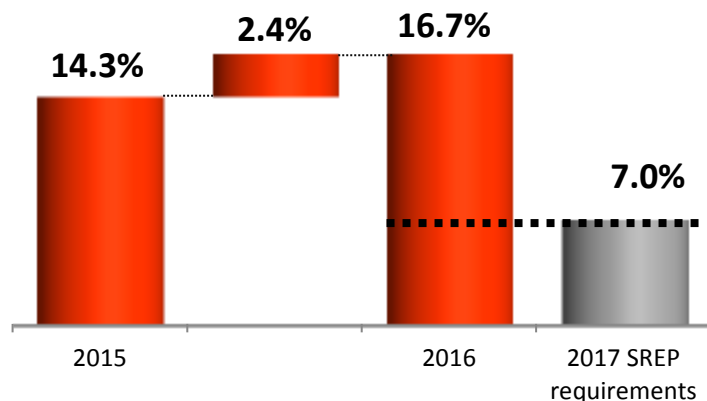


(¹) AGM scheduled for 20 April 2017

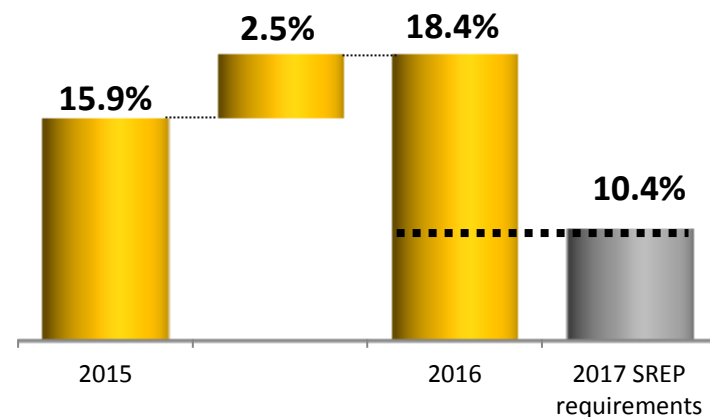
- 2017 pay-out ratio set at 80%, on the high-end of the long-term target of 70-80% of reported profit
- 2017 pay-out ratio looks fully supported by the strong capital position

Solid capital ratios well above regulatory requirements

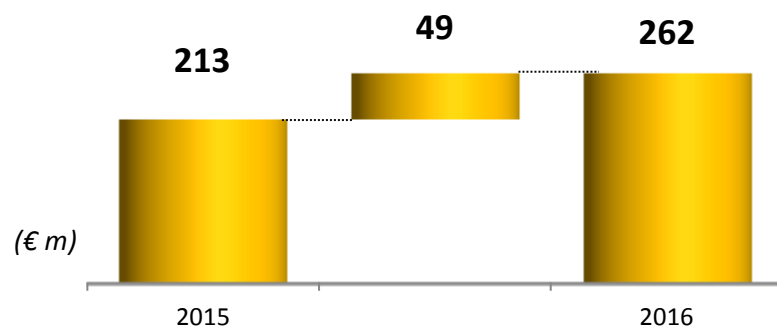
CET1 ratio



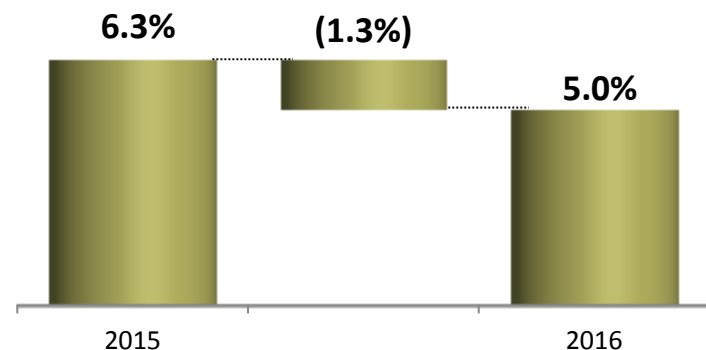
Total Capital ratio



Excess Capital



Leverage ratio



SREP requirements: Minimum capital requirements specified for Banca Generali by the Bank of Italy as a result of the Supervisory Review and Evaluation Process (SREP). Capital ratios are compliant with B3 requirements (transitional)

All capital ratios are on a transitional basis. On a fully-phased basis: CET 1 ratio at 17.0%, TCR at 18.7%

