

FY 2018 RESULTS

7 FEBRUARY 2019



**BANCA
GENERALI**

Preliminary remarks

FY 2018 results

Net Inflows, assets and recruiting

Closing remarks

Appendix



Solid Commercial results amid financial market volatility

- **Solid assets (€57.5bn) and inflows (€5.0bn)** amid exceptional financial markets' volatility throughout the year and mostly in the 4Q
- **Pro-forma assets close to €60bn**, including €2.3bn from recent acquisitions (Valeur, Nextam), whose signing is expected by 1Q 2019 (closing 1H 2019)
- **Total FA at 1,985 (+3%YoY)** with average portfolios of €29.0m at record high level in the industry

NET INFLOWS

€5.0bn
(vs. €6.9bn)

TOTAL ASSETS

€57.5bn
(vs. €55.7bn)



Sound results and solid capital ratios driving shareholders' remuneration

- **Reported net profit at €180m (€167m, -18% like-for-like) vs. last year record result** including €8.0m of one-off items¹ net of tax and lower variable revenues (€62.7m, -53%) due to poor financial markets
- **Recurring net profit at best level ever (€128m, +48%, €115m, +33% like-for-like)** thanks to resilient core banking income, new revenue streams, flexible pay-out expenses
- **DPS proposal² at €1.25/share supported by solid capital base** with CET1 ratio at 17.5% and TCR at 19.0%, both well above SREP requirements

REP. NET PROFIT

€180m
(-12%)

CORE NET PROFIT

€128m
(+48%)

PRELIMINARY REMARKS

NEW COST OF GROWTH ACCOUNTING

NEW ACCOUNTING RULE FOR THE COST OF GROWTH

Rationale

- **New accounting rule on fee expenses paid to existing FAs for growth**, exploiting the enhanced flexibility introduced by the **IFRS 15**
- **Alignment** of accounting treatment of fee expenses paid for growth to existing FAs and to new FAs over a **five year amortization period**
- New rule allowing a **better correlation between fees expenses and revenue generation**
- Change in accounting seen as **negligible on 2021 targets** provided at the Investor Day

Impact

€m	2018 OLD	2018 NEW	Chg. abs.
FEE EXPENSES	-396.5	-376.3	20.2
- Fee exp. to FA - ordinary	250.9	250.9	-
- Fee exp. to FA - cost of growth	104.7	84.5	-20.2
- Fee exp. to third-parties	40.9	40.9	-
NET FEES	345.2	365.3	20.1
<i>Pay-out ratio to FAs</i>	<i>50.6%</i>	<i>47.7%</i>	<i>-2.9 p.p.</i>

FY2018 RESULTS AT A GLANCE

KEY TAKEAWAYS

(€ m)	12M 17	12M 18 Old	% Chg	12M 18 new	% Chg
Net Interest Income	61.4	60.0		60.0	-2.4%
Net income (loss) from trading activities and Dividends	18.1	24.1		24.1	33.3%
Net Financial Income	79.5	84.1		84.1	5.8%
Gross fees	760.5	741.7		741.7	-2.5%
Fee expenses	-390.0	-396.5	1.7%	-376.3	-3.5%
Net Fees	370.5	345.2	-6.8%	365.3	-1.4%
Total Banking Income	450.0	429.3	-4.6%	449.4	-0.1%
Staff expenses	-84.8	-84.2		-84.2	-0.7%
Other general and administrative expense	-149.8	-162.5		-162.5	8.5%
Depreciation and amortisation	-8.1	-9.3		-9.3	14.2%
Other net operating income (expense)	54.9	59.4		59.4	8.3%
Total operating costs	-187.9	-196.6		-196.6	4.6%
<i>Cost /Income Ratio</i>	<i>39.9%</i>	<i>43.6%</i>	<i>3.7 p.p.</i>	<i>41.7%</i>	<i>1.8 p.p.</i>
Operating Profit	262.2	232.7	-11.2%	252.8	-3.6%
Net adjustments for impair.loans and other assets	-5.4	-7.3		-7.3	33.9%
Net provisions for liabilities and contingencies	-18.0	-25.4		-25.4	41.0%
Gain (loss) from disposal of equity investments	-0.2	-0.4		-0.4	159.6%
Profit Before Taxation	238.6	199.6	-16.3%	219.8	-7.9%
Direct income taxes	-34.5	-33.1	-4.0%	-39.6	15.0%
<i>Tax rate</i>	<i>14.4%</i>	<i>16.6%</i>	<i>2.2 p.p.</i>	<i>18.0%</i>	<i>3.6 p.p.</i>
Net Profit	204.1	166.5	-18.4%	180.1	-11.7%

