

FY 2017 RESULTS

1 MARZO 2018



**BANCA
GENERALI**

Preliminary remarks

FY 2017 results

Net Inflows, assets and recruiting

Business update

Net inflows and total clients' assets at highest level ever

- ❑ Net inflows at €6.9bn (+21%), with managed solutions at €5.8bn (+129%)
- ❑ Total assets at €55.7bn (+17%) driven by managed solutions at €28.0bn (+30%)
- ❑ Total professionals at 1,936 (+5%) with an average portfolio of €28.8m (+12%)

**TOTAL NET
INFLOWS**

**€6.9bn
(+21%)**

Record high results coupled with a strong push for growth

- ❑ Strong revenue growth (+22%) driven by healthy recurring business trend
- ❑ New fee revenues (advisory, trading, entry) recorded double digit-growth (+29%)
- ❑ Operating costs (+3%) fell within the guidance and well below revenue growth

**NET
PROFIT**

**€204.1m
(+31%)**

FY2017 RESULTS AT A GLANCE

P&L AS IS

(€ m)	12M 16	12M 17	% Chg
Net Interest Income	58.7	61.4	4.7%
Net income (loss) from trading activities and Dividends	34.7	18.1	-47.9%
Net Financial Income	93.4	79.5	-14.9%
Gross fees	604.7	760.5	25.8%
Fee expenses	-295.7	-348.7	17.9%
Net Fees	309.0	411.7	33.2%
Total Banking Income	402.4	491.3	22.1%
Staff expenses	-80.5	-84.8	5.4%
Other general and administrative expense	-140.1	-149.8	6.9%
Depreciation and amortisation	-5.9	-8.1	37.1%
Other net operating income (expense)	44.5	54.9	23.2%
Total operating costs	-182.0	-187.9	3.2%
<i>Cost /Income Ratio</i>	<i>43.7%</i>	<i>36.6%</i>	<i>-7.1 p.p.</i>
Operating Profit	220.4	303.4	37.7%
Net adjustments for impair.loans and other assets	-0.8	-5.4	599.1%
Net provisions for liabilities and contingencies	-34.7	-59.2	70.5%
Gain (loss) from disposal of equity investments	-0.1	-0.2	210.7%
Profit Before Taxation	184.8	238.6	29.1%
Direct income taxes	-28.9	-34.5	19.1%
<i>Tax rate</i>	<i>15.7%</i>	<i>14.4%</i>	<i>-1.3 p.p.</i>
Net Profit	155.9	204.1	30.9%

SOLID TOTAL BANKING INCOME (+22%)

Solid business trend coupled with favorable variable fees

LIMITED COSTS INCREASE (+3.2%)

Costs well under control despite the sharp increase in assets (+17%)

WRITE-OFF OF €5.4M

Linked to the write-off of banks' rescue fund (FITD) and to an Alitalia bond impairment

PROVISIONS LINKED TO RECORD-HIGH BUSINESS EXPANSION

Significant increase in volumes (organic + recruiting) and better product mix (managed solutions more than doubled yoy)

RECLASSIFICATION OF FEE EXPENSES (1/3)

RATIONALE: IMPROVING UNDERSTANDING OF COST BREAKDOWN

**Highlighting different nature of
FEE EXPENSES**

1. Fee expenses to **FAs**
2. Fee expenses to **THIRD-PARTIES**

**Highlighting different nature of
FA COSTS**

1. TOTAL **ORDINARY** fee expenses
2. **COST OF GROWTH** (organic + recruitment)

**Focusing provisioning to
RISK AND CHARGES ONLY**

	2016	2017	YoY	Legenda
Provisions OLD	-34.7	-59.2	71%	A
o/w Cost of growth	-23.6	-41.2	75%	B
Provisions NEW	-11.1	-18.0	62%	C= A-B

NEW RECLASSIFICATION (2/3)

RECONCILIATION WITH PREVIOUS BOOKING

(€ m)	12M 16	12M 16		12M 17	12M 17	
	OLD	NEW	delta	OLD	NEW	delta
Net Interest Income	58.7	58.7		61.4	61.4	
Net Trading income	34.7	34.7		18.1	18.1	
Net Financial Income	93.4	93.4		79.5	79.5	
Gross Fees	604.7	604.7		760.5	760.5	
Total fee expenses	-295.7	-319.3	-23.6	-348.7	-390.0	-41.2
Net Fees	309.0	285.4		411.7	370.5	
Total Banking Income	402.4	378.7		491.3	450.0	
Staff expenses	-80.5	-80.5		-84.8	-84.8	
Other G&A expense	-140.1	-140.1		-149.8	-149.8	
Depreciation and amortisation	-5.9	-5.9		-8.1	-8.1	
Other net operating income (expense)	44.5	44.5		54.9	54.9	
Total operating costs	-182.0	-182.0		-187.9	-187.9	
<i>Cost /Income Ratio</i>	<i>43.7%</i>	<i>46.5%</i>	<i>-2.8 p.p.</i>	<i>36.6%</i>	<i>39.9%</i>	<i>-3.3 p.p.</i>
Operating Profit	220.4	196.7		303.4	262.2	
Net adjustments	-0.8	-0.8		-5.4	-5.4	
Net provisions	-34.7	-11.1	23.6	-59.2	-18.0	41.2
Gain (loss) from disposal of equity investment	-0.1	-0.1		-0.2	-0.2	
Profit Before Taxation	184.8	184.8		238.6	238.6	
Direct income taxes	-28.9	-28.9		-34.5	-34.5	
<i>Tax rate</i>	<i>15.7%</i>	<i>15.7%</i>		<i>14.4%</i>	<i>14.4%</i>	
Net Profit	155.9	155.9		204.1	204.1	

NEW RECLASSIFICATION (3/3)

FOCUS ON FEE EXPENSES

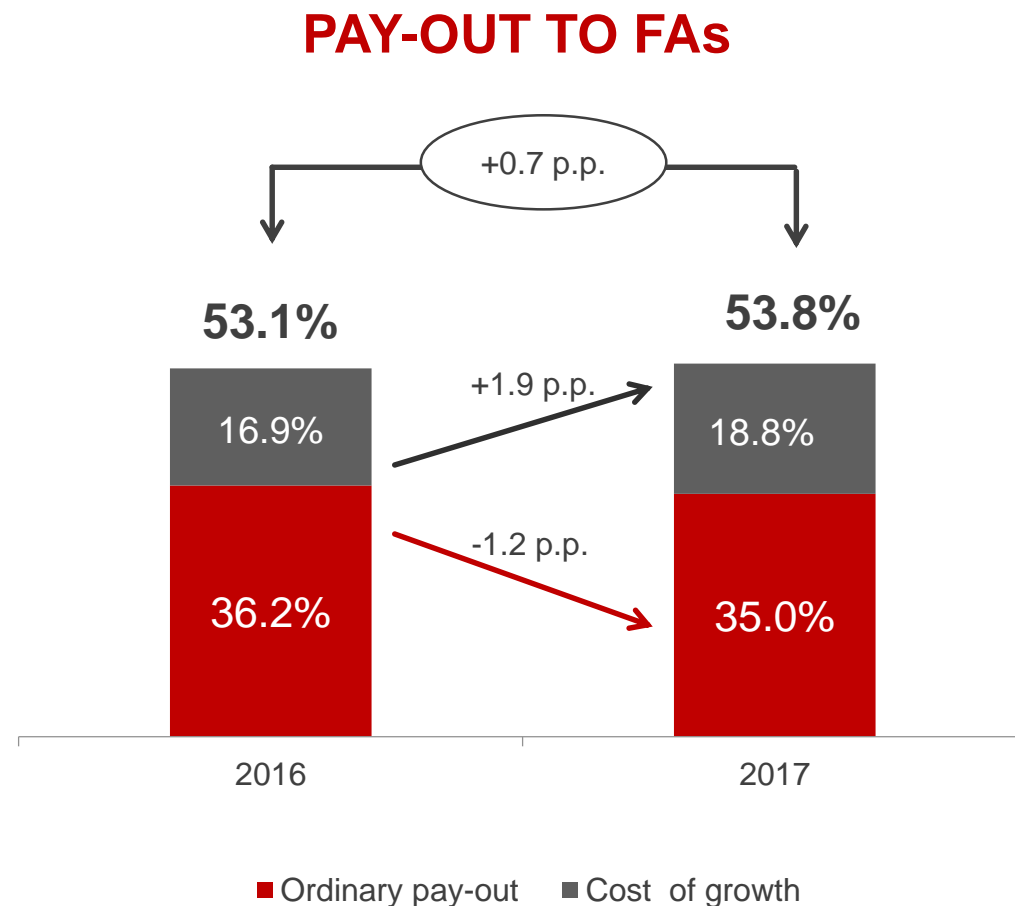
€m		2016	2017	YoY
A	Total Fee expenses OLD	-295.7	-348.7	18%
B	+ Reclassification of provisions	-23.6	-41.2	74%
C= A+B	TOTAL FEE EXPENSES NEW	-319.3	-390.0	22%
C.1	o/w TOTAL fee expenses to FAs	-285.4	-347.2	22%
	Fee expenses to FAs - ordinary	-194.5	-225.8	16%
	Fee expenses to FAs - cost of growth	-90.9	-121.4	34%
C.2	o/w TOTAL fee expenses to Third Parties	-33.9	-42.7	26%

PAY-OUT TO FAs

LOWER ORDINARY COMPONENT, HIGHER COST OF GROWTH

PAY-OUT TO FAs ORDINARY VS. EXTRAORDINARY COMPONENT

€m	2016	2017	delta
Total fee expenses to FAs	285.4	347.2	61.8
o/w Fee expenses - ordinary	194.5	225.8	31.3
o/w Fee expenses - growth	90.9	121.4	30.5