Key highlights

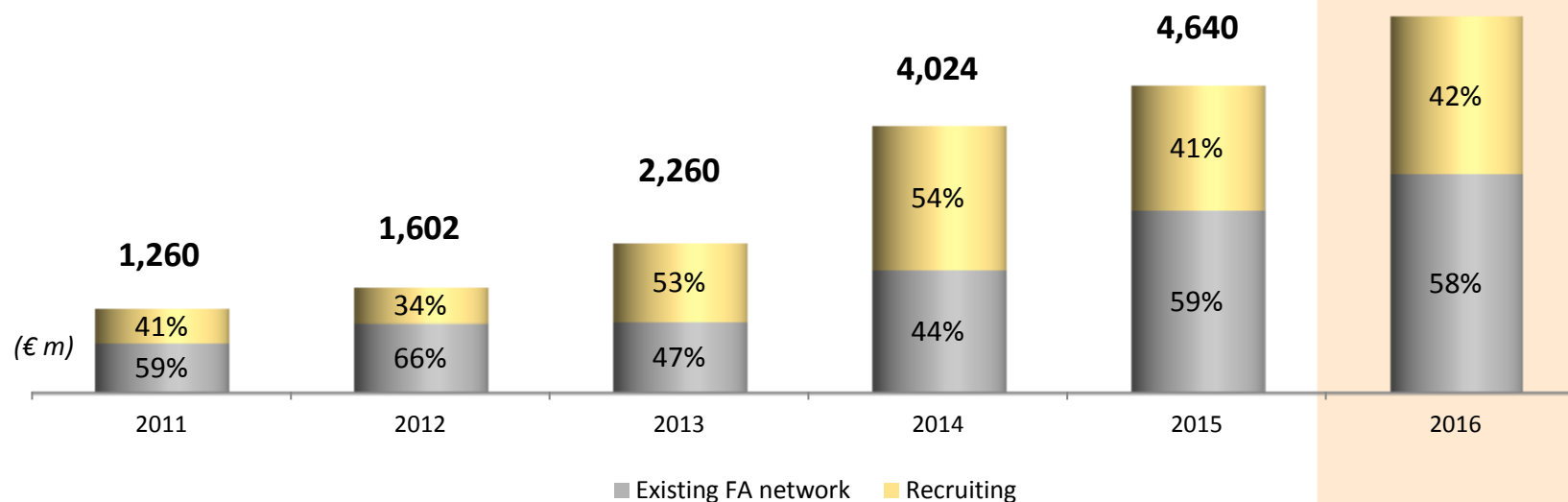
FY 2016 results

Capital ratios & dividend

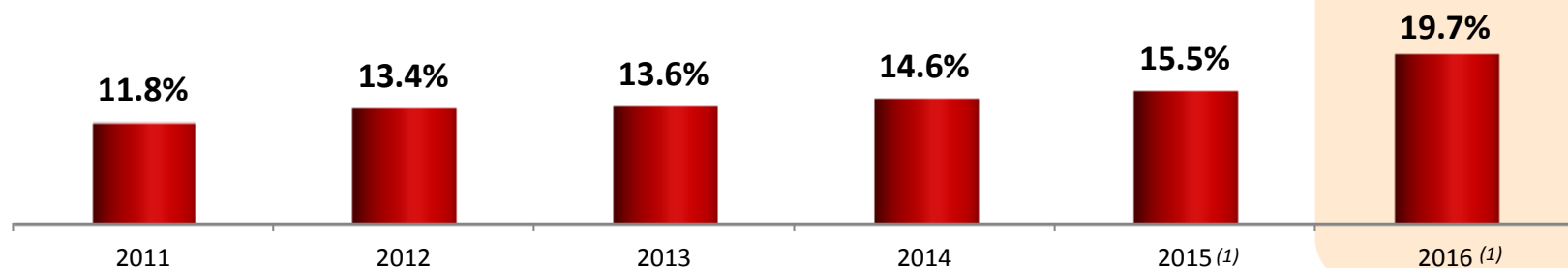
Net inflows, assets and recruiting

Business update & closing remarks

Net Inflows Trend

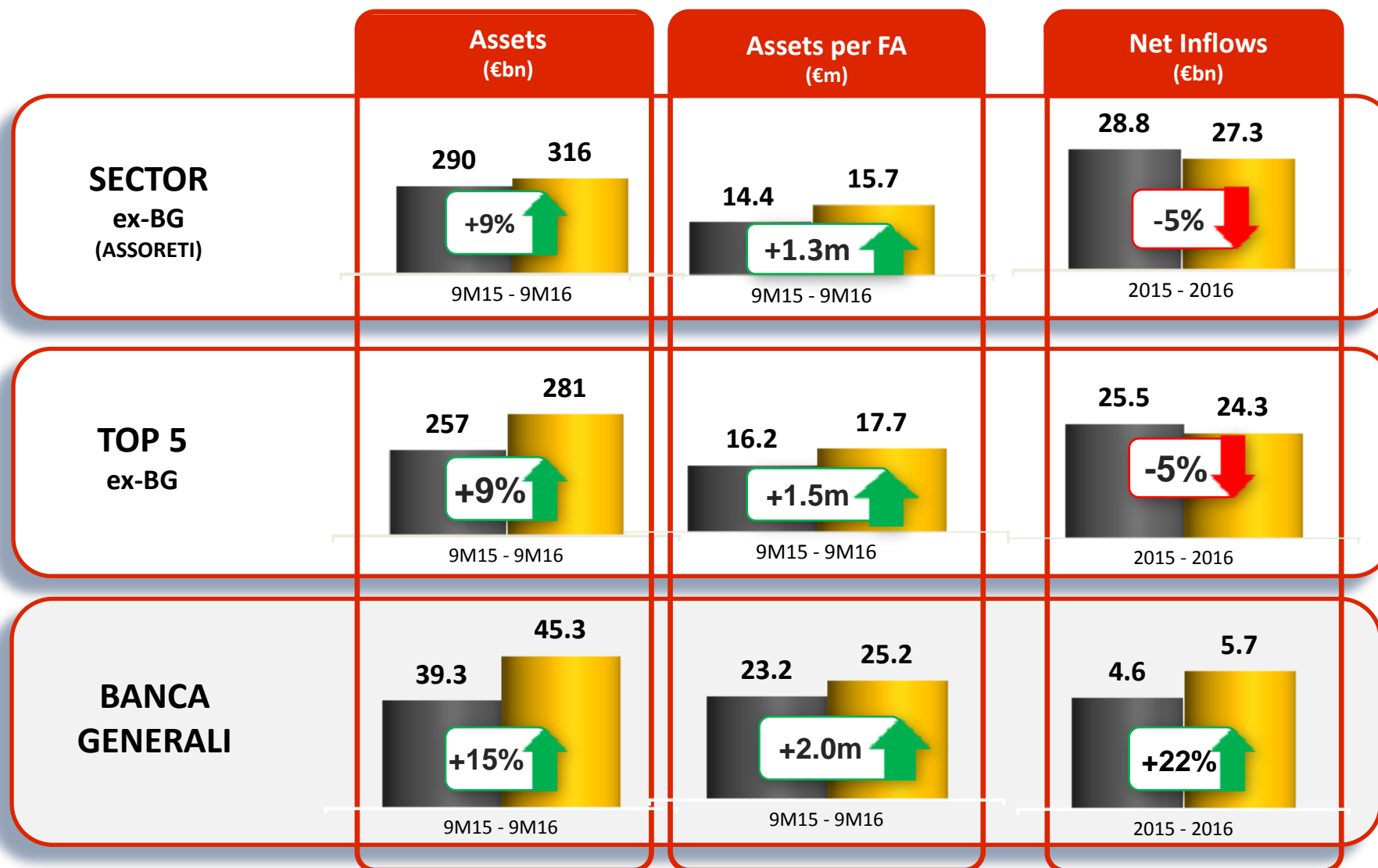