Comments

Resilient Total Banking Income amid financial markets pressure

- Higher Net Financial Income (+6%) with NII in line with guidance at €60m
- Resilient gross fees (€703m, +9% excluding performance fees) thanks to new revenue streams and flexible fee expenses

Operating costs were flat (+1%) excluding €7.1m one-offs

- One-off operating costs items linked to 1) M&A, 2) office moving, 3) set-up of new strategic projects, 4) extraordinary contribution to Bank Rescue Funds

Provisions included €4.7m one-offs

- One-off items linked to the recent reorganization of network managers with a prospective reduction of the recurring cost base

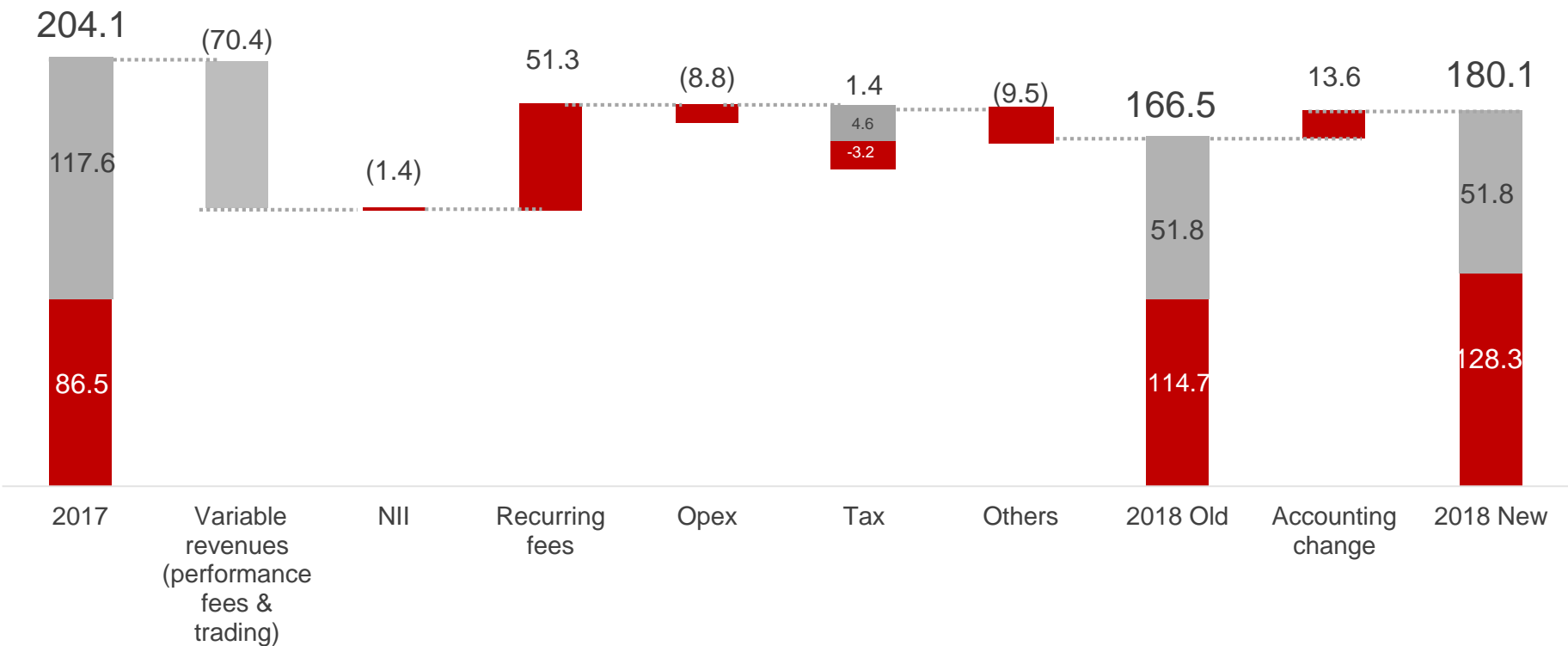
Overall net impact of new accounting and one-off costs at €5.6m (3% of net profit)