Preliminary remarks

FY 2017 results

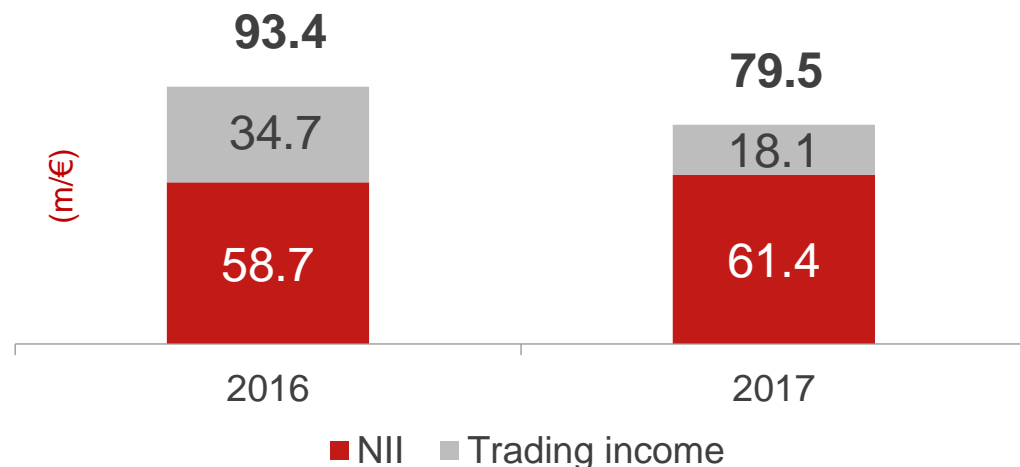
Net Inflows, assets and recruiting

Business update

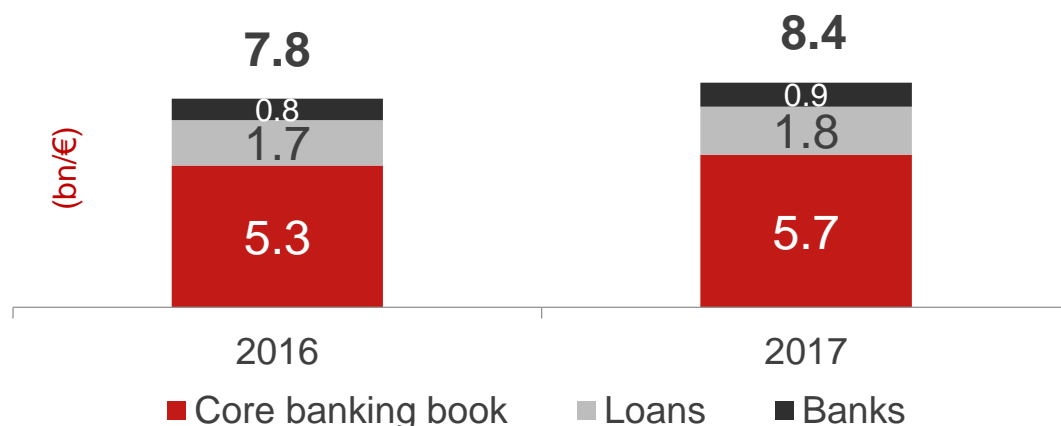
REVENUES: NET FINANCIAL INCOME (1/2)

GROWING BANKING ASSETS

NET INTEREST INCOME + TRADING INCOME



INTEREST-BEARING ASSETS



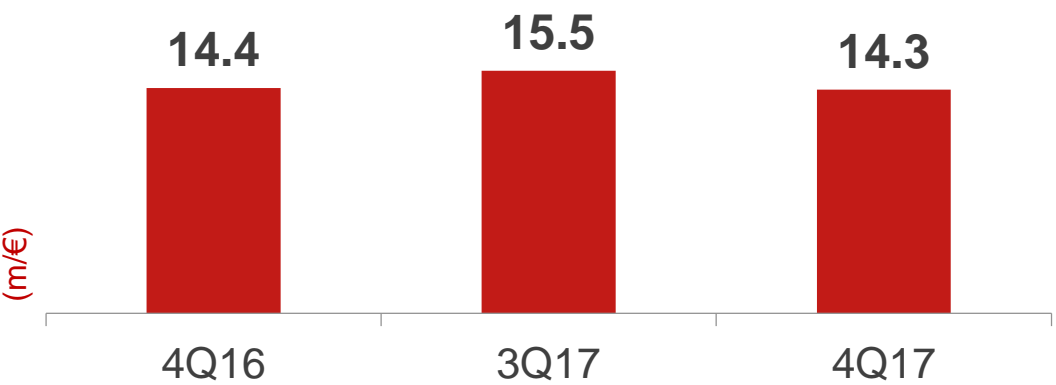
TREND IN LINE WITH PREVIOUS QUARTERS

Net Interest Income + 5% yoy
Proprietary trading -48% yoy

GROWING BANKING ASSETS (+7%)

Strong growth in banking assets driven by the acquisition of new clients (deposits +13%). This led to an increase in banking book (+8%) and lending portfolio (+5%)

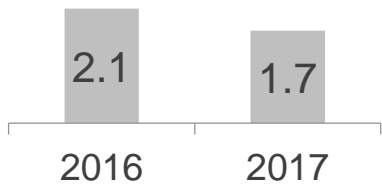
NII QUARTERLY TREND



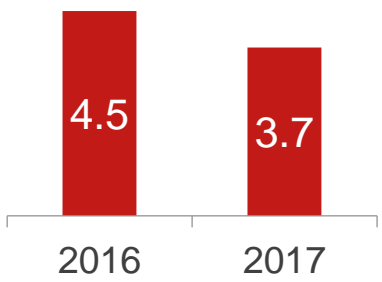
DE-RISK STRATEGY WEIGHED ON 4Q17 NII

Temporary increase of the cash position by ECB at year-end to reduce risk exposure ahead of general election

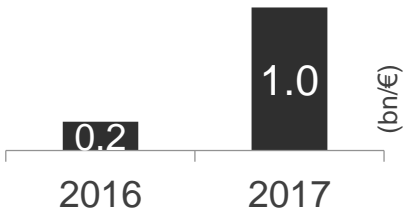
DURATION



MATURITY



SECURITIES < 1YR



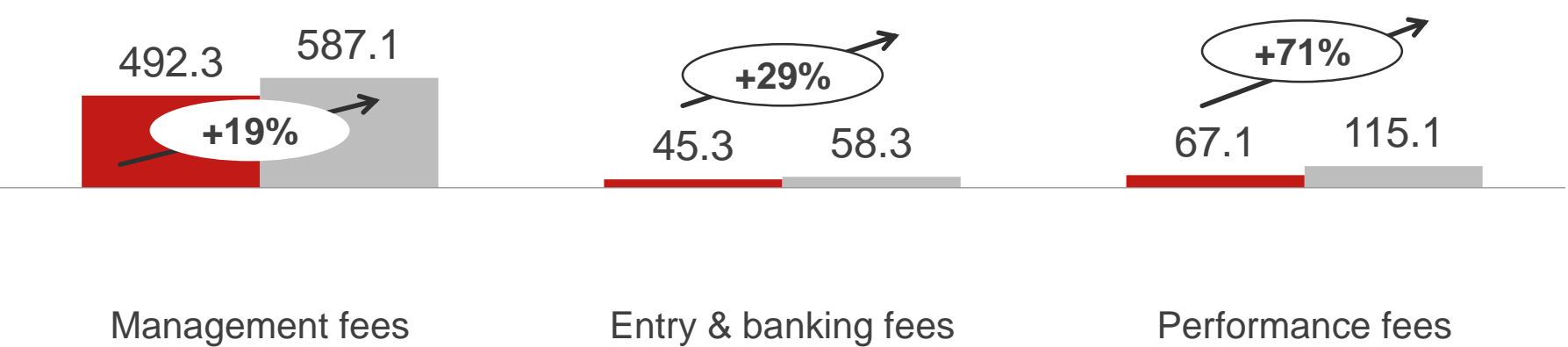
CONSERVATIVE BANKING BOOK PROFILE

Investment at 99% in bonds (o/w 94% govt bond, 54% floating rate) with a further reduction in duration (1.7 yrs) and maturity (3.7 yrs)

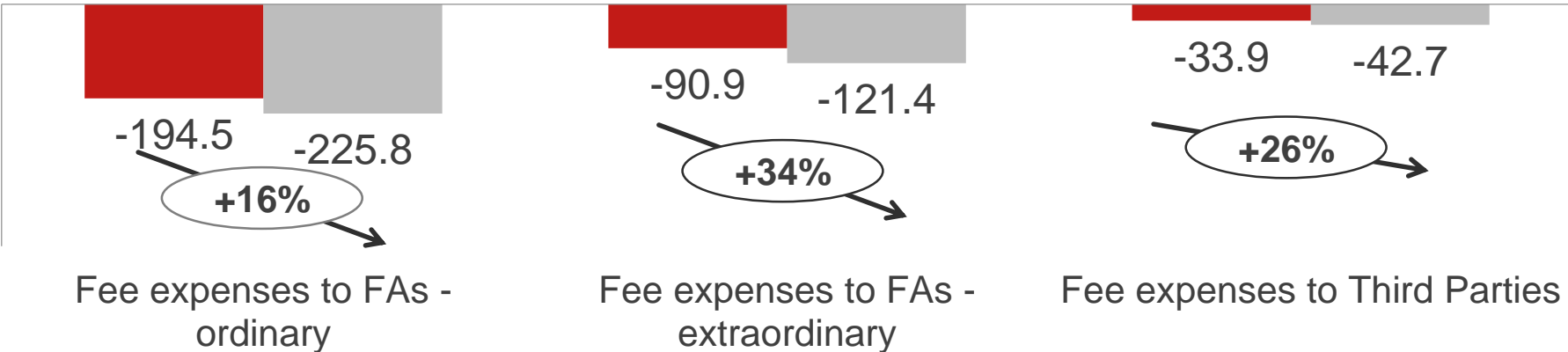
REVENUES: NET FEE INCOME

FEE BREAKDOWN

**GROSS
FEE INCOME**
760.5



FEE EXPENSES
390.0



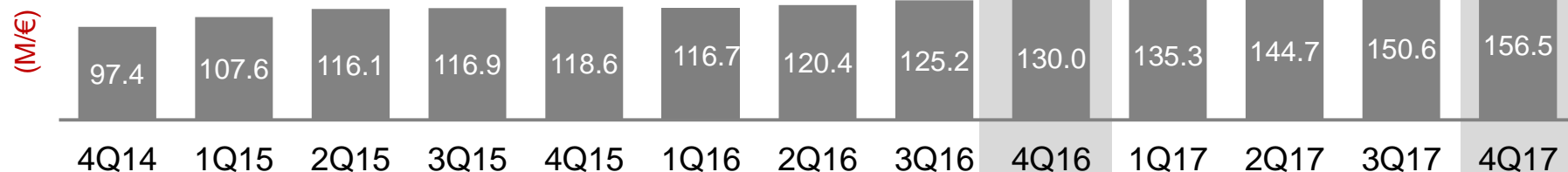
(€ m)