Banca Generali's share of Assoreti total net inflows



(1) Assoreti excl. ISPB on a like-for-like basis

Significant outperformance vs. sector trend

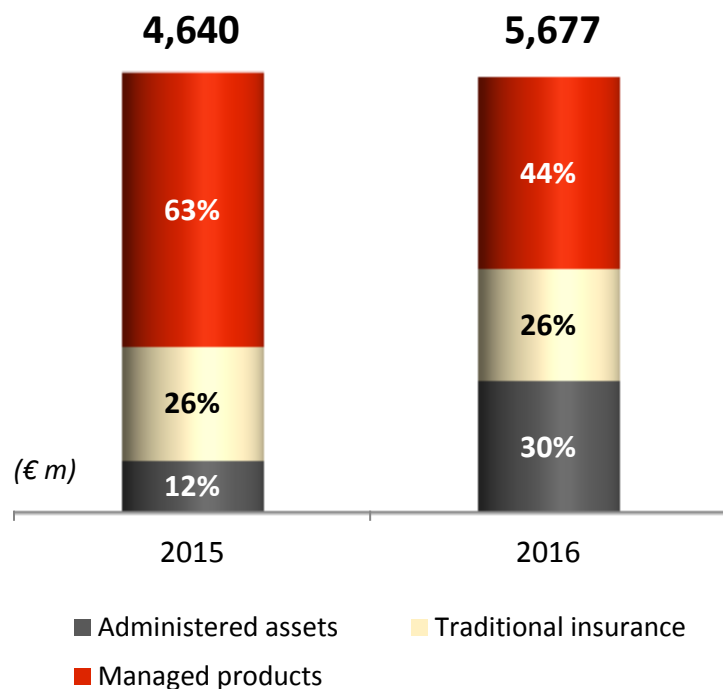


Source: Assoreti, data as of 30.09.2016
like-for-like basis (i.e. ex-ISPb)

