

# 1Q 2018 RESULTS

23 APRIL 2018



**BANCA  
GENERALI**

**Preliminary remarks**

1Q 2018 results

Net Inflows, assets and recruiting

Business update

## Solid inflows in a more challenging financial set

- ❑ Net inflows at €1.6bn with a more defensive mix reflecting market conditions
- ❑ Total assets at €56.4bn (+13%YoY, +1%YTD), managed assets at 77%
- ❑ In the 12 months since inception Assets under Advisory at €1.7bn
- ❑ Total professionals at 1,974 (+5%YoY) with avg. portfolio of €28.6m (+7% YoY)

### NET INFLOWS

**€1.6bn**  
(-14% yoy)

### TOTAL ASSETS

**€56.4bn**  
(+13% yoy)

## Resilient net profit on a tough comparison

- ❑ Net profit at €49.0m (recurring profit €32m, +107%, variable profit €17m, -58%)
- ❑ Recurring revenues<sup>1</sup> up by 20% (reported -7%) on enhanced sustainability
- ❑ Reported and adjusted Cost/Income down to 39% as costs fell 1% YoY
- ❑ CET1 ratio and TCR at new high of 20.3% and 22.0%, respectively

### REP. NET PROFIT

**€49m (-13%)**

### ADJ. NET PROFIT

**€32m (+107%)**

<sup>1</sup> – excluding variable components (performance fees and trading income)

# 1Q 2018 RESULTS: KEY TAKEAWAYS

(€ m)	1Q17	1Q18	% Chg
Net Interest Income	15.7	13.2	-15.9%
Net income (loss) from trading activities and Dividends	3.4	15.2	352.9%
<b>Net Financial Income</b>	<b>19.1</b>	<b>28.5</b>	<b>49.1%</b>
Gross fees	192.4	182.4	-5.2%
Fee expenses	-89.0	-96.7	8.7%
<b>Net Fees</b>	<b>103.4</b>	<b>85.6</b>	<b>-17.2%</b>
<b>Total Banking Income</b>	<b>122.5</b>	<b>114.1</b>	<b>-6.9%</b>
Staff expenses	-20.7	-21.1	2.0%
Other general and administrative expense	-35.0	-37.3	6.7%
Depreciation and amortisation	-1.7	-2.0	18.7%
Other net operating income (expense)	10.5	13.9	32.9%
<b>Total operating costs</b>	<b>-46.9</b>	<b>-46.5</b>	<b>-0.8%</b>
<i>Cost /Income Ratio</i>	<i>36.9%</i>	<i>39.0%</i>	<i>2.1 p.p.</i>
<b>Operating Profit</b>	<b>75.6</b>	<b>67.6</b>	<b>-10.7%</b>
Net adjustments for impair.loans and other assets	-3.2	0.2	-106.1%
Net provisions for liabilities and contingencies	-6.0	-4.8	-20.7%
Gain (loss) from disposal of equity investments	0.0	-0.1	167.6%
<b>Profit Before Taxation</b>	<b>66.4</b>	<b>62.9</b>	<b>-5.3%</b>
Direct income taxes	-10.2	-13.8	36.0%
<i>Tax rate</i>	<i>15.3%</i>	<i>22.0%</i>	<i>6.7 p.p.</i>
<b>Net Profit</b>	<b>56.2</b>	<b>49.0</b>	<b>-12.8%</b>

## BANKING INCOME (reported -7%, adjusted +20%)

Net financial income (+49%) on de-risking strategy

Divergent trend in net fees (-17%): net recurring fees up by 29% vs. performance fees -82%