■ 2016 ■ 2017

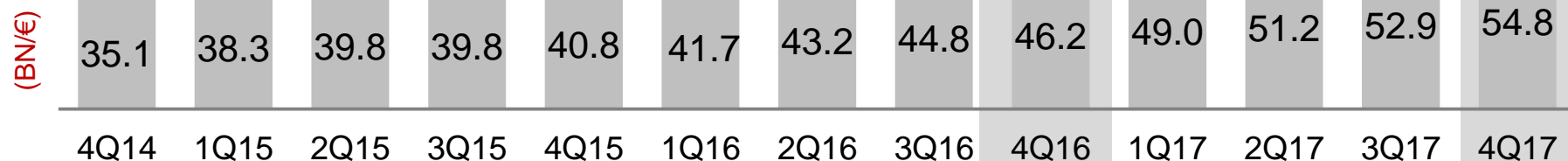
REVENUES: MANAGEMENT FEES & MARGIN

QUARTERLY TREND

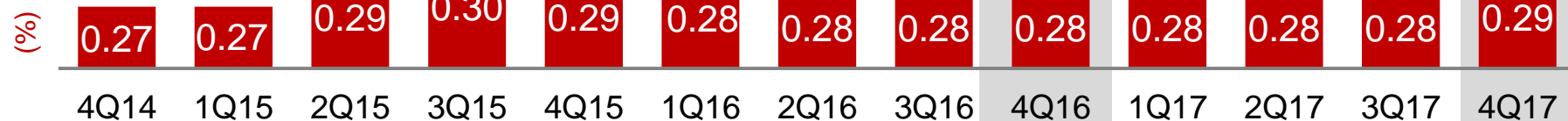
MANAGEMENT FEES



TOTAL AVG. MANAGED ASSETS



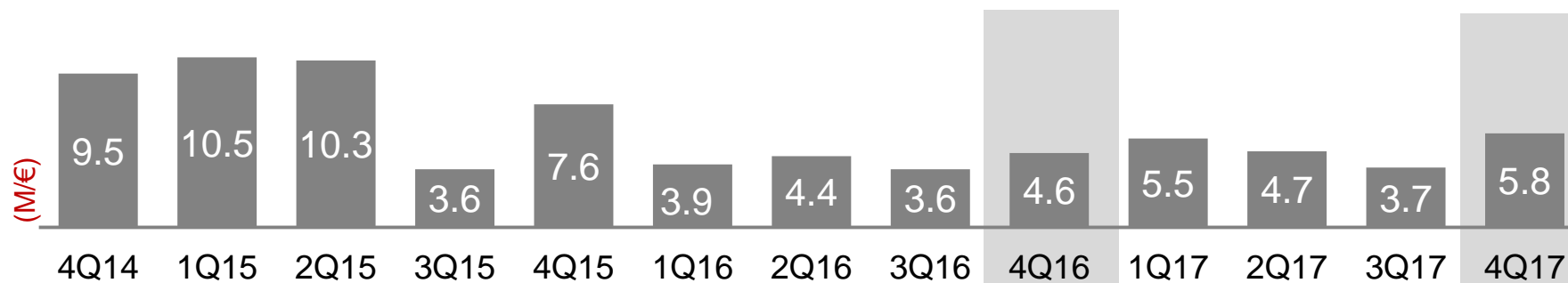
MANAGEMENT FEES MARGINS



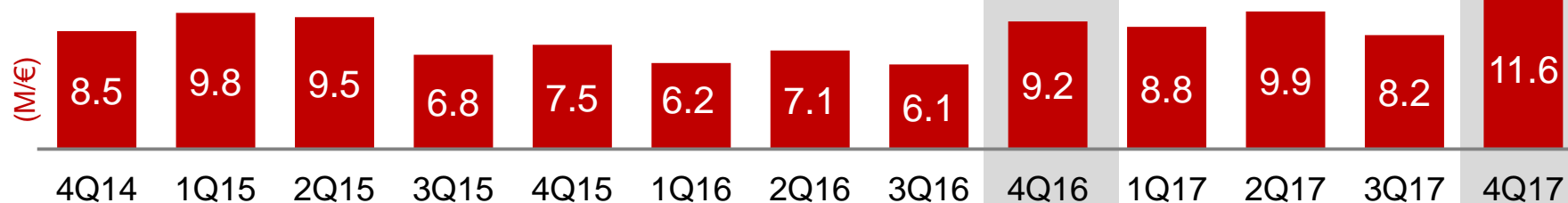
REVENUES: OTHER FEES

QUARTERLY TREND

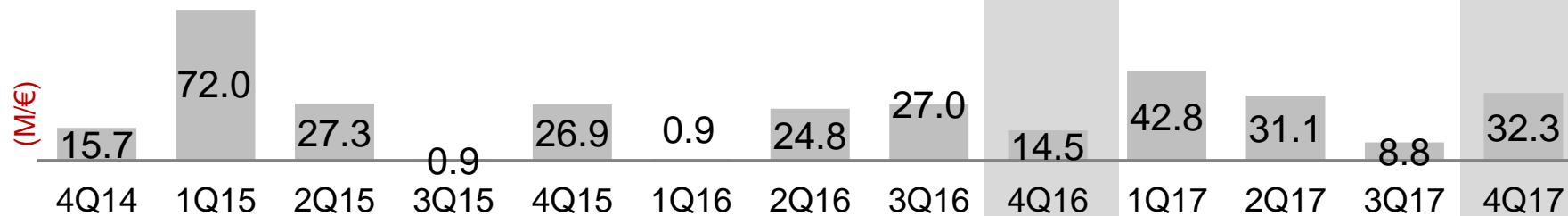
FRONT FEES



BANKING FEES



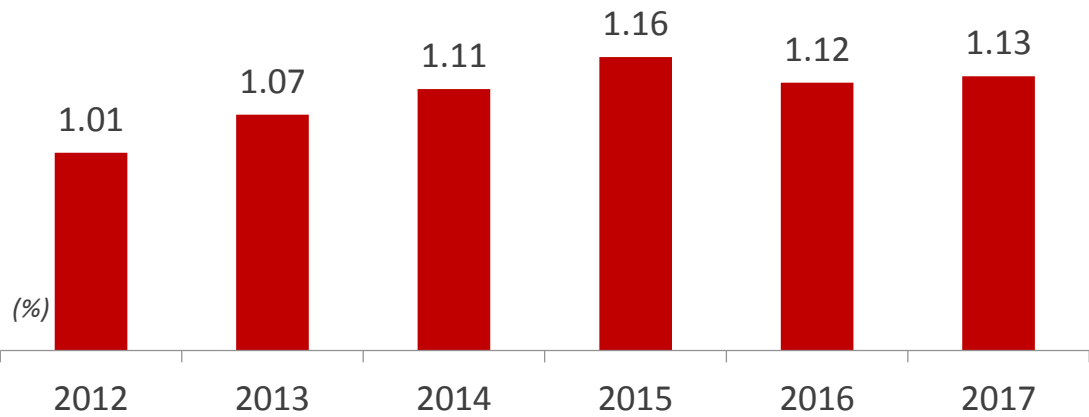
PERFORMANCE FEES



BREAKDOWN OF ANNUALISED FEE-MARGIN

GROSS MARGINS

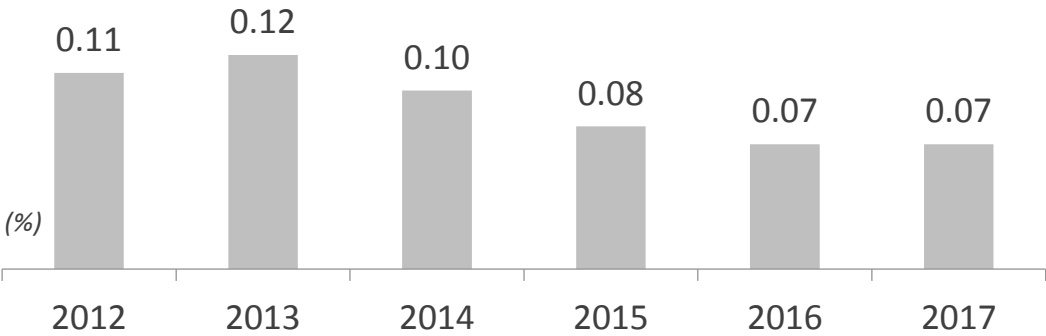
MANAGEMENT FEES



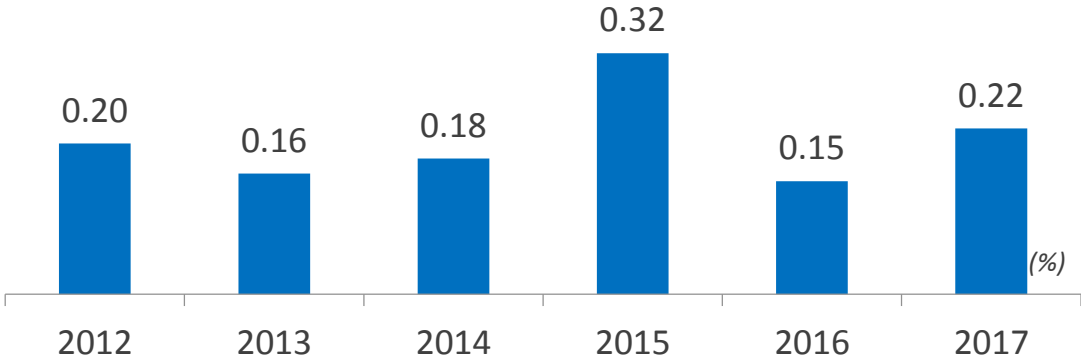
ENTRY FEES



BANKING FEES AND TRADING



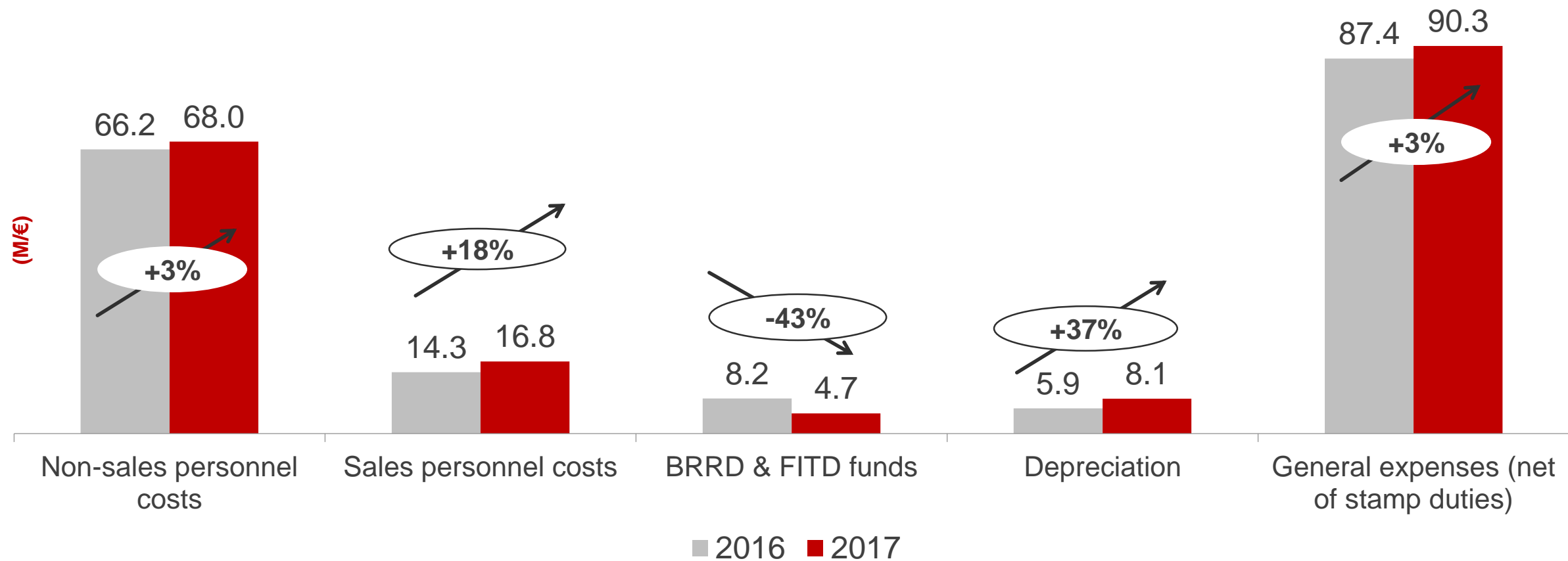
PERFORMANCE FEES



Fee margin based on average assets on an annualised basis

OPERATING COSTS BREAKDOWN

COSTS TREND WELL BELOW REVENUE GROWTH