- Positive €13.6m net impact from new accounting rule partially offset by higher one-off costs and provisions for €8m

NET PROFIT

SIGNIFICANT INCREASE IN RECURRING PROFITS (+48%, +33% LIKE-FOR-LIKE)

Net Profit build-up m/€



Recurring profits at €128m, +48% (+33% like-for-like), the highest level ever

Variable profits (€51.8m, -56%) more than halved due to poor financial markets

■ Recurring profits
■ Variable profits

AGENDA

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Net Inflows, assets and recruiting

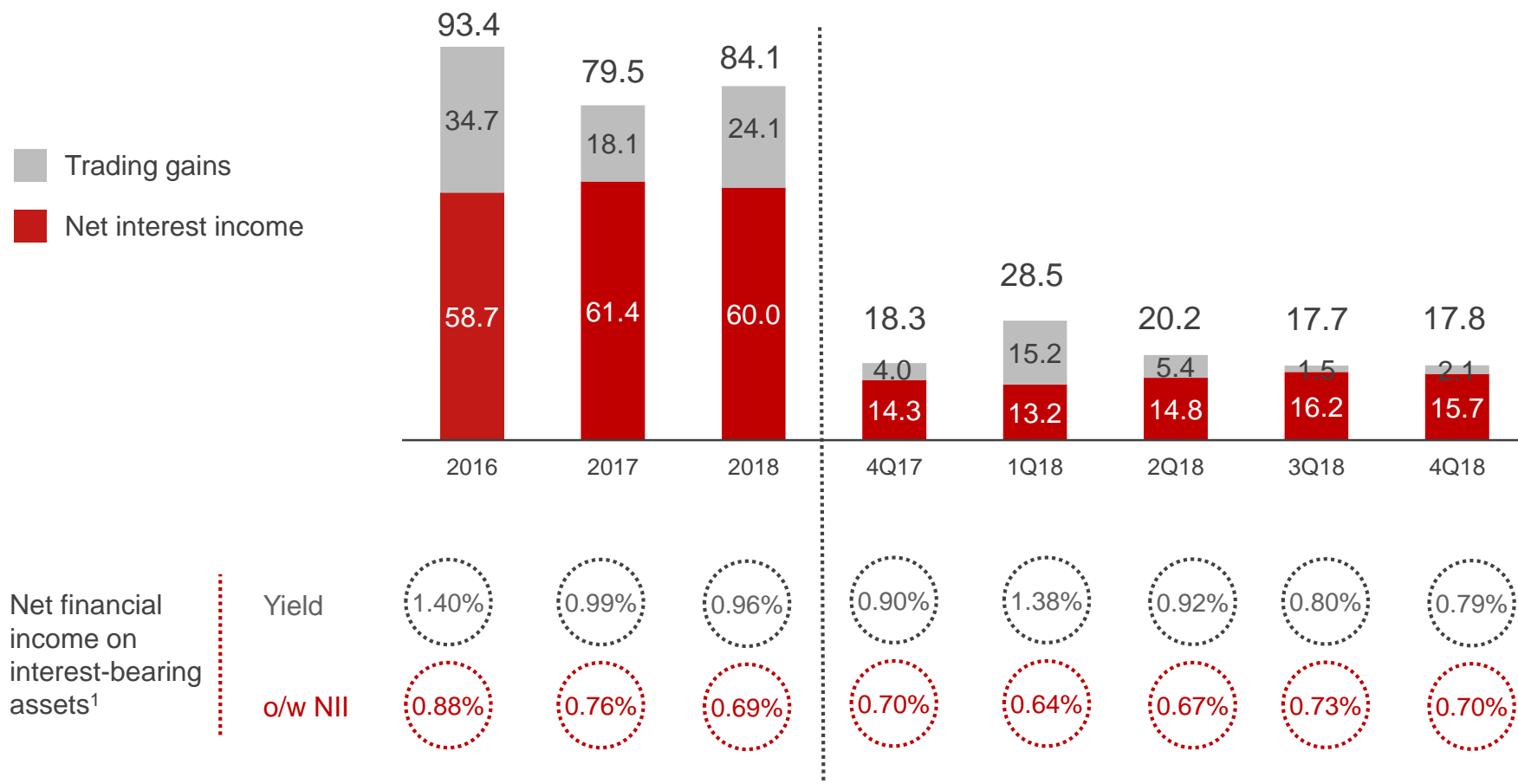
Closing remarks

Appendix

NET FINANCIAL MARGIN (1/2)