**OPERATING COSTS (-1%)** down in absolute value on tight cost management

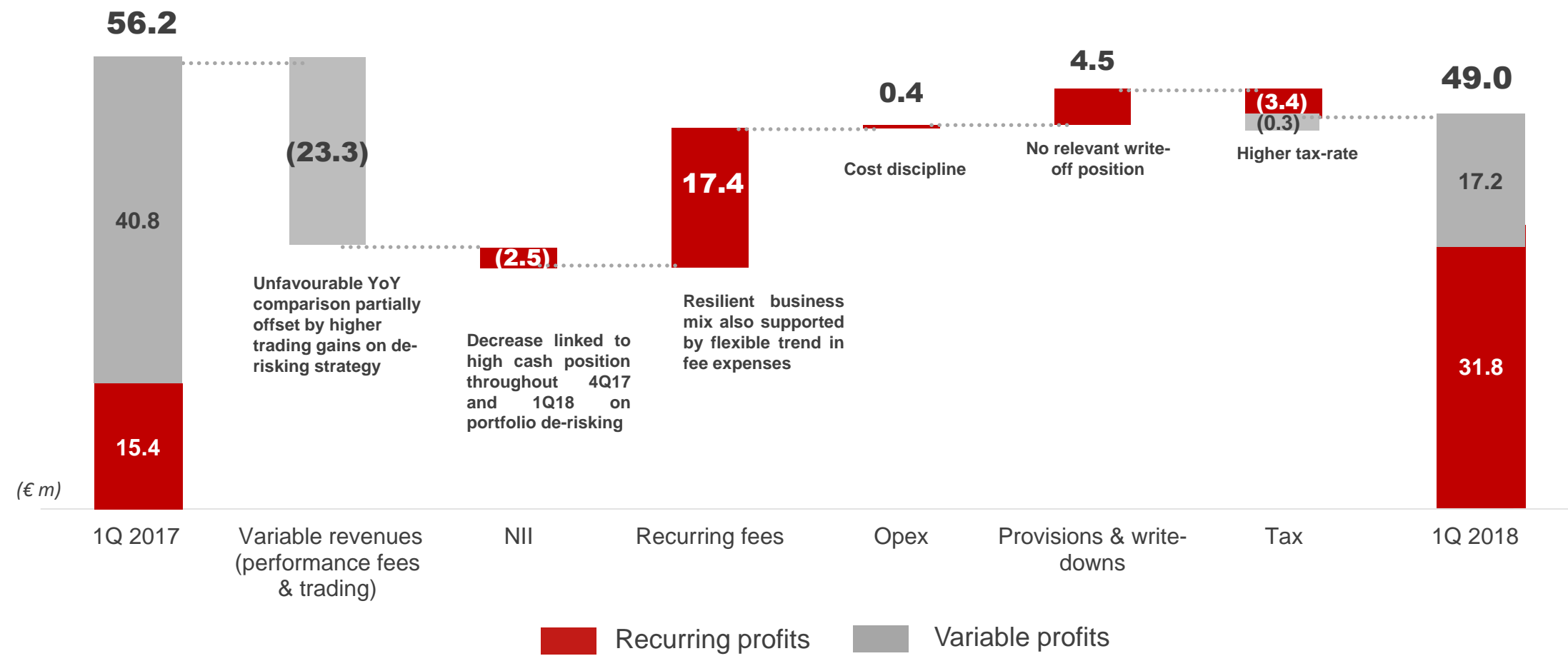
## LOWER WRITE-OFFS and PROVISIONS

**HIGHER TAX-RATE** on revenue mix

NET PROFIT

POSITIVE RECURRING TREND ALMOST OFFSETTING WEAK FINANCIAL MARKETS

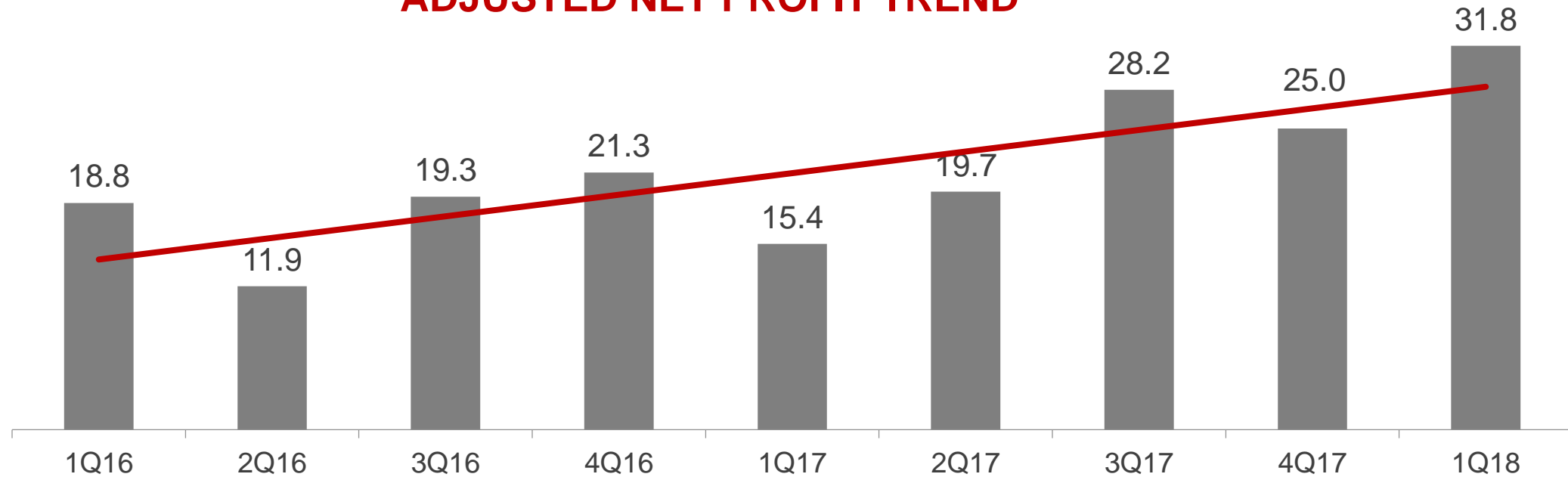
NET PROFIT DEVELOPMENT



# ADJUSTED NET PROFIT

## STEADY INCREASE

### ADJUSTED NET PROFIT TREND



**1Q 2018 best quarter for recurring profit**

Preliminary remarks

**1Q 2018 results**

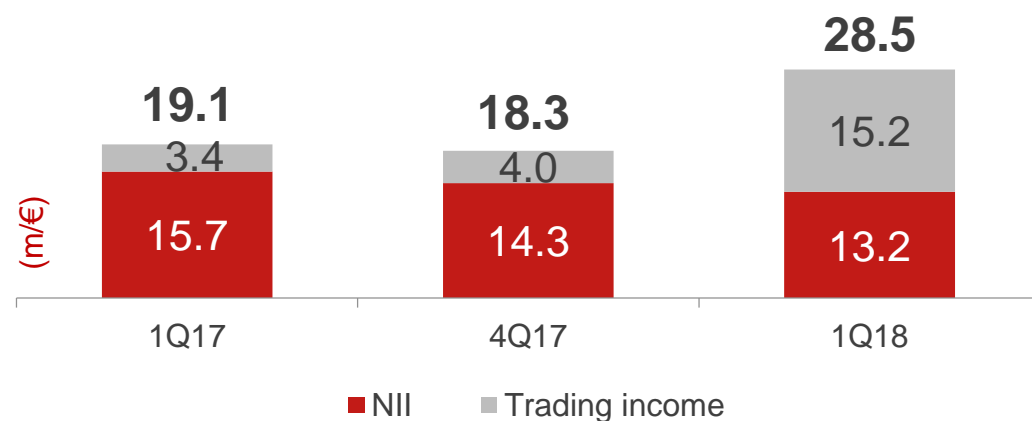
Net Inflows, assets and recruiting

Business update

# REVENUES: NET FINANCIAL INCOME

## QUARTERLY RESULT DRIVEN BY DE-RISKING STRATEGY

### NET FINANCIAL INCOME



### INTEREST-BEARING ASSETS



**De-risking of the banking book** driving 1Q18 net financial income upwards (+49%) on high realised trading gains

**Spike in liquidity (€1.1bn)** linked to de-risking strategy and ongoing acquisition of new clients' deposits

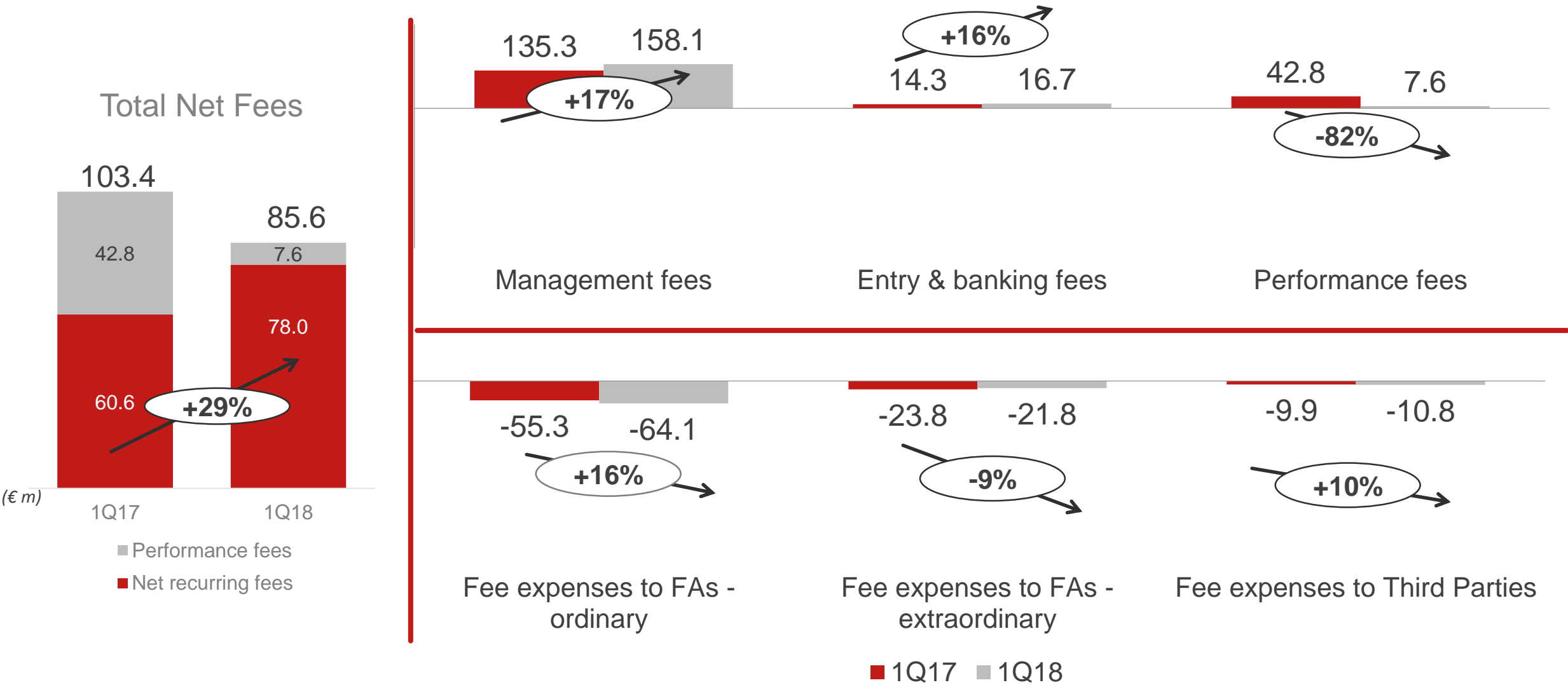
**Banking book** at €5.9bn, including €250m reinvested end March at 1.73% and accounted as HTC. According to new IFRS9, restated HTC assets at 24% of total banking book

**Lending activity back on the rise on YoY basis** (+€100M) as the new lending platform goes up and running. Average rate/spread stable at 1.2% while asset quality remain outstanding



# REVENUES: NET FEE INCOME

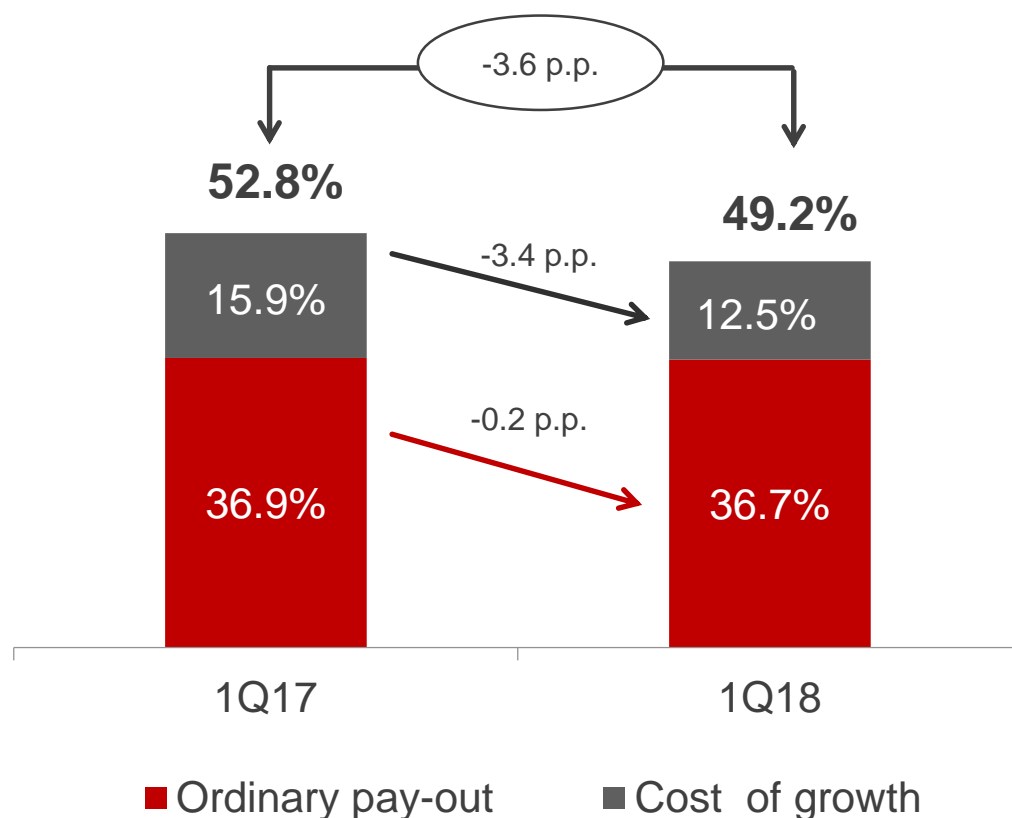
## FEE BREAKDOWN



# PAY-OUT TO FAs

## BUSINESS FLEXIBILITY WORKS

### PAY-OUT TO FAs



**Flexibility of the business model lead pay-out to FAs down to 49.2% (-3.6 p.p.)**

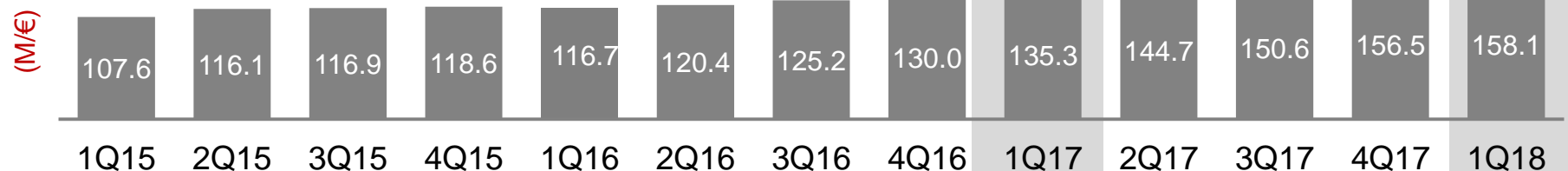
Cost of growth significantly lower (€21.8m, -9%) as a result of lower inflows in managed products and lower recruiting

Ordinary pay-out also slightly down on a YoY basis. 1Q ordinary pay-out seasonally higher than on an yearly basis due to pension contributions accounted in the quarter