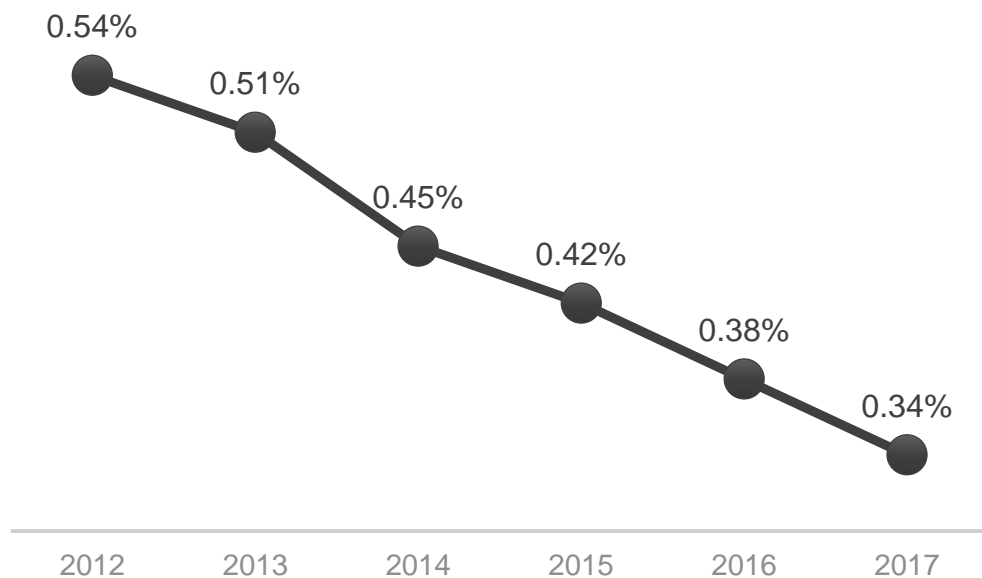


TOTAL OPERATING COSTS +3.2% VS. GUIDANCE OF >+2%< +4%

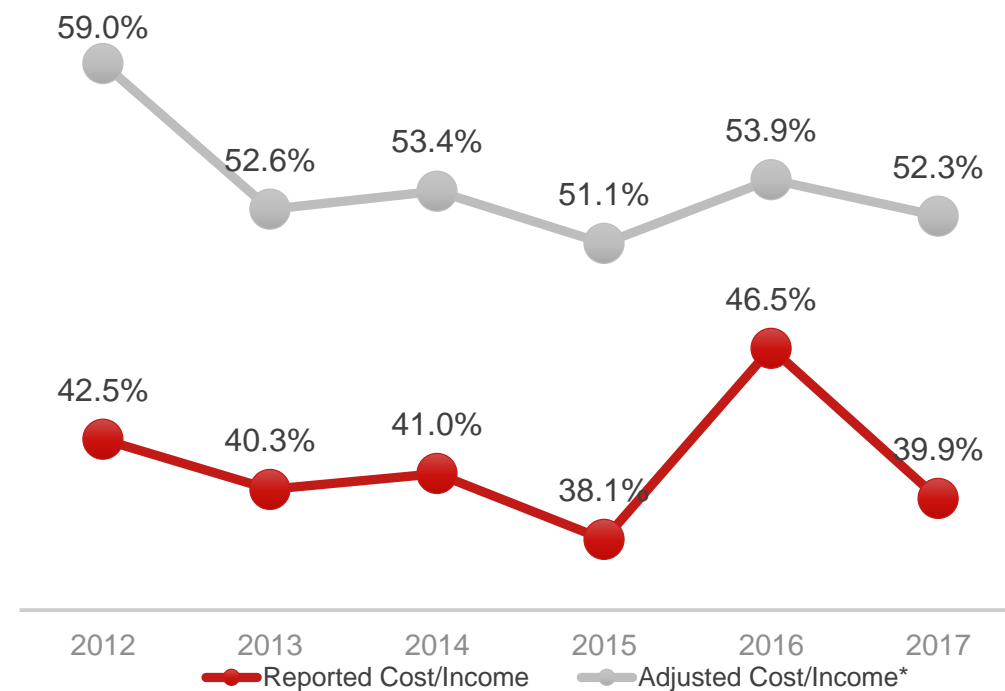
COST RATIOS

OPERATING LEVERAGE

OPERATING COSTS/TOTAL ASSETS



COST-INCOME RATIO

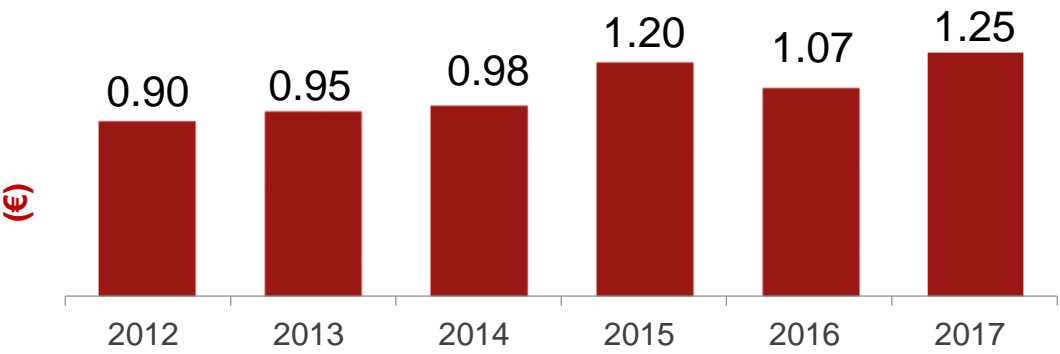


Cost/Income ratio revised according to the new reclassification of fee expenses

* Excluding performance fees and other extraordinary components (LTRO, BRRD payments)

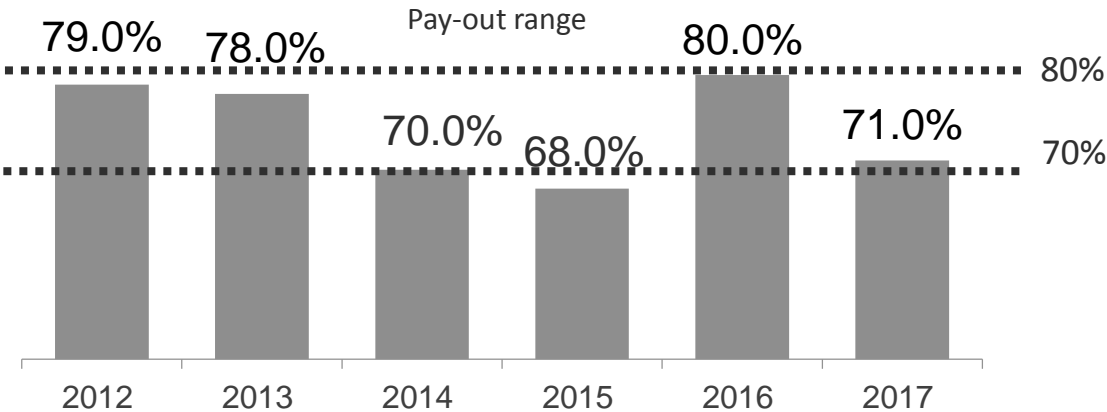
DIVIDEND PROPOSAL TO AGM

DIVIDEND PER SHARE (DPS)

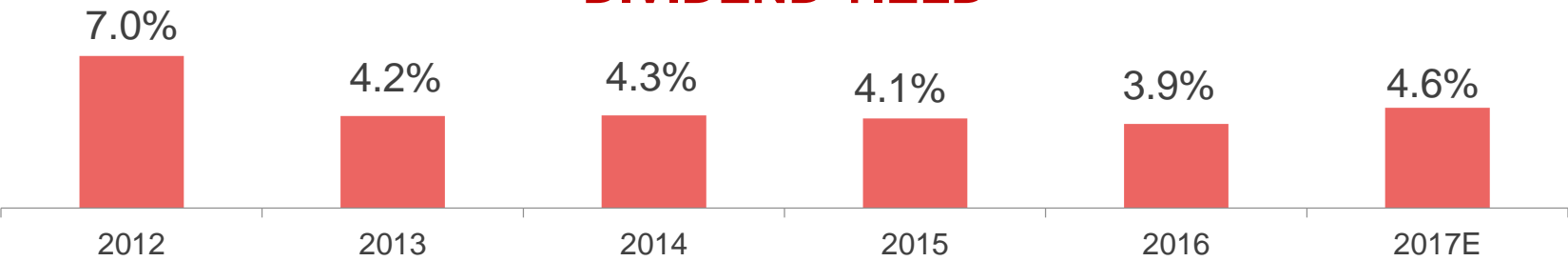


(¹) AGM scheduled for 11 April 2018

DIVIDEND PAY-OUT



DIVIDEND YIELD

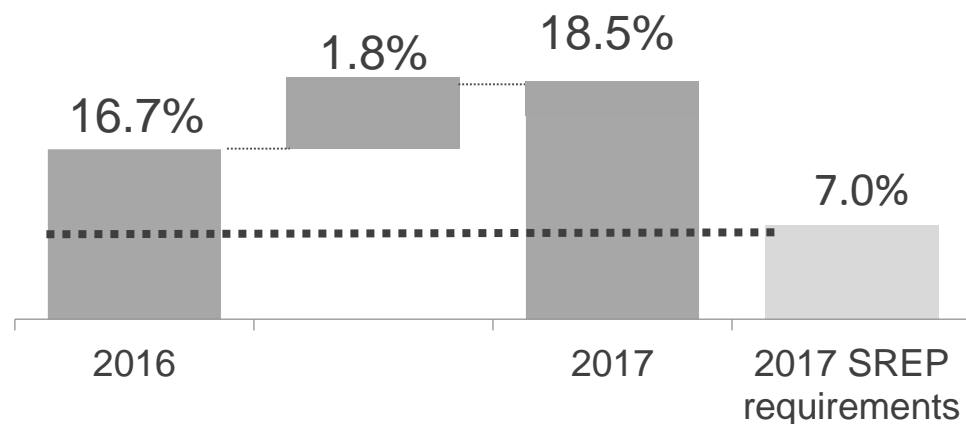


2012-16 dividend yield based on the closing price of the year. 2017 dividend yield based on the price as of 26 February 2018 (€27.38)