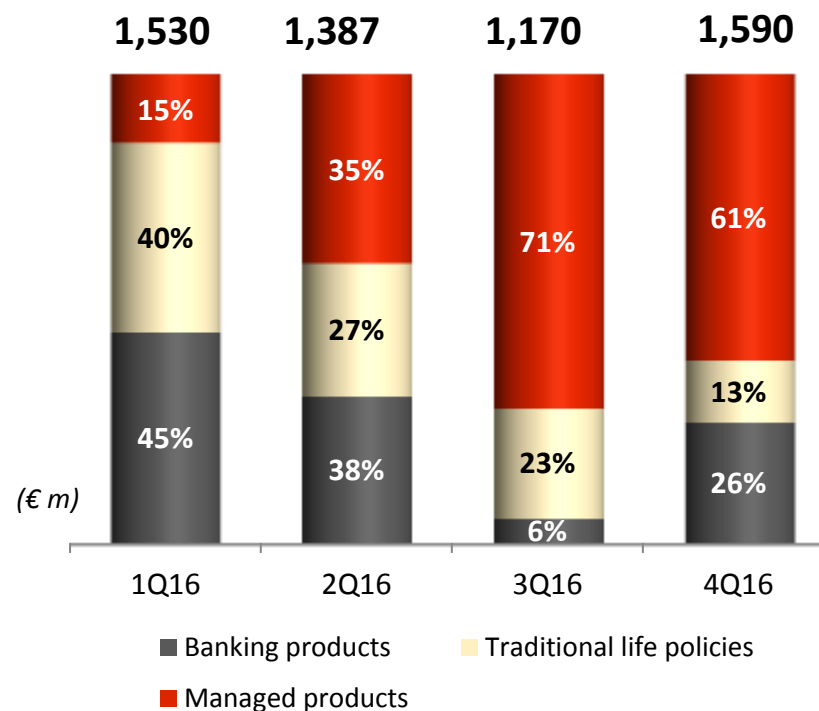
Source: Assoreti data
as of 31.12.2016

Product mix growing in favour of managed solutions

**Net inflows:
Product mix YoY**

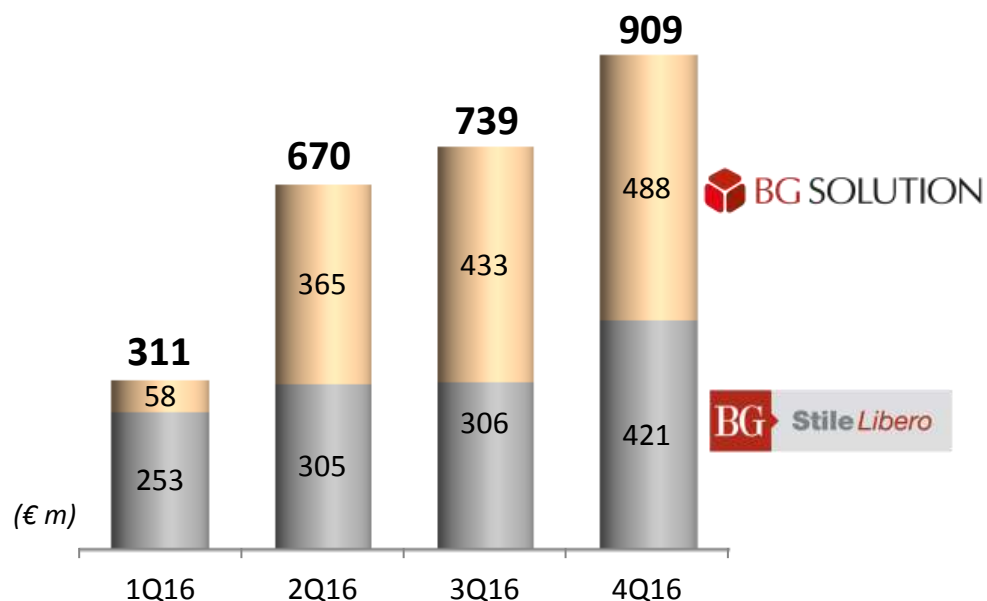


**Net inflows:
Product mix by quarter**

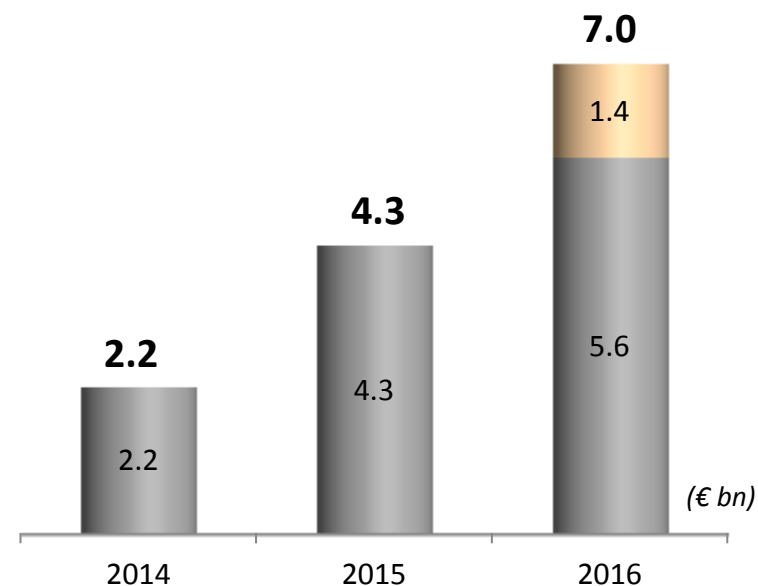


- Net inflows increasingly in favor of managed products during the year, after the unfavorable start of the year for financial markets
- Traditional life policies steadily contracting in terms of net inflows