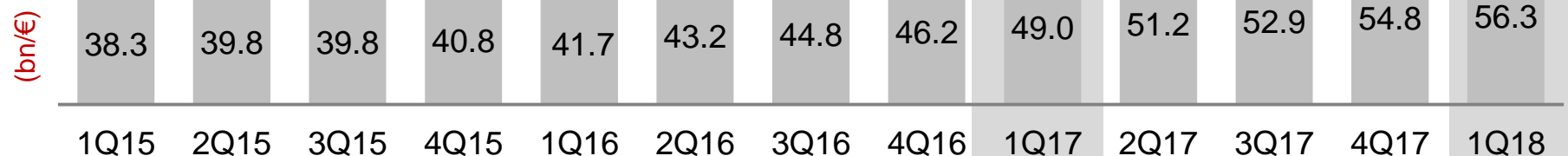
# REVENUES: MANAGEMENT FEES & MARGIN

## QUARTERLY TREND

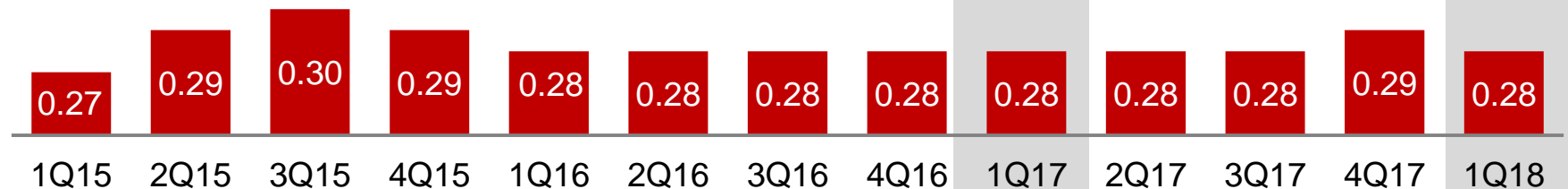
### MANAGEMENT FEES



### TOTAL AVG. MANAGED ASSETS



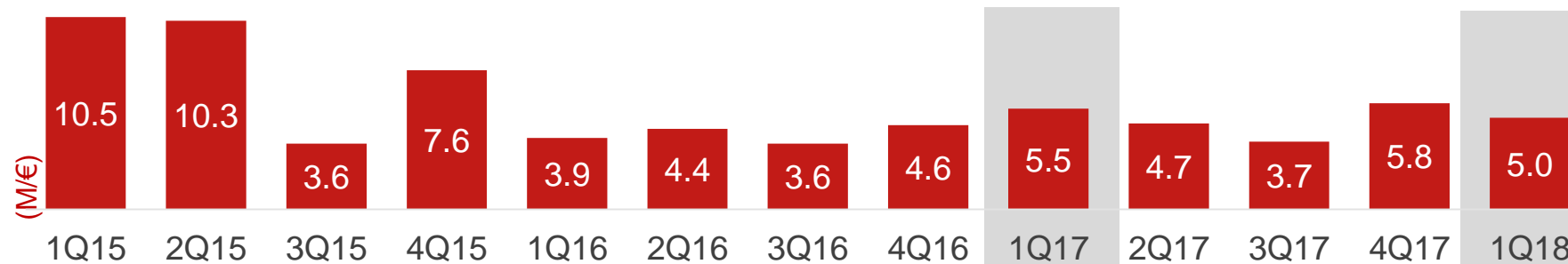
### MANAGEMENT FEES MARGINS



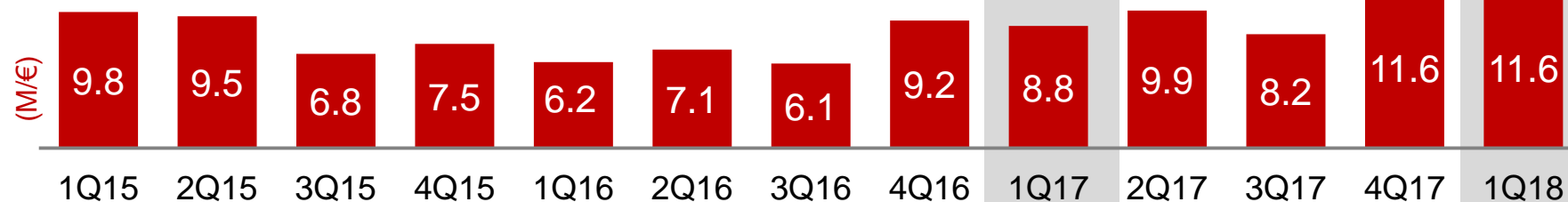
# REVENUES: OTHER FEES

## QUARTERLY TREND

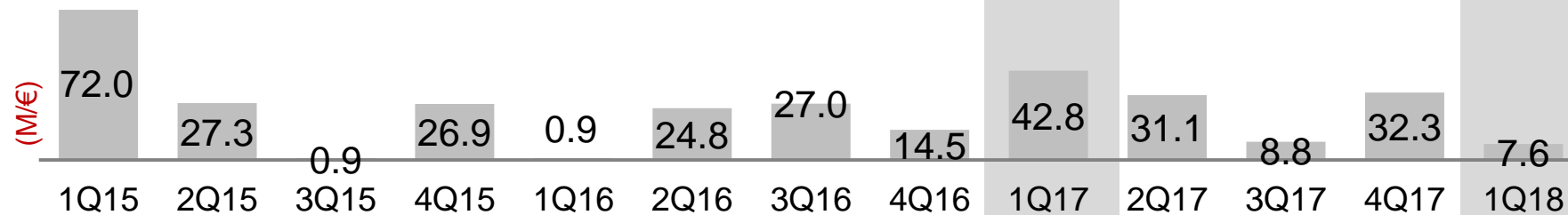
### FRONT FEES



### BANKING FEES



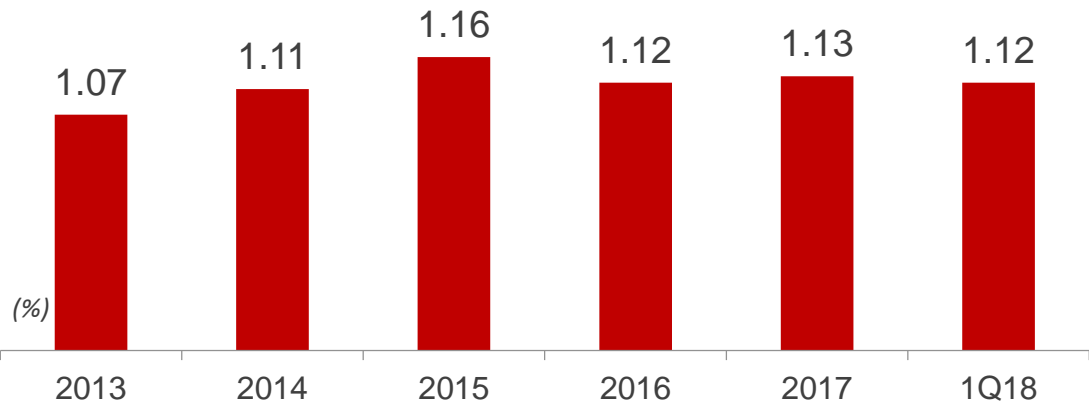
### PERFORMANCE FEES



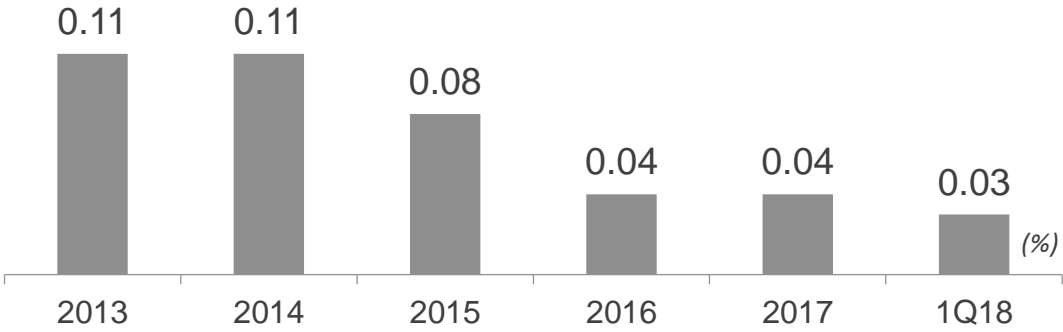
# BREAKDOWN OF ANNUALISED FEE-MARGIN

## GROSS MARGINS

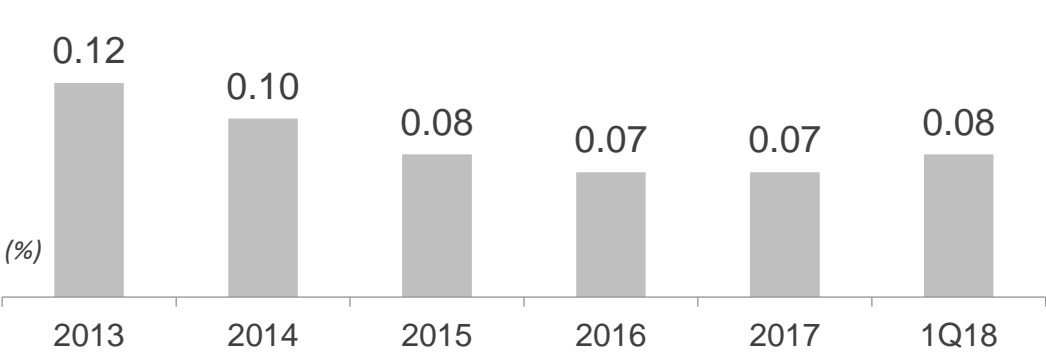