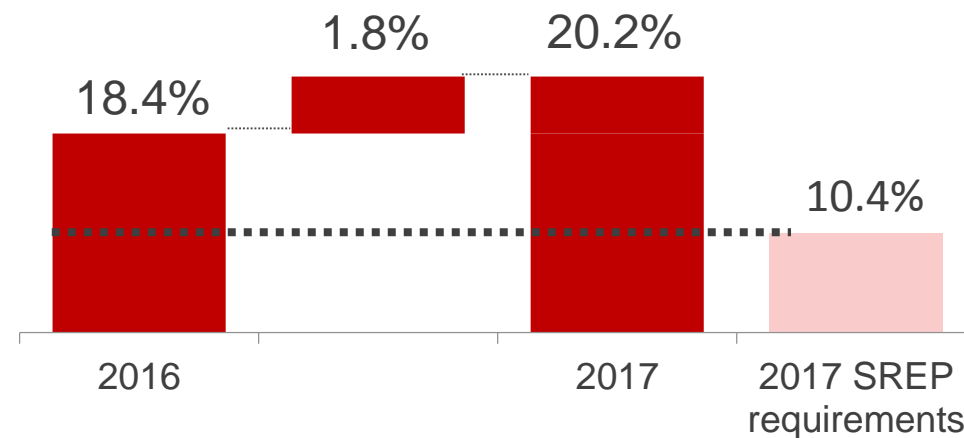
SOLID CAPITAL POSITION

CAPITAL RATIOS FURTHER IMPROVING

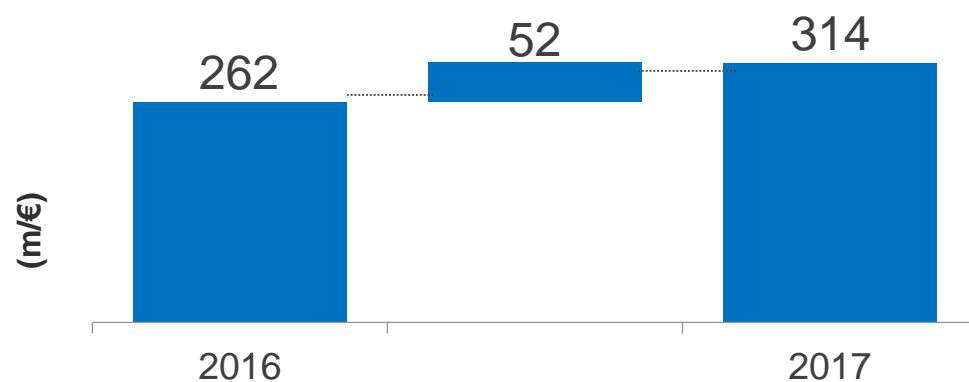
CET1 RATIO



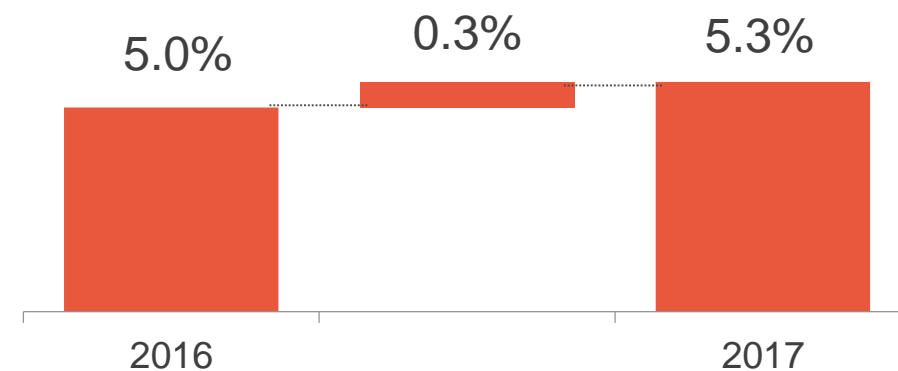
TOTAL CAPITAL RATIO



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 (phased-in basis). On a fully-phased basis: CET 1 ratio at 18.7%, TCR at 21.0%

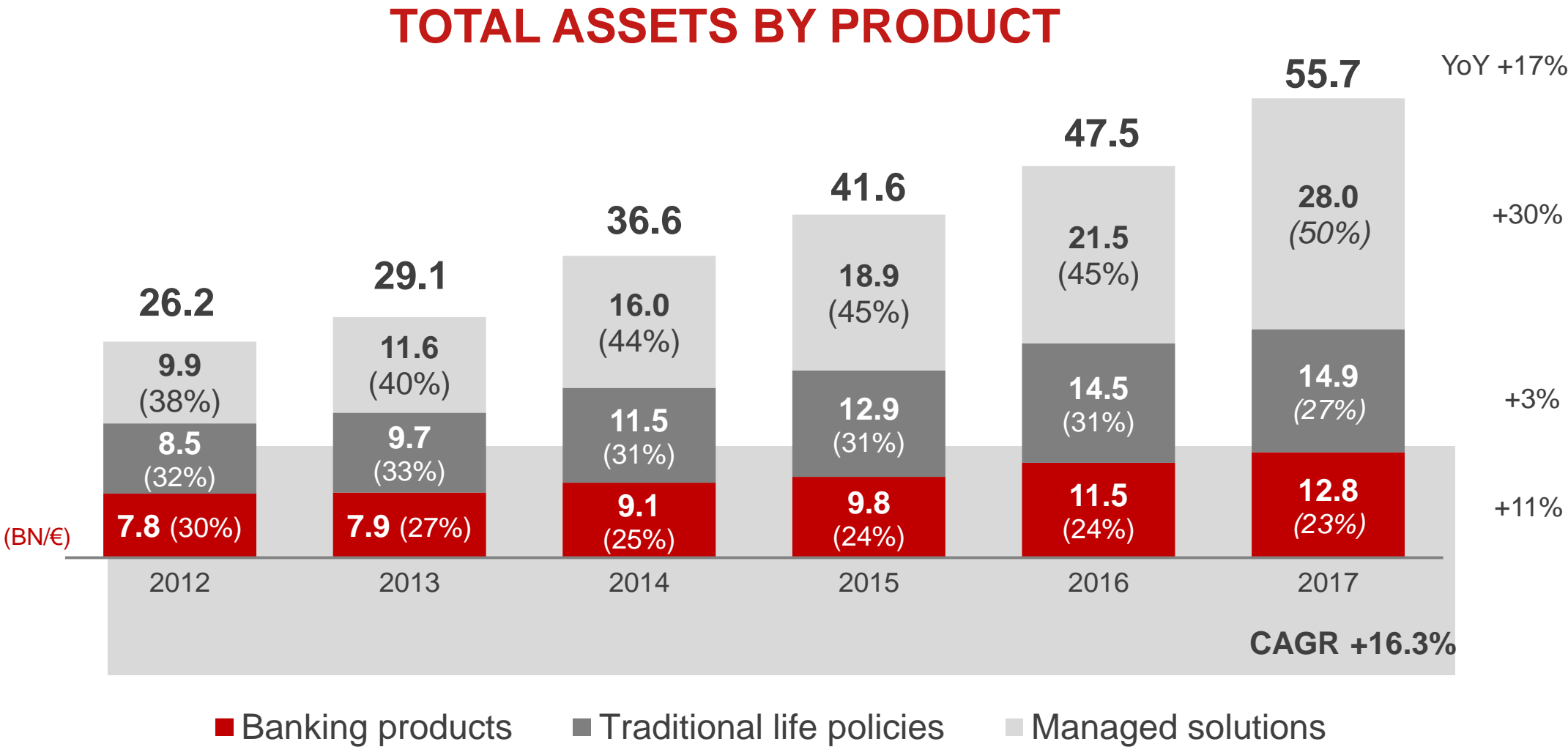
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Business update

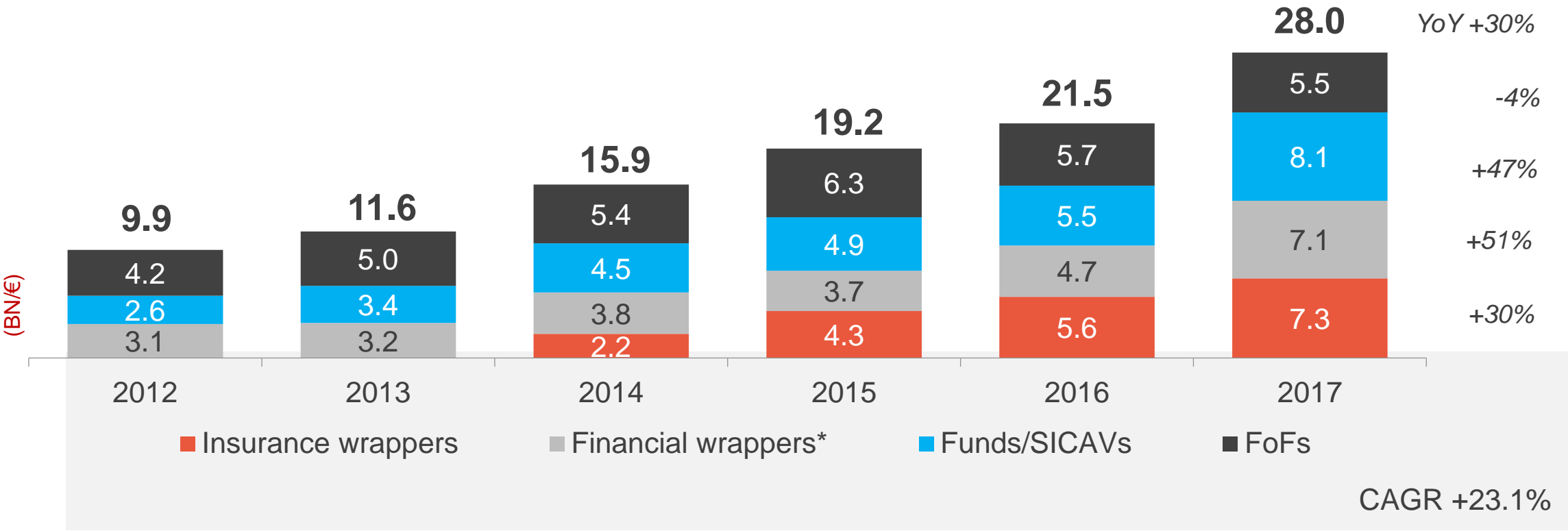
RECORD HIGH BUSINESS EXPANSION (1/4)
ASSET GROWTH DRIVEN BY MANAGED SOLUTIONS



RECORD HIGH BUSINESS EXPANSION (2/4)