Wrappers: 2016 net inflows by quarter



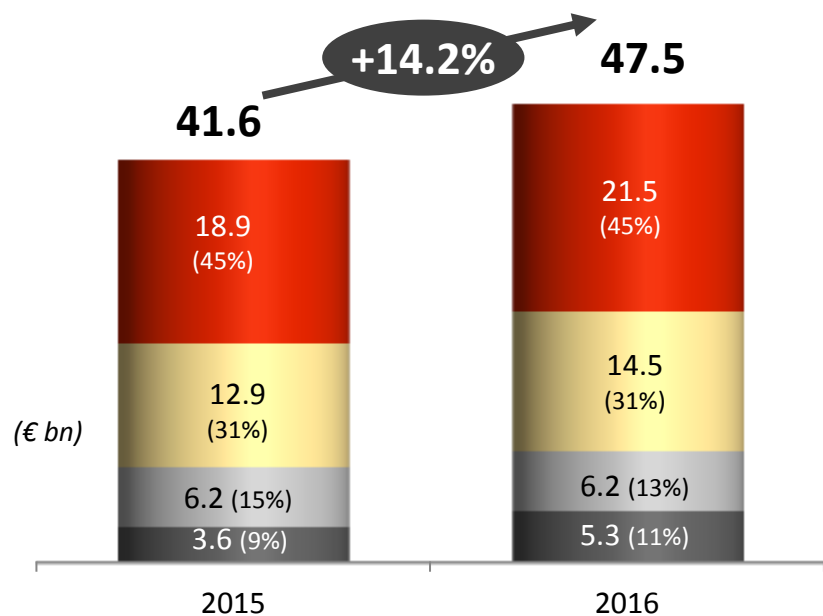
Wrappers: Assets since inceptions



- Wrapper solutions represented 65% of total net inflows from managed products in 2016
- BG Solution is well off for replicating the strong results already achieved by insurance wrapper BG Stile Libero

Total assets

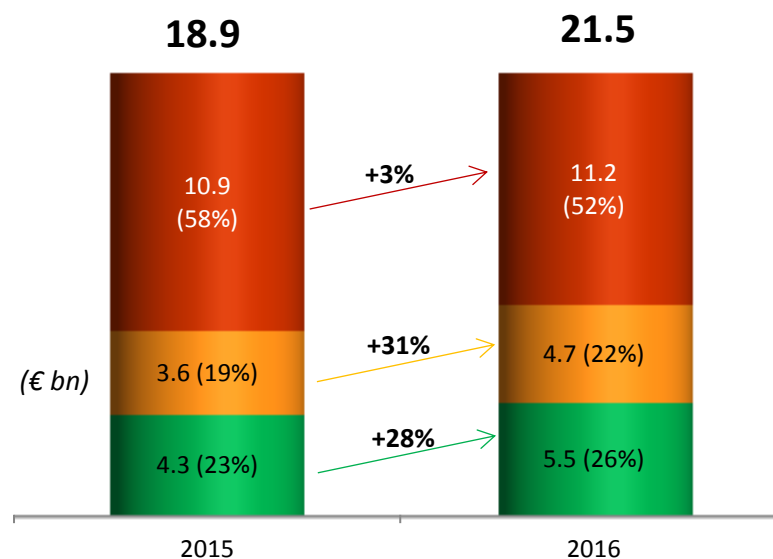
Product Mix



- Managed solutions
- Traditional insurance products
- Security accounts
- Current accounts