### MANAGEMENT FEES



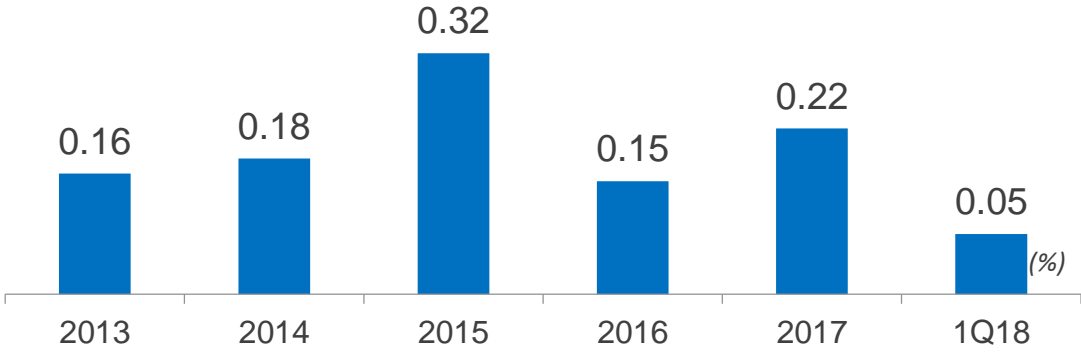
### ENTRY FEES



### BANKING FEES AND TRADING



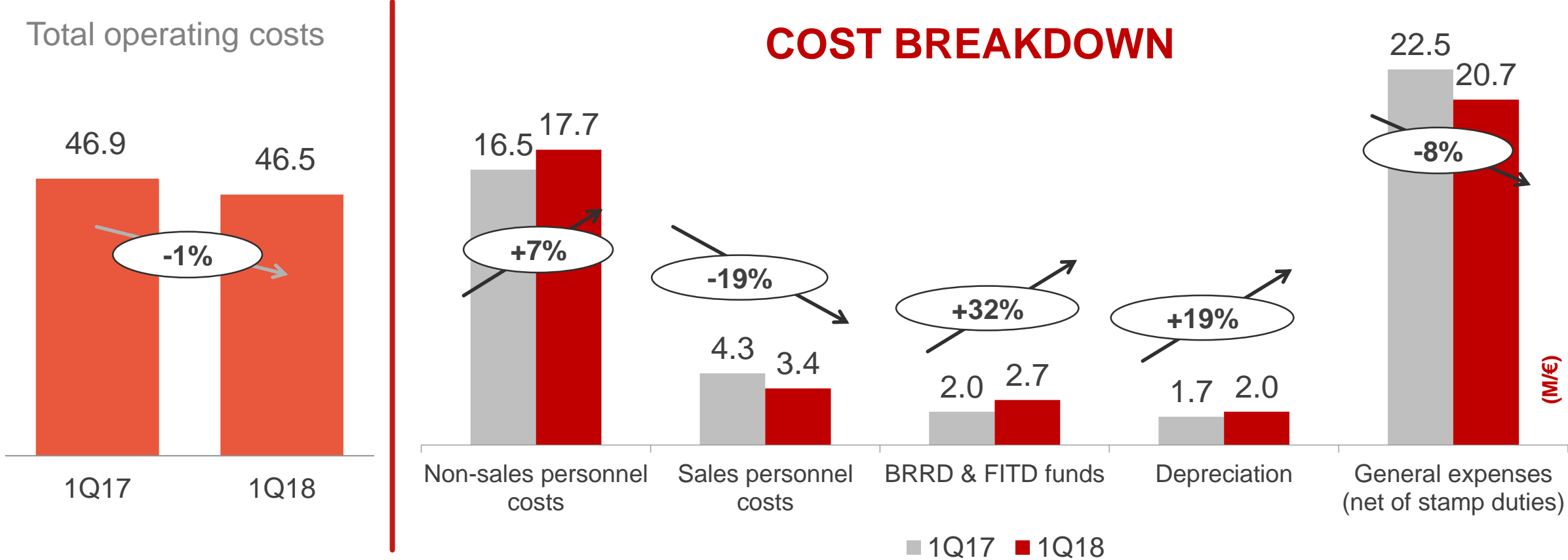
### PERFORMANCE FEES



*Fee margin based on average assets on an annualised basis*

# OPERATING COSTS BREAKDOWN

COST DISCIPLINE CONFIRMED

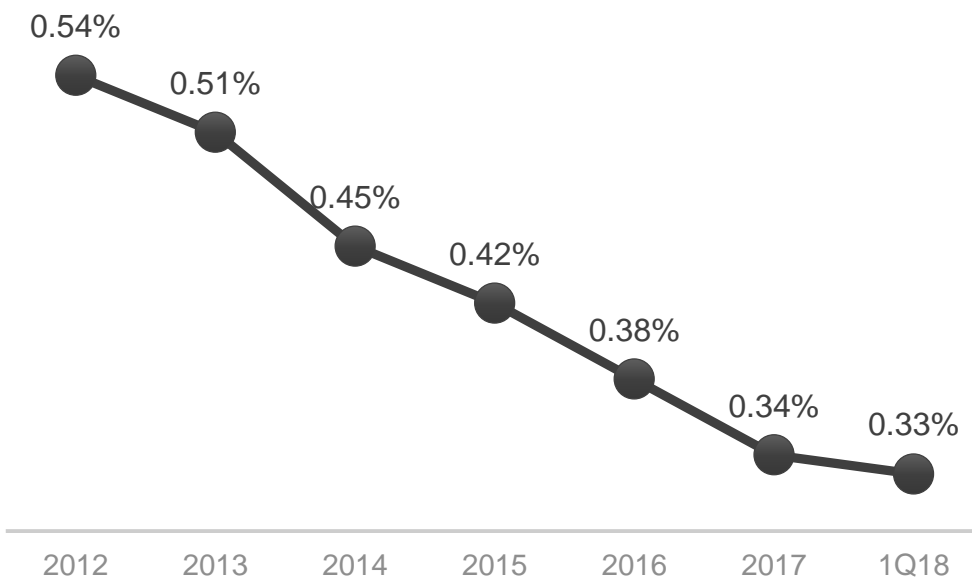


**Cost guidance for the year confirmed in a range of +2% and +4%**

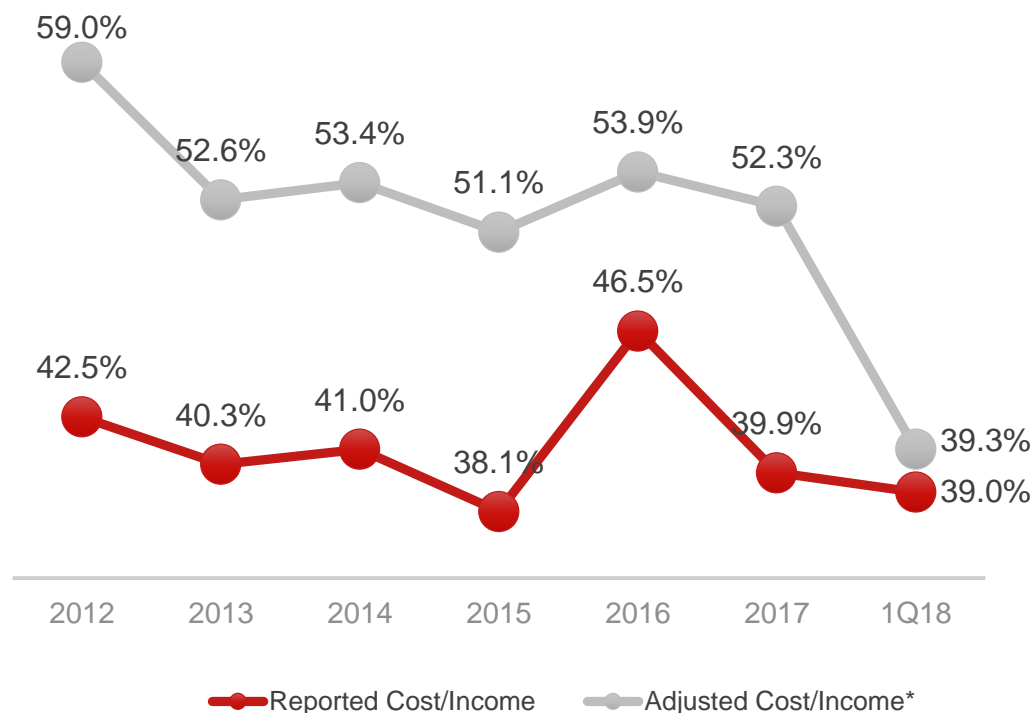
# COST RATIOS

## OPERATING LEVERAGE

### OPERATING COSTS/TOTAL ASSETS



### COST-INCOME RATIO



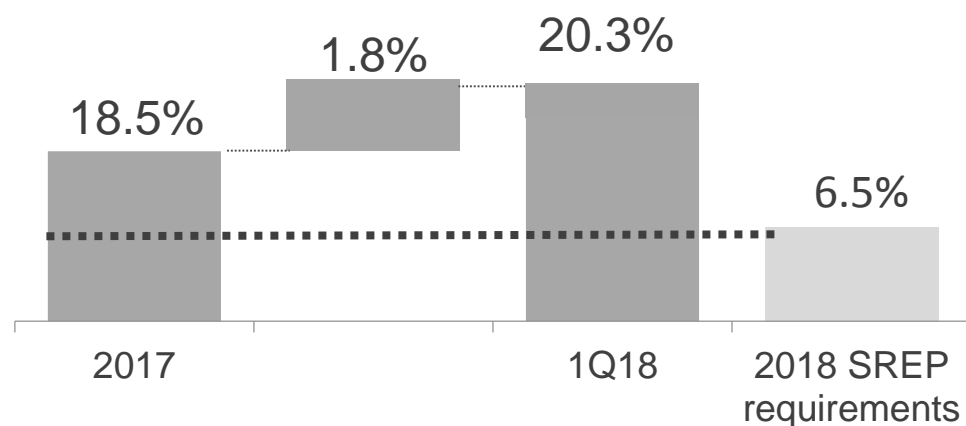
**Reported and Adjusted Cost/Income ratio converging to best sector practice**