MANAGED SOLUTIONS AT 50% OF TOTAL

BREAKDOWN OF MANAGED SOLUTIONS

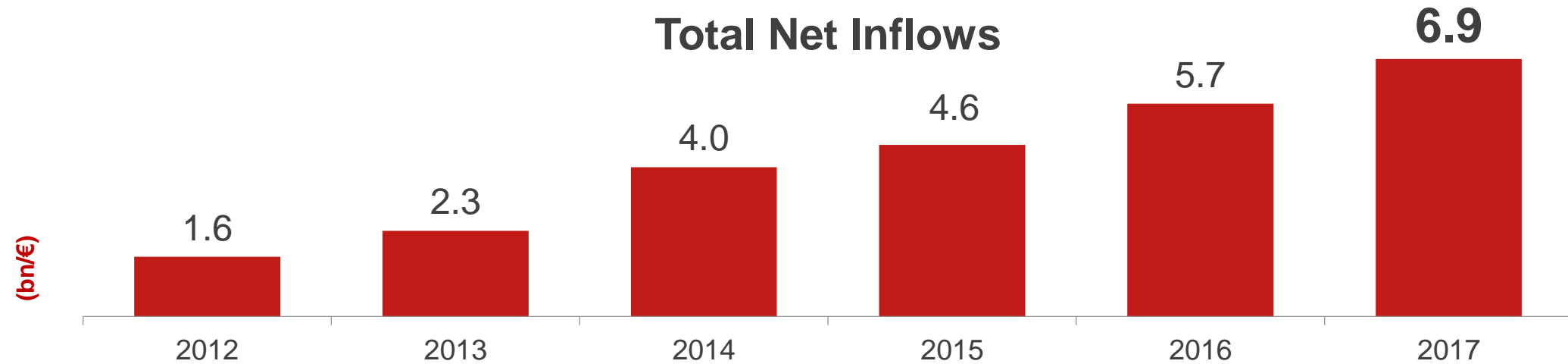


FINANCIAL WRAPPERS* already at 26% of total assets (51% of managed solutions)

(*) including discretionary mandates

RECORD HIGH BUSINESS EXPANSION (3/4)

2017 NET INFLOWS AT 14% OF STARTING ASSETS



**% of STARTING
ASSETS**

6.9%

8.6%

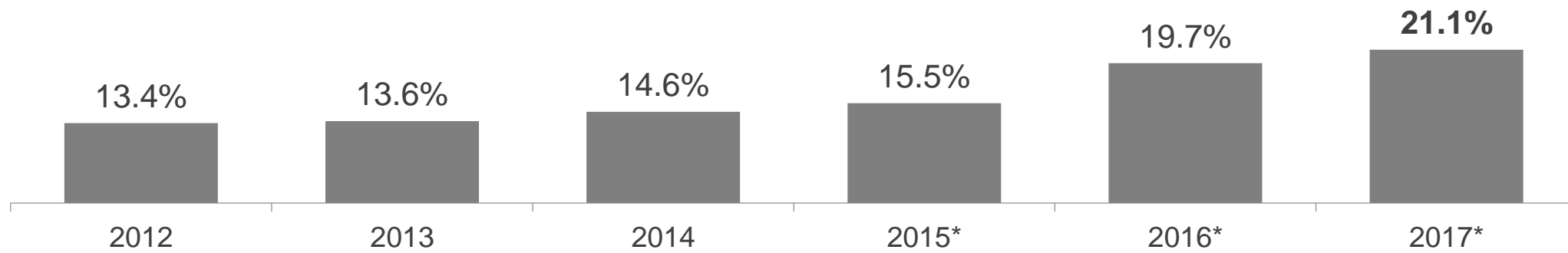
13.8%

12.7%

13.6%

14.4%

Banca Generali's share of Assoreti net inflows

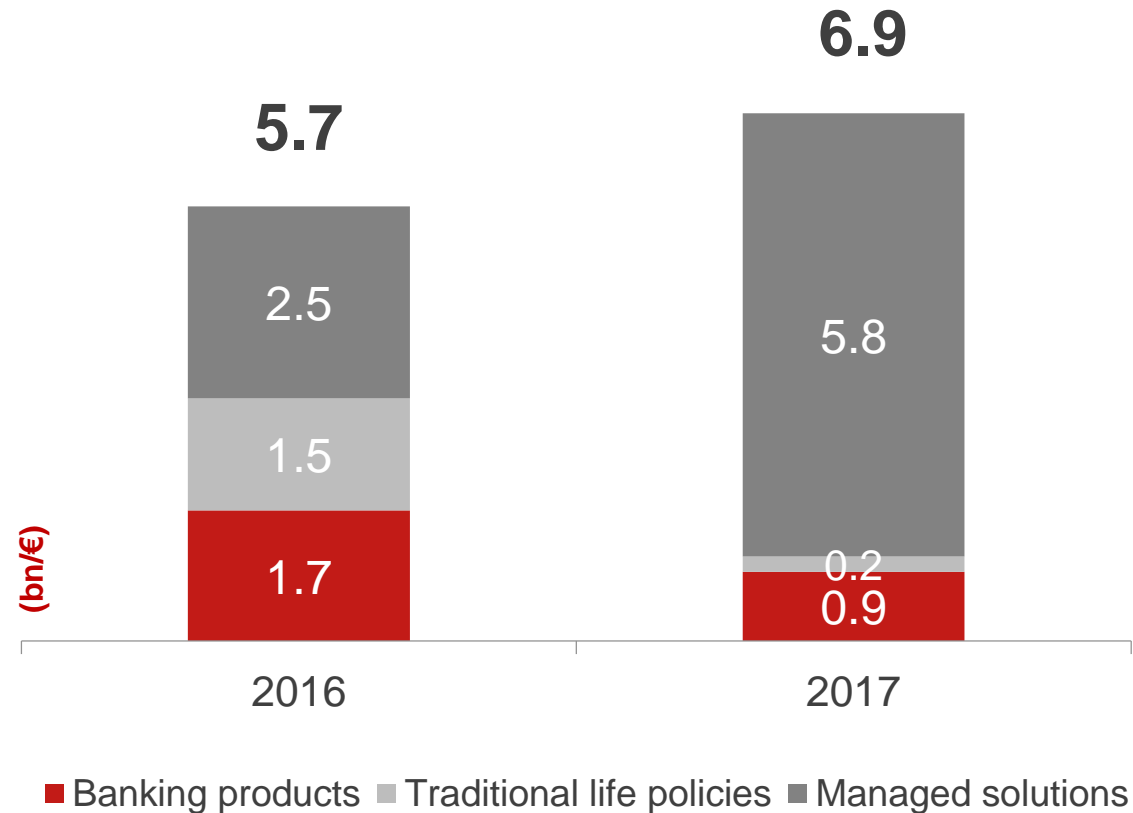


* excl. ISPB on a *like-for-like* basis

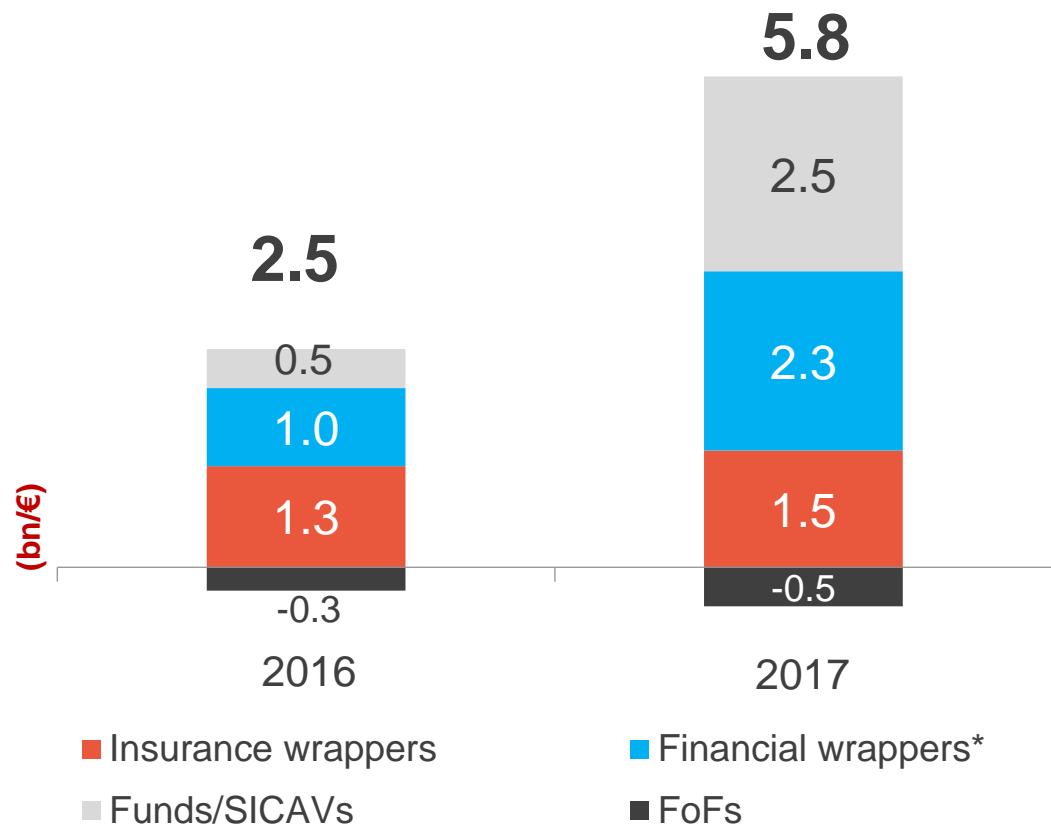
RECORD HIGH BUSINESS EXPANSION (4/4)