Managed solutions

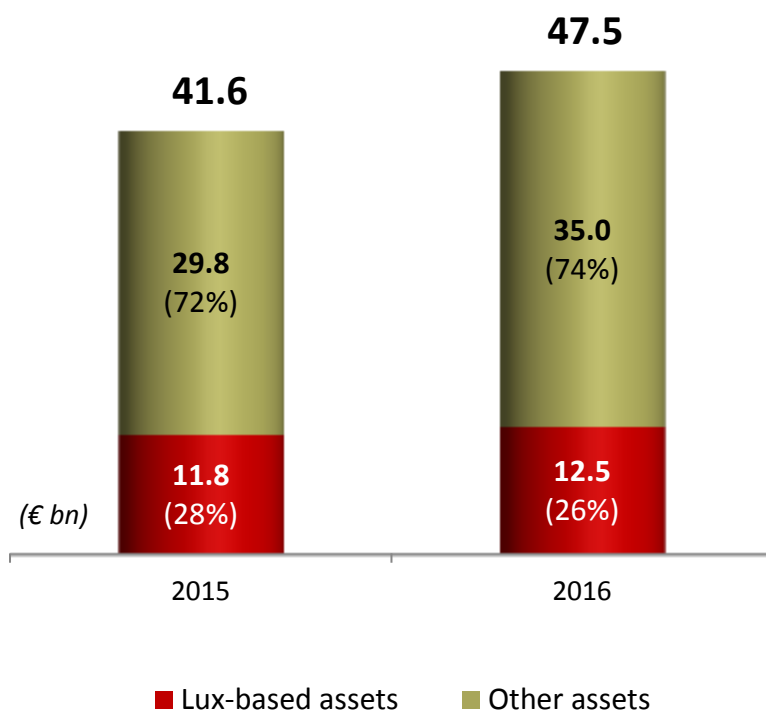
Product mix



- Multi-line insurance
- Portfolio management
- Funds/SICAVs

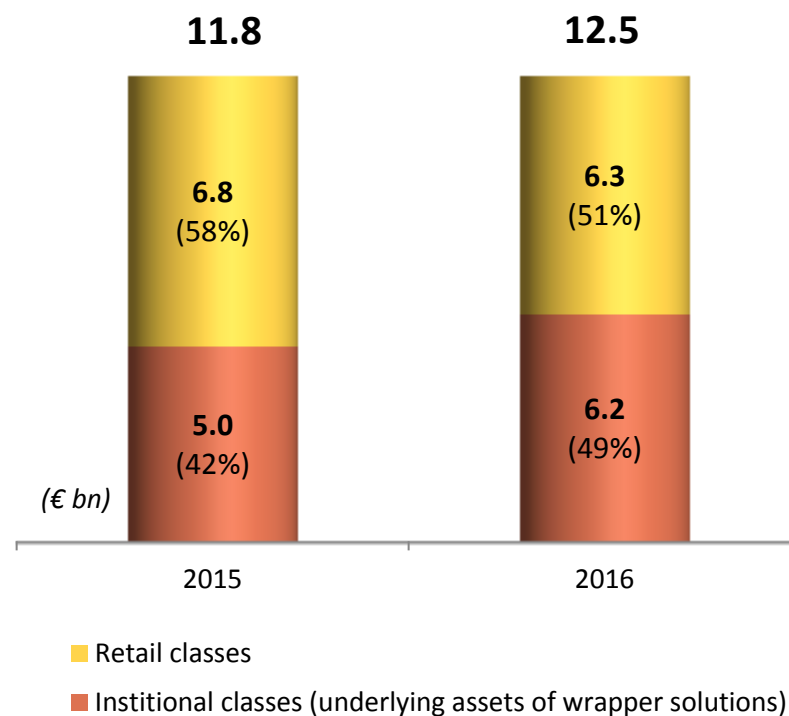
Total Assets

Lux-based assets/Total assets

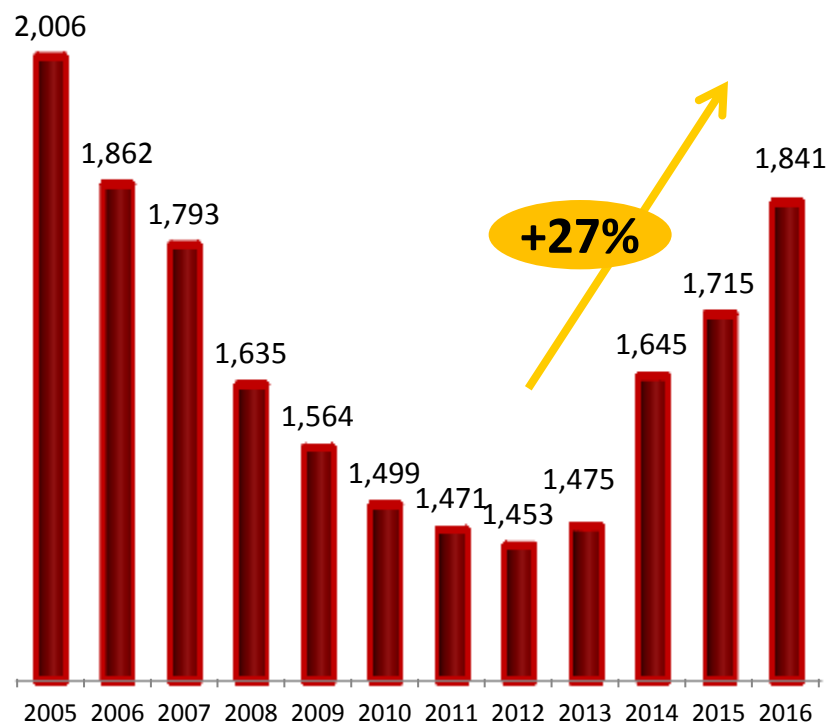


Lux-based assets

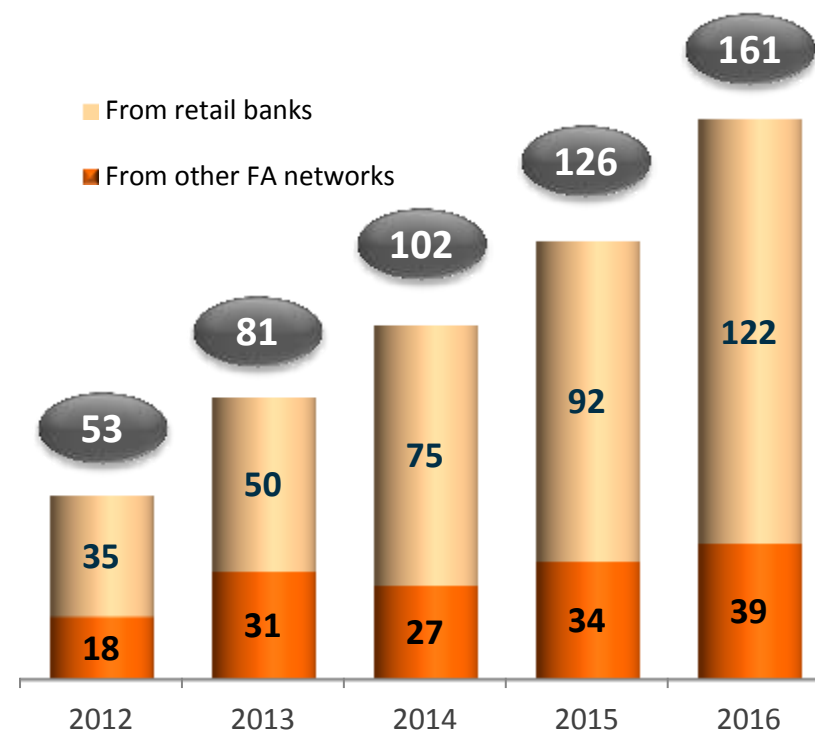
Retail vs. Institutional classes



No. of Financial Advisors (FAs)