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

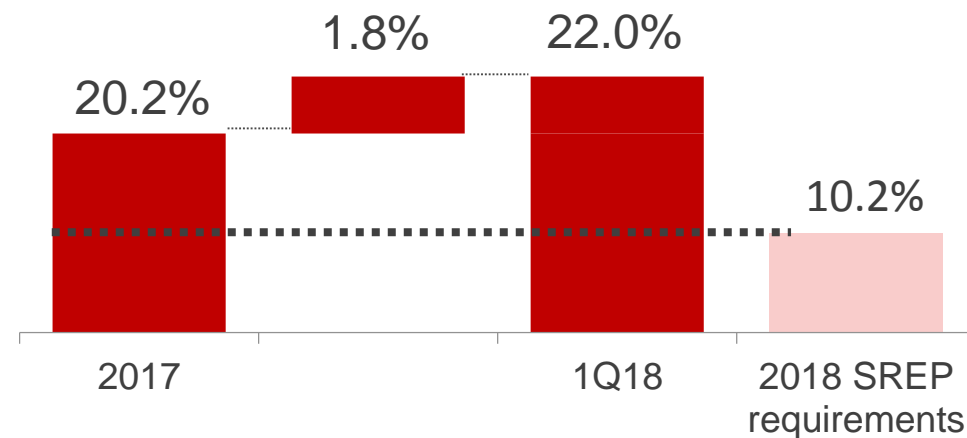
# SOLID CAPITAL POSITION

## CAPITAL RATIOS FURTHER IMPROVING

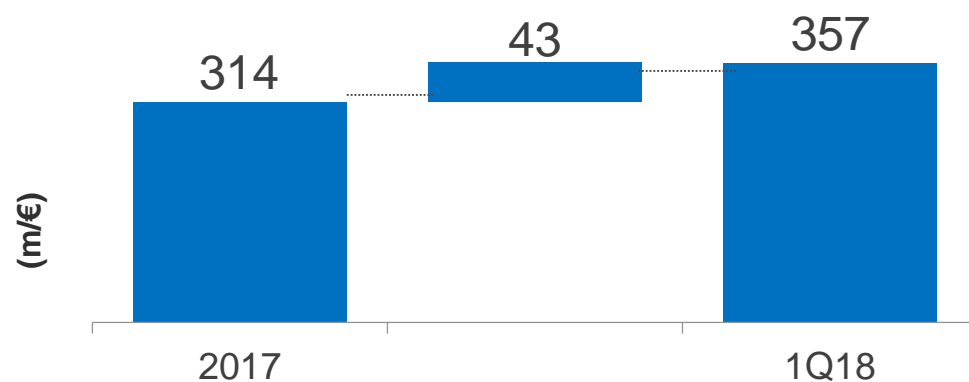
### CET1 RATIO



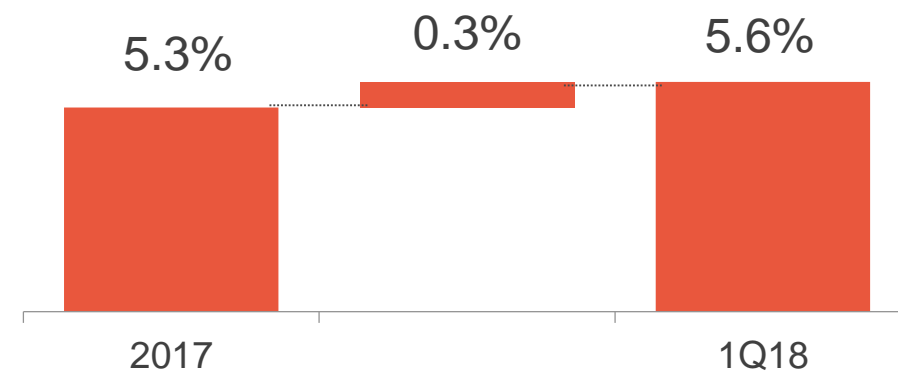
### TOTAL CAPITAL RATIO



### 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).*



Preliminary remarks

1Q 2018 results

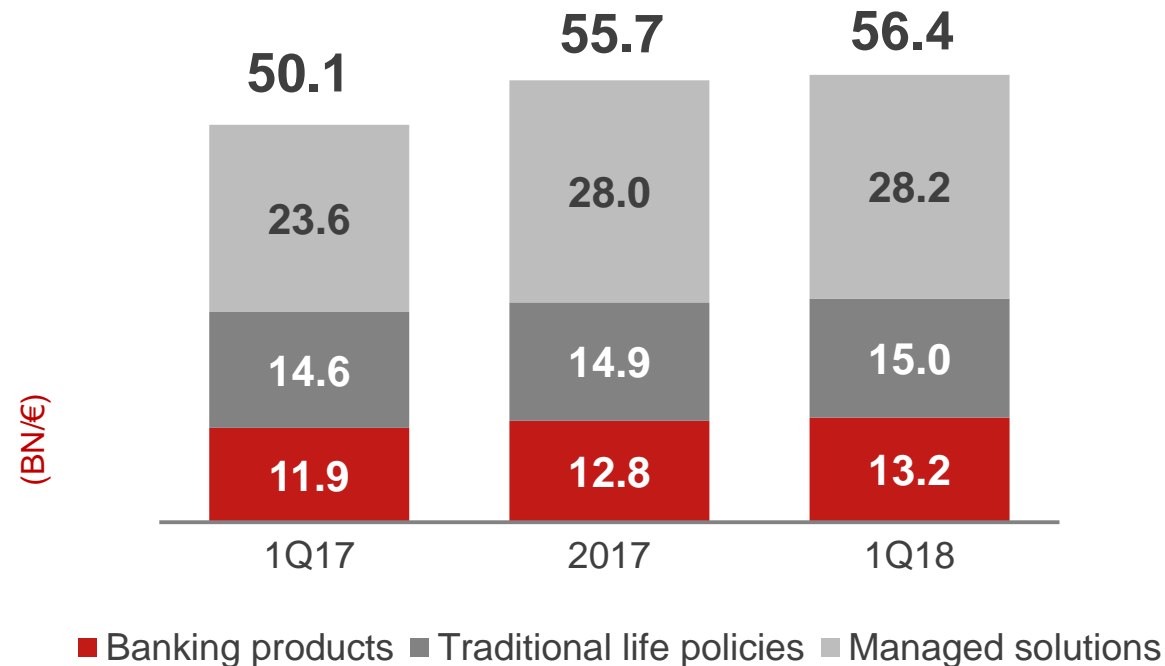
**Net Inflows, assets and recruiting**

Business update

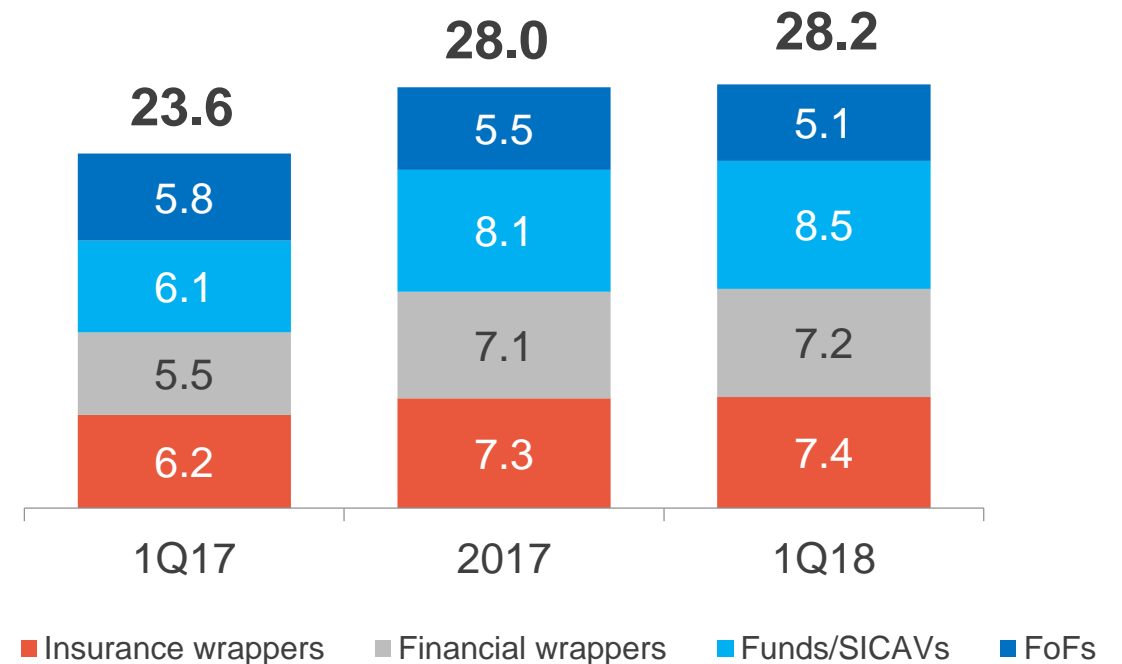
# TOTAL ASSETS

## RESILIENT TREND

### TOTAL ASSETS



### BREAKDOWN OF MANAGED SOLUTIONS



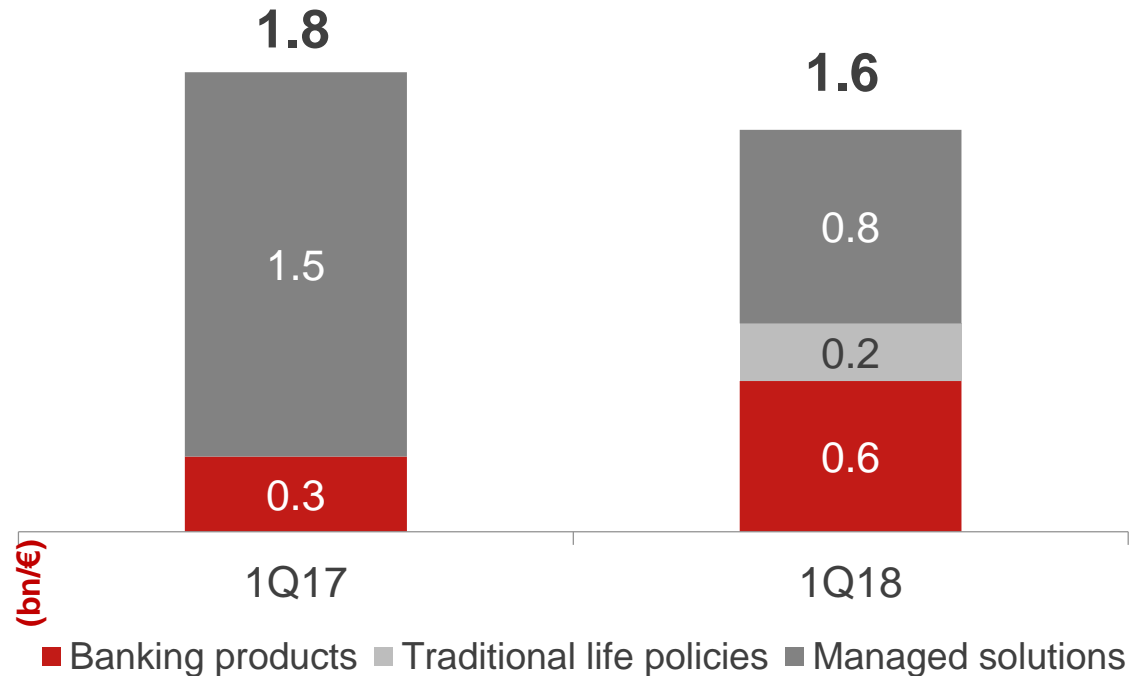
**Managed and insurance assets at 77% of total assets (+1 p.p. YoY, stable YTD)**

**Wrapper solutions at 26% of total assets (+3 p.p. YoY, stable YTD)**

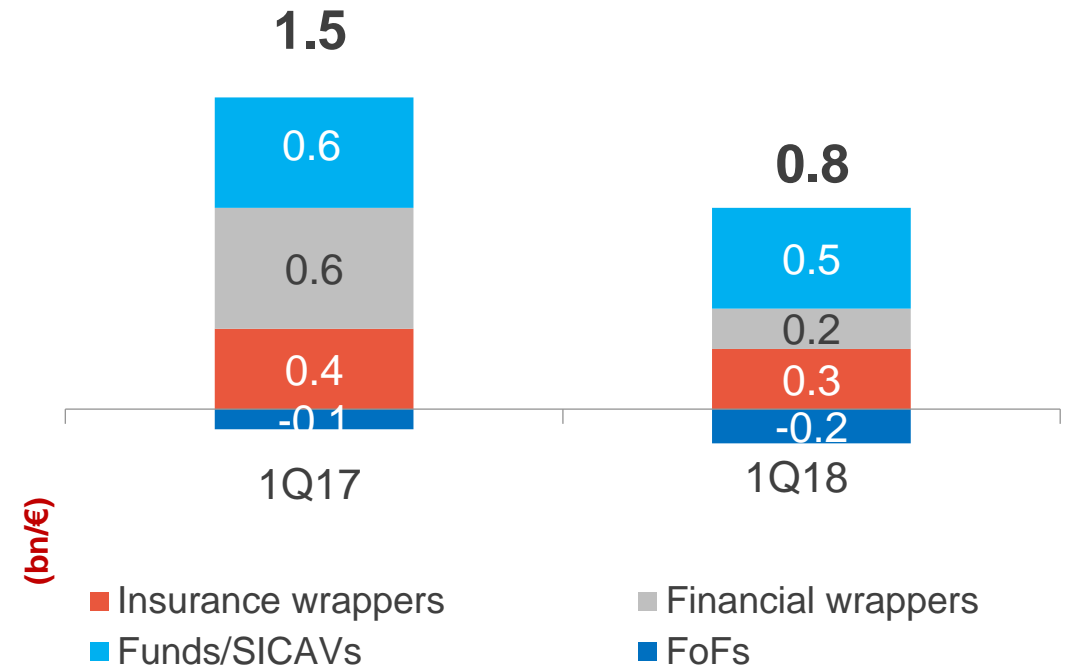
# NET INFLOWS

## MORE DEFENSIVE PRODUCT MIX

### TOTAL NET INFLOWS



### NET INFLOWS IN MANAGED SOLUTIONS

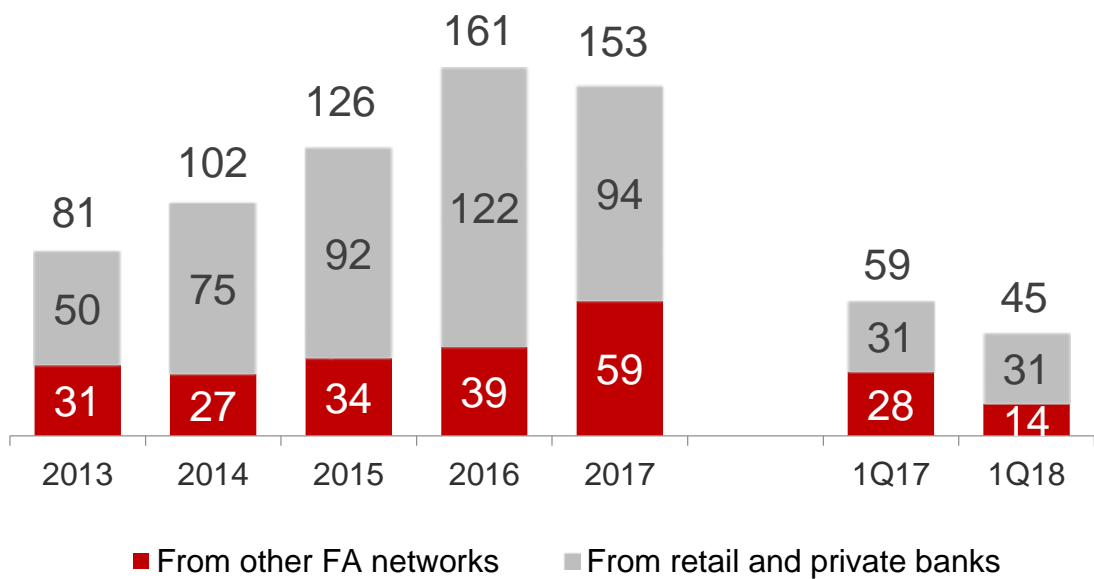