MANAGED SOLUTIONS MORE THAN DOUBLED YOY

TOTAL NET INFLOWS



NET INFLOWS IN MANAGED SOLUTIONS

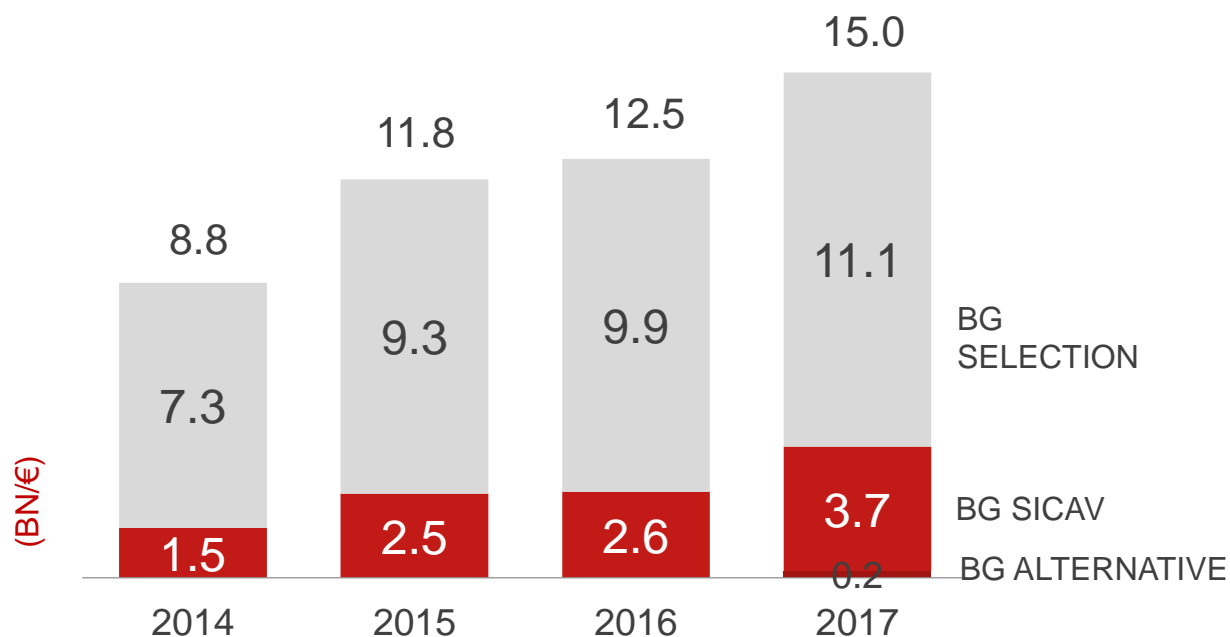


(*) including discretionary mandates

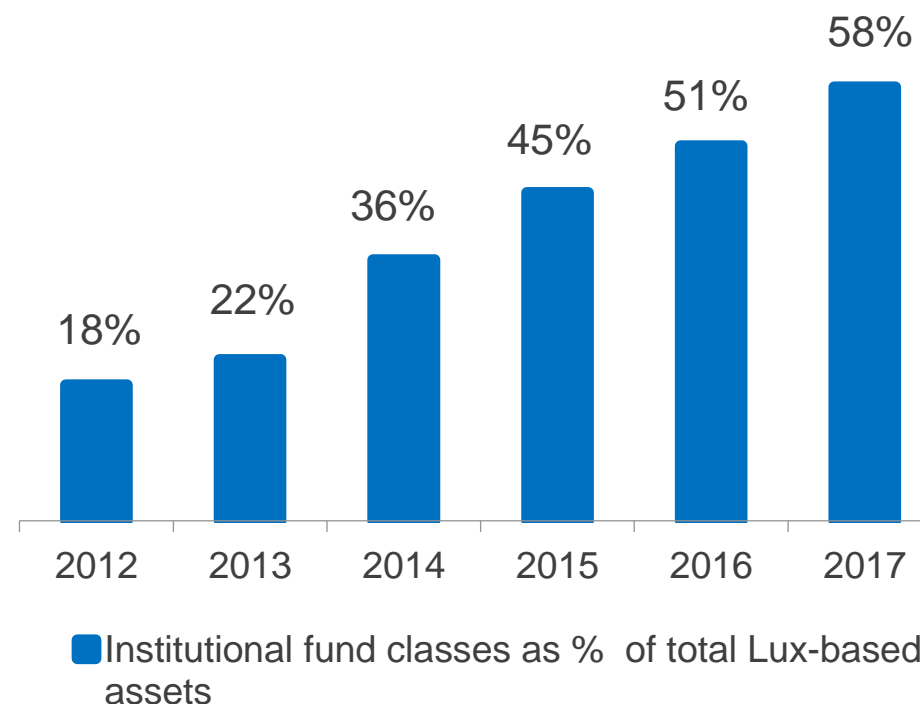
BG FUND MANAGEMENT

GROWTH DRIVEN BY THE INSTITUTIONAL COMPONENT

LUX-BASED ASSETS



SHARE OF INSTITUTIONAL FUND CLASSES



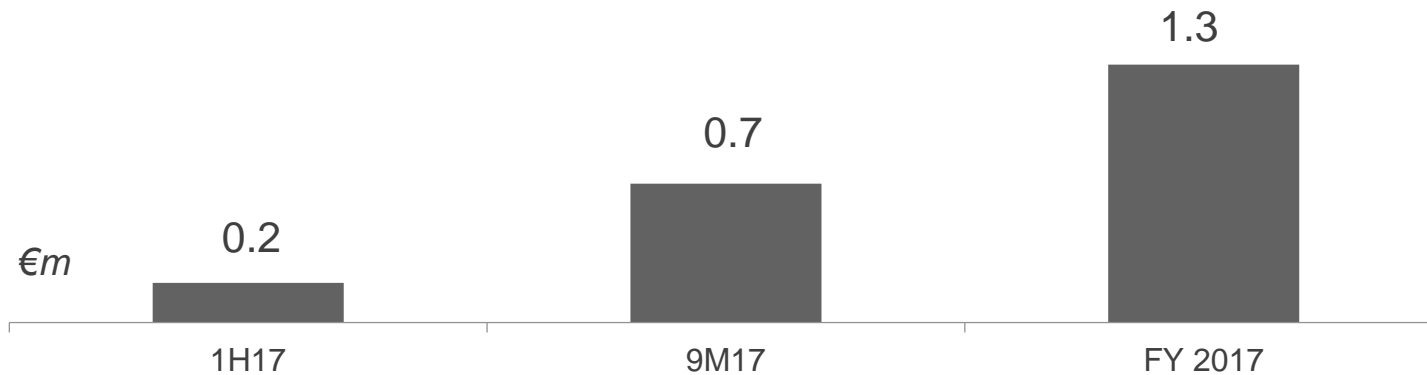
ASSETS REBALANCING in favour of institutional fund classes (58% of total vs. 18% in 2012)

BG ADVISORY CONTRACT

A STRONG START

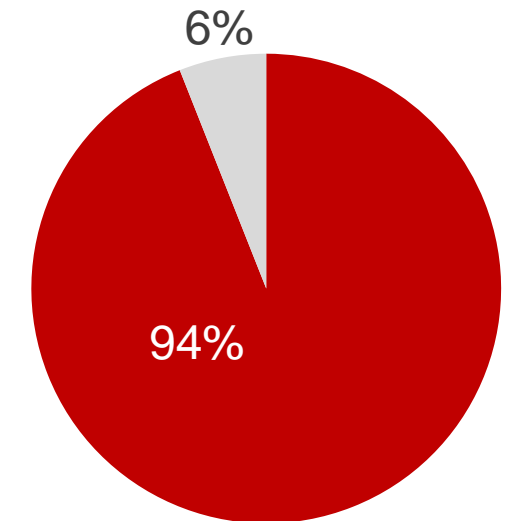
WEALTH MANAGEMENT APPROACH TAKES GROUND

ASSETS UNDER ADVISORY



- 24% of the FA network already proactive on offering advisory contracts
- Assets under advisory almost entirely as fee-on-top model
- Already 2,300 contracts with an average fee of 48 bps