No. of new recruits



Key highlights

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2017: Execution, Execution, Execution

Final phase of implementation of the 3Y strategic repositioning to deliver sustainable growth in the new MIFID 2 environment

Roll-out of the new **ADVISORY CONTRACT**
one year ahead of MIFID 2 introduction

BG Personal
ADVISORY



Further increasing the penetration of
WRAPPERS as the product of choice for
Clients and FAs

BG Stile Libero

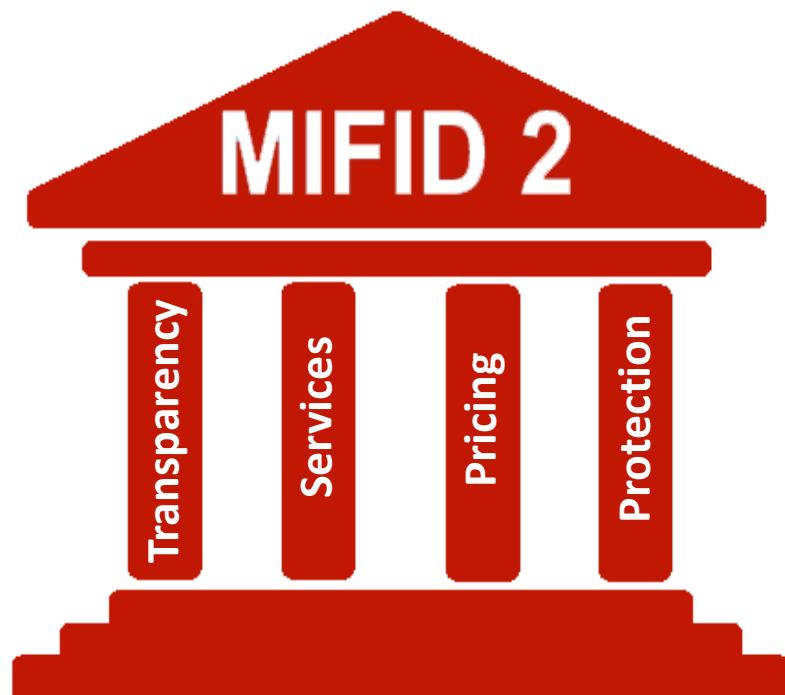
BG SOLUTION

BG Stile Libero
PRIVATE INSURANCE

BG SOLUTION
TOP CLIENT

Reaping the benefits of the **WEALTH MANAGEMENT APPROACH**
in clients advisory amongst the retail network





Roll-out of the new advisory contract
already completed

BASE CONTRACT: SMART, COMPREHENSIVE (INVESTMENT
+ NON-INVESTMENT ADVISORY), MIFID II COMPLIANT

NEW 'FEE-ON-TOP/FEE ONLY' CONTRACT: ROLL-OUT
ALREADY STARTED, FLEXIBLE AND CONSISTENT WITH
PERIMETER OF ADVISORY

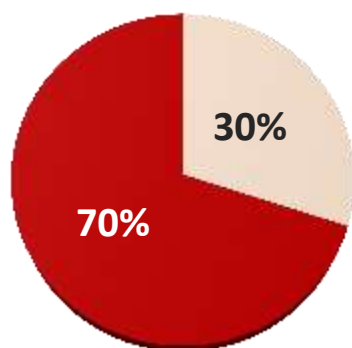
ONGOING FINE-TUNING THROUGHOUT 2017 LINKED TO
EVOLUTION OF DIRECTIVE IMPLEMENTATION



MIFID DAY
Q3 2017

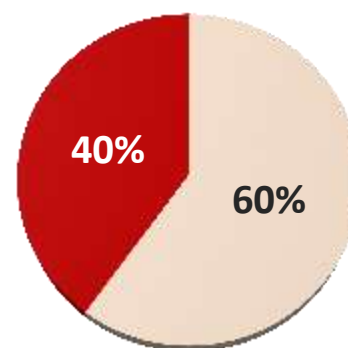
In force FAs' network

Avg. wrapper AUM: 14%



New recruits (2015/2016)