**Net inflows more focussed on defensive solutions (50% of total vs. 17% in 1Q17)**  
**Wrappers at 61% of managed solutions (vs. 72% in 1Q17)**  
**Weak inflows in in-house funds pending the launch of the new SICAV, LUX IM**

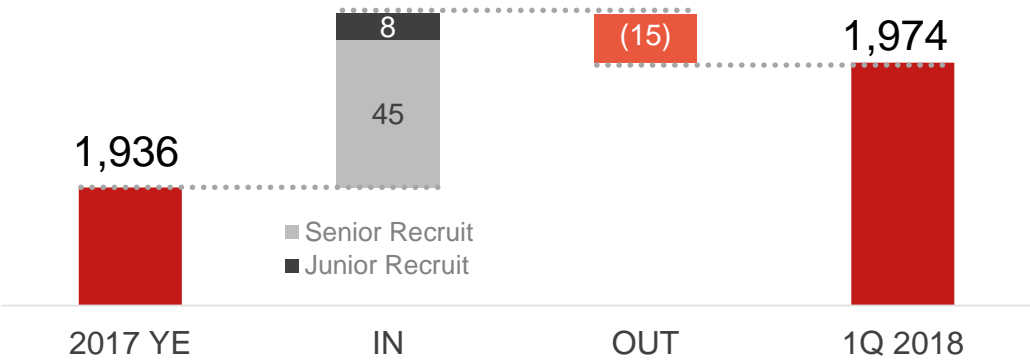
# RECRUITING ACTIVITY

CONTRIBUTING TO A WELL-BALANCED GROWTH

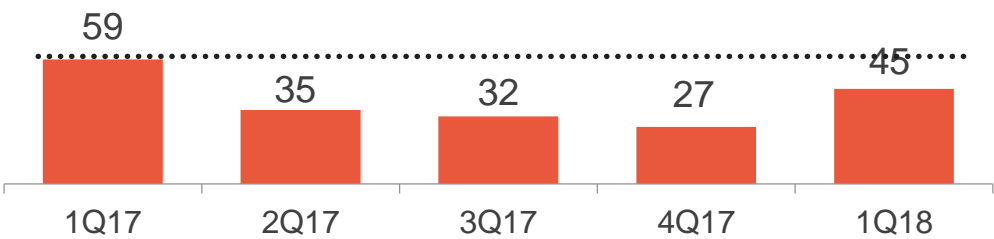
## No. OF NEW RECRUITS



## TOTAL No. OF FINANCIAL ADVISORS



## RECRUITING TREND BY QUARTER



Recruiting activity off 1Q17 peaks and in line with guidance (120-140 new recruits by year-end)  
FAs' retention levels at 99%

Preliminary remarks

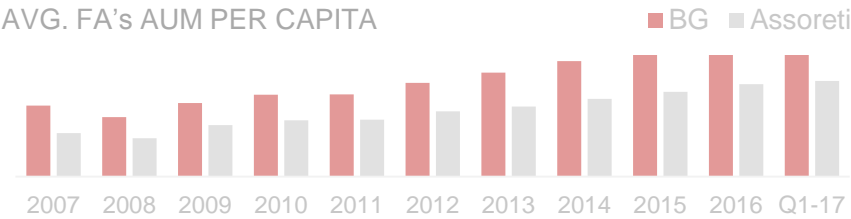
1Q 2018 results

Net Inflows, assets and recruiting

**Business update**

# STRATEGIC PILLARS

## FOCUS ON PRODUCTS AND SERVICES



Quality of FA network

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



WEALTH MANAGEMENT APPROACH

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



Digital Mindset

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

# NEW INITIATIVES

## RATIONALE



### ADVISORY

Wealth management approach  
Increasing clients' share of wallet  
Improving profitability of AUC/single funds  
Increasing revenue diversification