BG Personal
ADVISORY

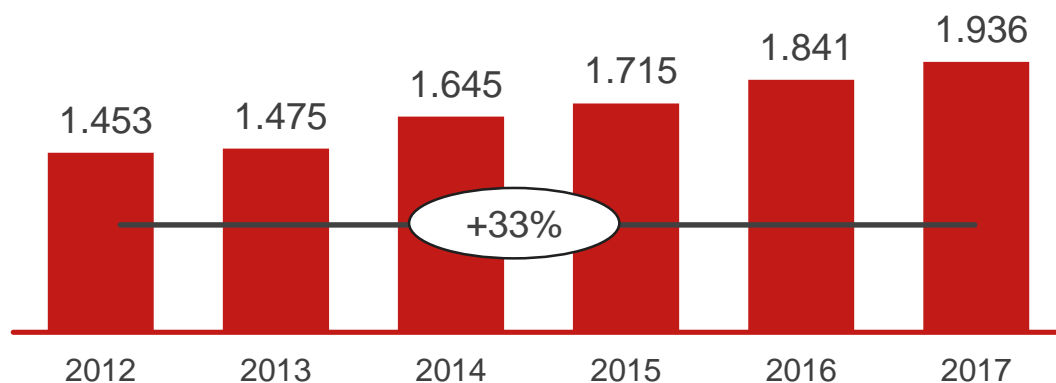


■ Fee on top ■ Fee only

ADVISORY NETWORK

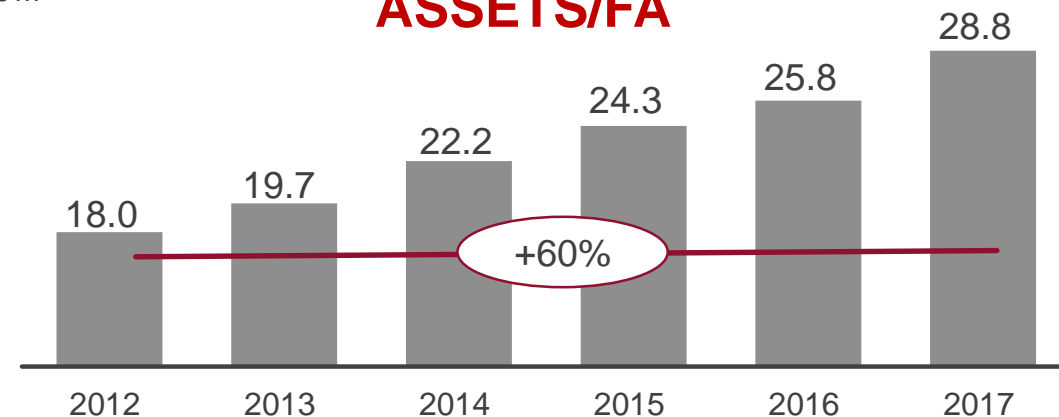
STEADY QUALITY GROWTH

TOTAL No. OF FAS

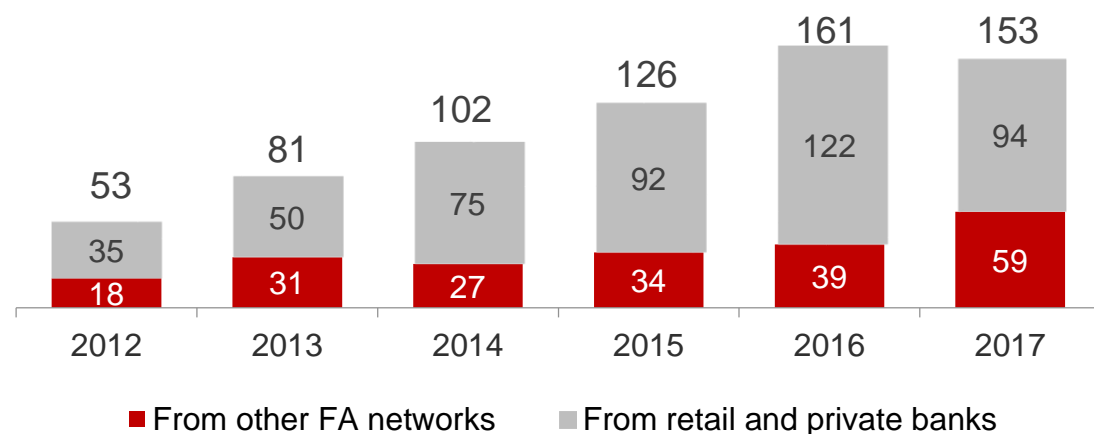


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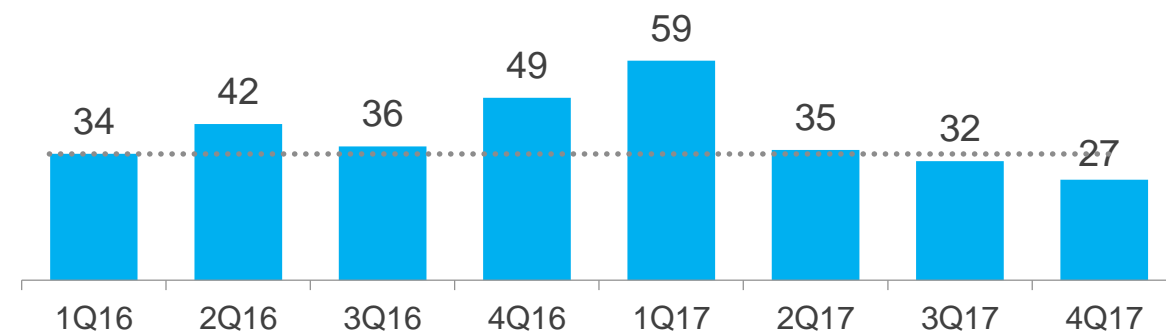
ASSETS/FA



No. OF NEW RECRUITS



No. OF NEW RECRUITS BY QUARTER

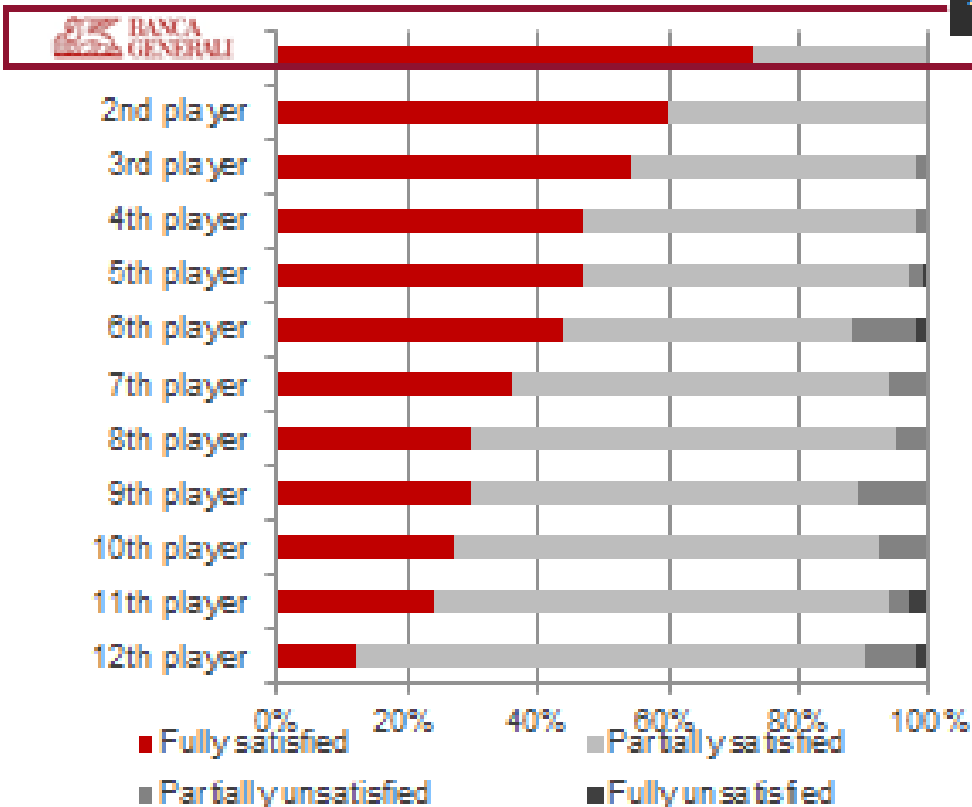


BRAND PREFERENCE (1/2)

FA AND PB NETWORKS

Total satisfaction index
PF Monitor 2017- Eurisko

FA network



Brand Equity synthetic index company
PB Monitor 2017 - Eurisko

PRIVATE

Società	2015	2016	2017
Player 1	1°	1°	1°
2nd player	2°	2°	2°
3rd player	3°	3°	3°
4th player	4°	4°	4°
5th player	5°	5°	5°
6th player	6°	6°	6°
7th player	7°	7°	7°
8th player	8°	8°	8°
9th player	9°	9°	9°
10th player	10°	10°	10°
11th player	11°	11°	11°
12th player	12°	12°	12°

BRAND PREFERENCE (2/2)

CLIENTS AND BUSINESS COMMUNITY

Best FA network
Istituto Tedesco di Qualità e Finanza



Best FA network for the
third year in a row

Best private bank in Italy
Financial Times



Best Private Bank in Italy for
the second year in a row

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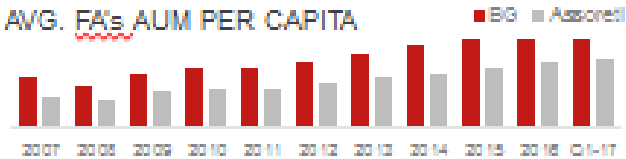
Business update

BUSINESS UPDATE

2018 KEY BUSINESS INITIATIVES

CLEAR STRATEGY

THREE STRATEGIC PILLARS



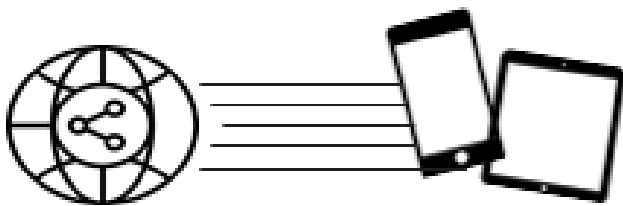
Quality of
FA network

- QUALITY** – Profile moving private
- PRODUCTIVITY** – Holistic approach
- TARGET**– Clear private banking upswing



Wealth
Management
Approach

- WEALTH MANAGEMENT** – New offering taking ground
- ADVISORY** – Seizing growth potential
- PRODUCTS** – Ongoing evolution



Digital
Mindset

- FAs** – Comprehensive set of digital tools
- BANK** – New approach to banking processes
- CLIENTS** – Dedicated banking solutions

QUALITY OF THE FA NETWORK

2018 KEY PROJECTS



2018

2019

Key business initiatives

1Q 2Q 3Q 4Q

✓ **FA Network reorganisation**



Reorganisation of the network to further enhance **private and WM market positioning** and to provide bespoke support to each FA's clusters

✓ **Organic growth vs. Recruiting**



Focus on on a **well-balance growth** with a target of 50/50 contribution to net inflows between existing networks and new recruits

✓ **New FA Training platform**



New training platform combining physical/digital tools, ongoing training opportunities and spread of best practice

✓ **Launch of BG Team of FAs**



Introducing **new model for managing high profile bankers**. Target 80-100 teams by 2020

New Event marketing policy



Increasing number of events on the territory in co-marketing with the network

WEALTH MANAGEMENT APPROACH

2018 KEY PROJECTS



2018 PIPELINE

2019

Key business initiatives

1Q

2Q

3Q

4Q



Advisory contract

BG Personal
ADVISORY

Ongoing **expansion of BG Advisory** based on the strong start in 2017. Target €5bn by 2021 (€1.5bn YTD)

Private Certificates



Increased penetration of **certificates for private clients** to tactically exploit investment opportunities

Launch of the new Lux-based SICAV

LUX IM

New investment strategies to better align with customers needs and with the new Mifid 2 environment

BG Stile Libero 2.0

BG Stile Libero
2.0

Widening of insurance covers (trading losses and critical illness, with yearly consolidation), also on illiquid investments

New Discretionary mandates

BG SOLUTION
BG NEXT



All **fiduciary discretionary mandates** switched into BG Solution and BG Next as of the start of the year

NEW LUX-BASED SICAV

PRODUCT INNOVATION



- **40 new innovative investment strategies** plus 20 successful strategies of the current offer
- **4 families of product:** Long Term Trend, Income generation, New sources of Alpha, Risk Mitigation
- Increasing **product sustainability** in a MIFID2 environment
- **New Performance fees calculation and recurrent profitability in line with wrapper solutions**

DIGITAL MINDSET

2018 KEY PROJECTS



2018 2019

Key business initiatives

1Q	2Q	3Q	4Q
✓	Robo-4-Advisors	BG Personal ADVISORY	
✓	Lending platform	QUICLIC Pega	
✓	Corporate Platform	SAXO BANK	
		IRMA BG irm@	

New platform to be combined with BGPA and **support FA daily activity and advisory services** on an ongoing basis

Expanding offer of Lombard lending services through the brand new **digital process on the new platform (Quiclic)**

Expanding **knowledge and understanding of corporate clients** in terms of economics, governance, benchmark

New trading platform to improve **client service** (primarily private and corporate ones) while developing **new source of revenues**

New organisation of the contact center with **dedicated assistance** and support by robotics. Outsourcing of low value activities

CLOSING REMARKS

2018 KEY BUSINESS OBJECTIVES

JANUARY 2018

NET INFLOWS

> €4.0 BN (o/w > 50% from existing network)

€465m

**WRAPPERS & NEW
SICAV (LUX IM)**

> €2.0 BN

€301m

**ASSETS under
ADVISORY**

>€1.0 BN additional assets u. advisory

€120m

RECRUITING

120-140 professionals

20

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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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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