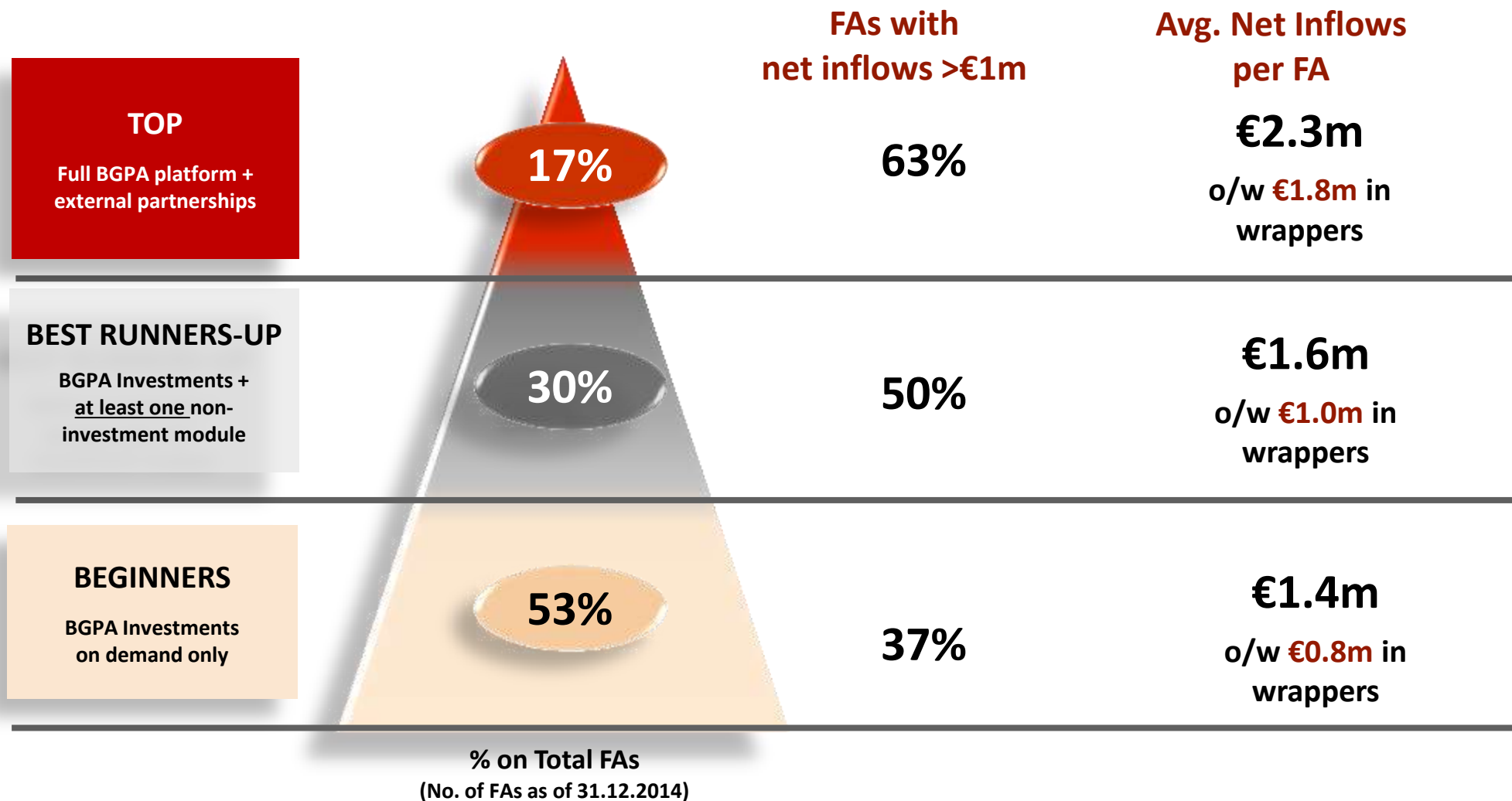
Avg wrapper AUM: 28%



■ FAs with Wrapper AUM < 20% of tot. assets
■ FAs with Wrapper AUM > 20% of tot. assets

- 
- **EFFECTIVE TOOL FOR RECRUITMENT**
 - **RELEVANT POTENTIAL TO LEVERAGE: up to €6bn in 3Yrs**

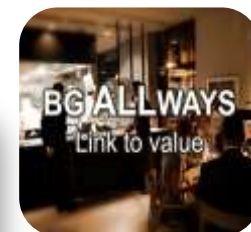
Wealth Management, a booster of inflows



BGPA: IT platform active on three modules: Investments + real-estate advisory + estate planning

BANCA GENERALI'S VISION

We want to be the first Private Bank in Italy in terms of quality of products, services and innovations.



BANCA GENERALI'S MISSION

We have the clear mission of being trustable people taking the Client through time, building and caring about his/her life projects thanks to Wealth Management and a comprehensive product and service offer



APRIL						
Su	Mo	Tu	We	Th	Fr	Sa
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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Annual General Meeting
(1st call)

MAY						
Su	Mo	Tu	We	Th	Fr	Sa
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7	8	9	10	11	12	13
14	15	16	17	18	19	20
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Approval of 1Q 2017 results
Investor Conference call

JULY						
Su	Mo	Tu	We	Th	Fr	Sa
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9	10	11	12	13	14	15
16	17	18	19	20	21	22
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30	31					

Approval of 1H 2017 results
Investor Conference call

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Banca Generali Investor App