### CERTIFICATES

Asset diversification  
Improving profitability of AUC  
Increasing revenue diversification  
Widening range and quality of BG's offer



### LUX IM

Product Innovation  
Widening in-house fund offer  
Long-term sustainability

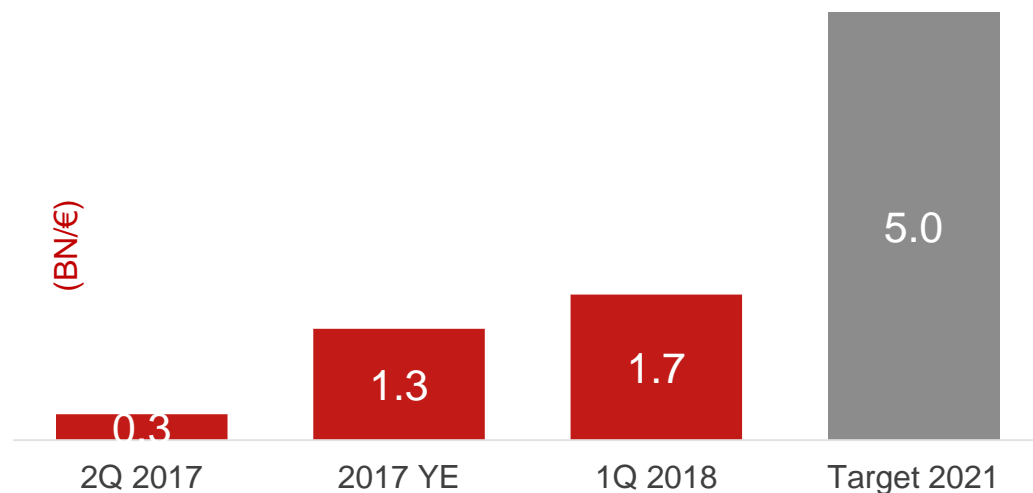


### SAXO

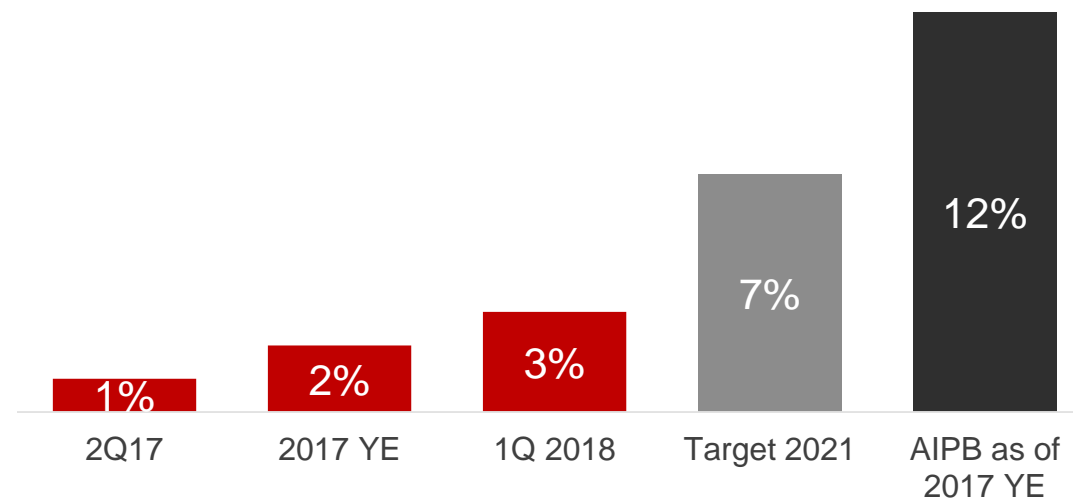
Enhancing customer experience  
Increasing clients' share of wallet  
Reaching out to new clients  
Improving profitability of AUC



### ASSETS UNDER ADVISORY (Volumes)



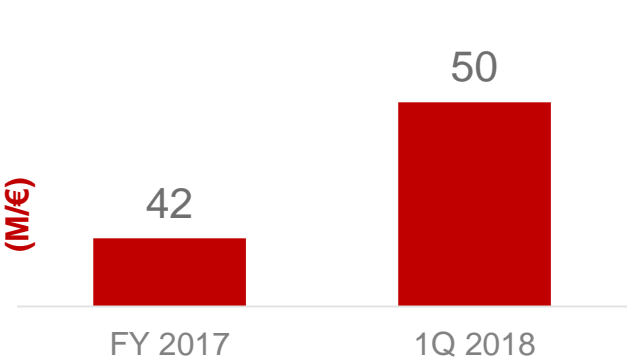
### ASSETS UNDER ADVISORY (% of tot. assets)



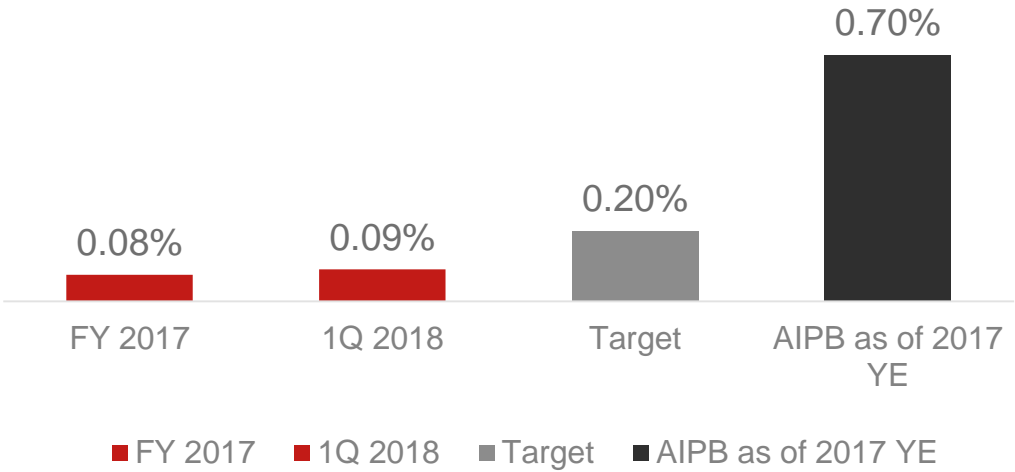
**Strong interest in the service both from clients and FAs**  
**>2,900 contracts since inception (>800 in 2018 YTD)**  
**Avg. pricing stable at 48 bps**



STRUCTURED  
PRODUCTS ISSUED  
(Volumes)



STRUCTURED PRODUCTS ISSUED  
ON TOTAL ASSETS



**Volumes of certificates issued in 1Q 2018 already above 2017 level**  
**Three different private certificates launched every week**

# NEW INITIATIVES

LUX IM (1/2)



## Rationale

## Assets

2014

**Launch of insurance wrapper  
BG Stile Libero**



Customisation  
Insurance covers  
Operational efficiency  
Estate planning

**€7.4bn**

2016

**Launch of financial wrapper  
BG Solutions**



Customisation  
Diversification  
Operational and tax  
efficiency

**€7.2bn**

2018

**Boost and update the in-house fund offer (retail and institutional classes)**



Product Innovation  
Widening of the in-house fund offer  
Long-term sustainability

**€3.9bn**

**o/w €2.0bn**  
from rebranding and merger of BG Sicav  
**o/w €1.9bn**  
unchanged

Data as of 31.03.2018

### Timeline

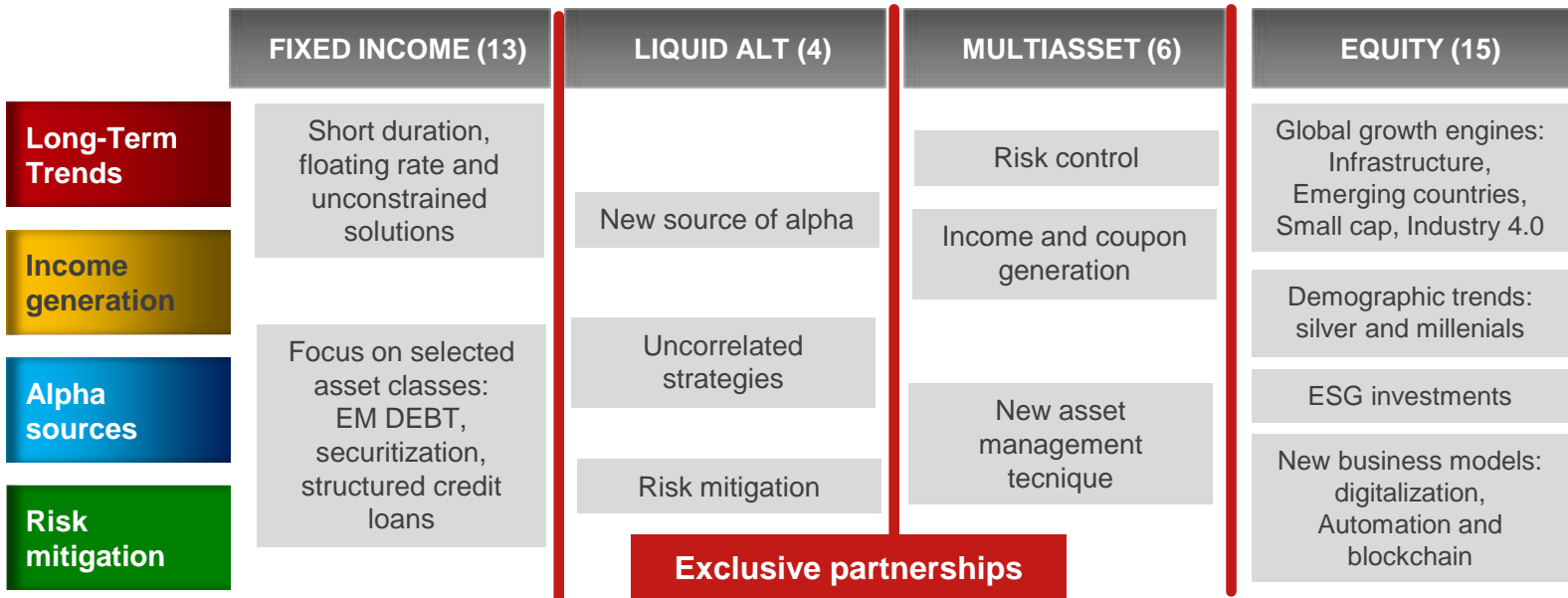
First Wave – 1 April, 2018

- BG Sicav (SF) merged into LUX IM
- 38 investment lines available

Second Wave – 4Q 2018

- 20 additional investment lines

### Offer (1° Wave)



### Pricing

- Better pricing sustainability in a Mifid 2 environment
- Estimate pre-tax net margin at 1.1%-1.2% on retail offer (in line/slightly higher than wrappers)
- New performance fees calculation on 12M rolling basis with 12M rolling HWM



- ✓ Agreement officially signed
- ✓ Ready for the registration process at the Supervisory Authority
- ✓ Commercial offering and pricing defined
- ✓ Business process with front-office integration defined
- Dedicated customer support defined

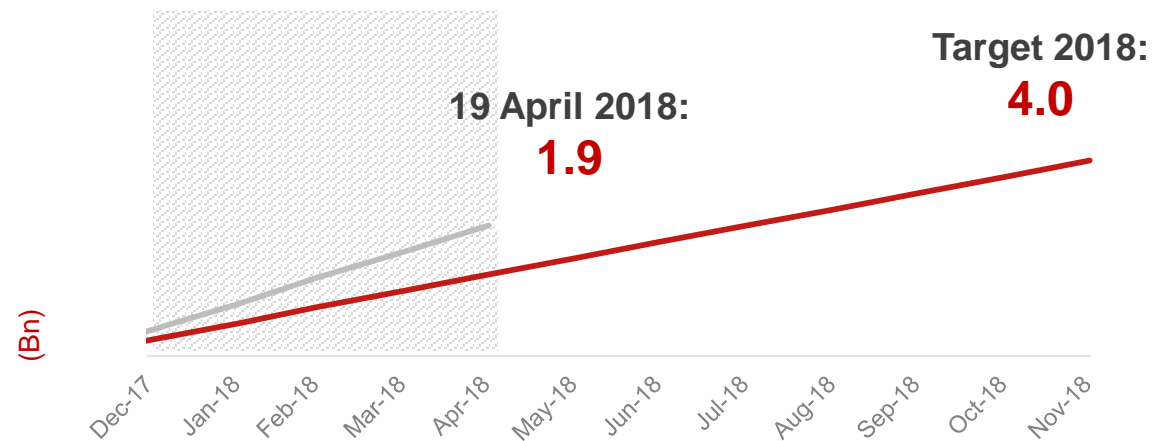
- **Strategic gap filling** - BG's current trading offer requested to evolve in line with the objectives and standing of the Bank, both in terms of negotiable instruments and user experience
- **Large market** - More than 17.7 million online current account holders in Italy, 55% of whom also manage their securities portfolio through this channel
- **Unexploited (so far) business opportunity** – Only 10% of BG's customer base has a security accounts with an average security rotation of 0.9 vs. 1.7 sector average.
- **SAXO, the best partner** - state-of-the-art trading platform, global presence, +35K tradable instruments, ongoing IT investments and upgrades

**Operations to go live in 4Q 2018**

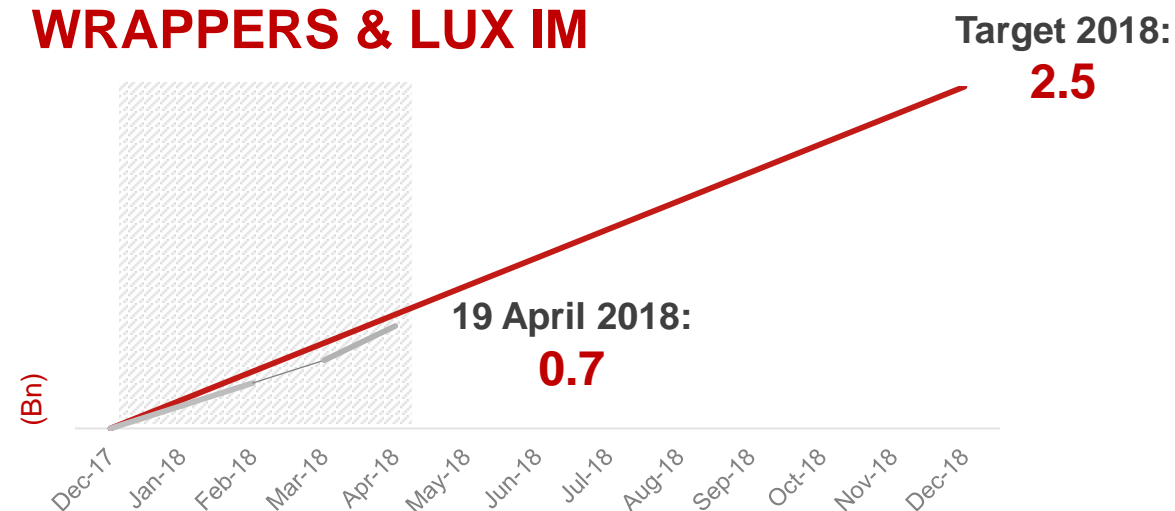
# CLOSING REMARKS

## ON TRACK TO YEAR-END TARGETS

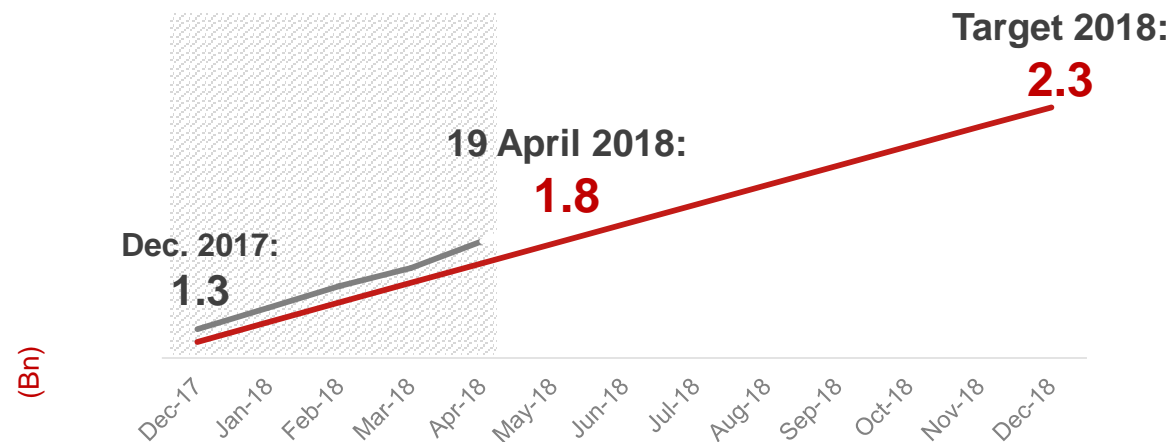
### NET INFLOWS



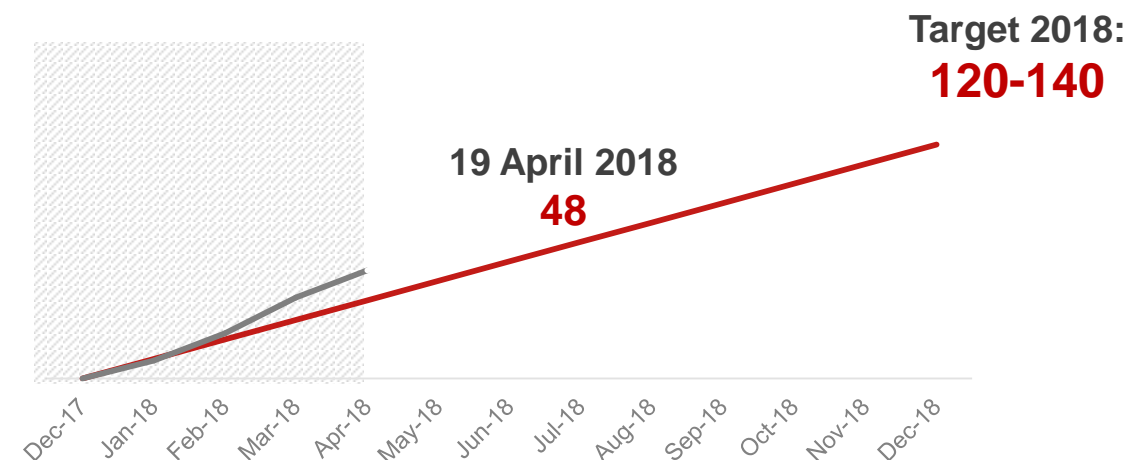
### WRAPPERS & LUX IM



### ASSETS under ADVISORY



### RECRUITING



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*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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# 2018 UPCOMING EVENTS

JULY						
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	31				

## 1H 2018 results

*Investor Conference call*

## Investor Relations Contacts

Giuliana Pagliari

*Investor Relations Manager*

Phone +39 02 6076 5548

Mobile +39 331 65 30 620

E-mail: [giuliana.pagliari@bancagenerali.it](mailto:giuliana.pagliari@bancagenerali.it)

E-mail: [investor.relations@bancagenerali.it](mailto:investor.relations@bancagenerali.it)

Corporate Website

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

## Banca Generali Investor App