NET INTEREST INCOME

Net financial income m/€

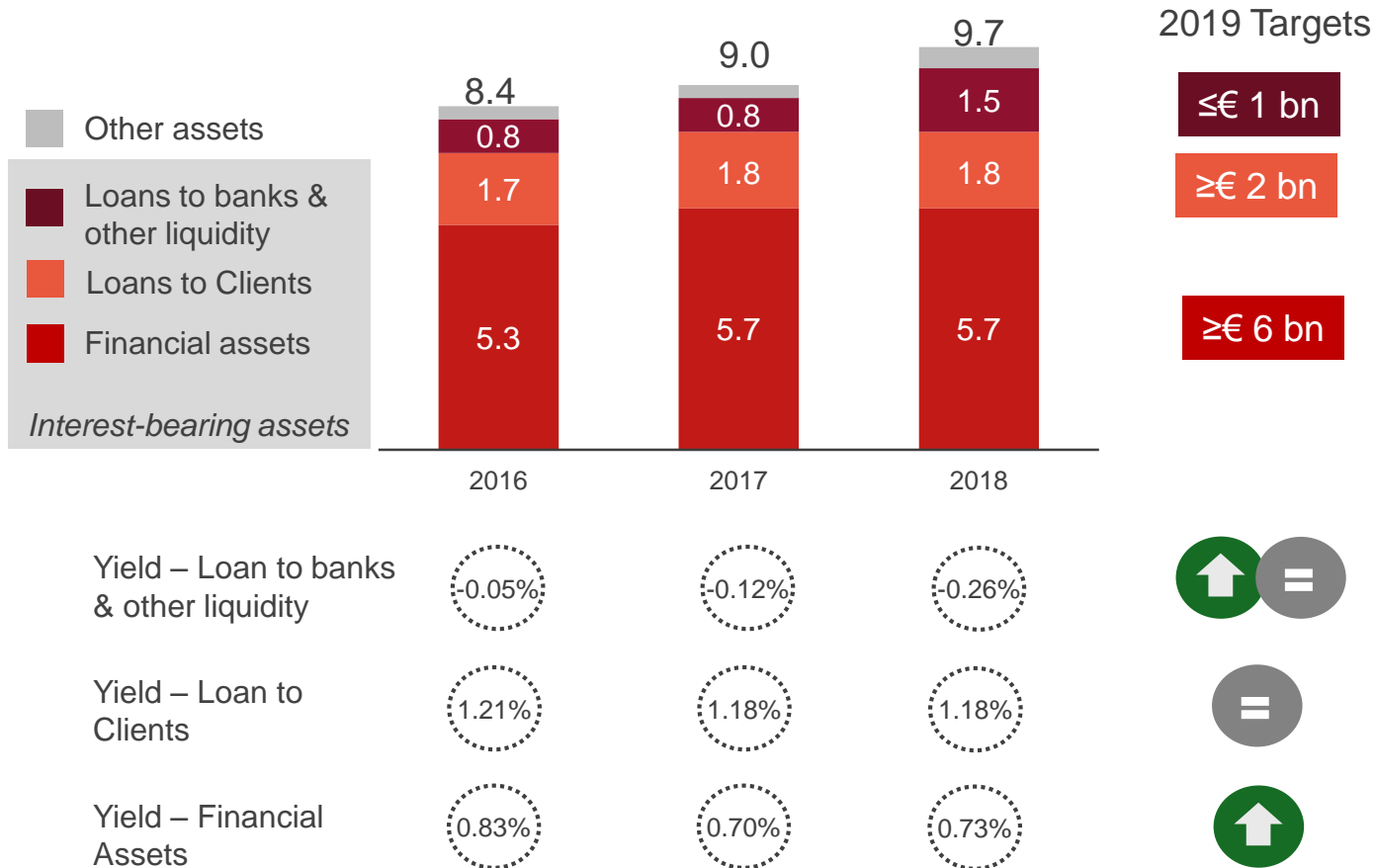


4Q 18 NII impacted by the higher amount of assets (liquidity) due to volatile financial market conditions

NET FINANCIAL MARGIN (2/2)

LIQUIDITY POSITION ALMOST DOUBLED

Total assets and interest-bearing assets¹ (year-end) bn/€



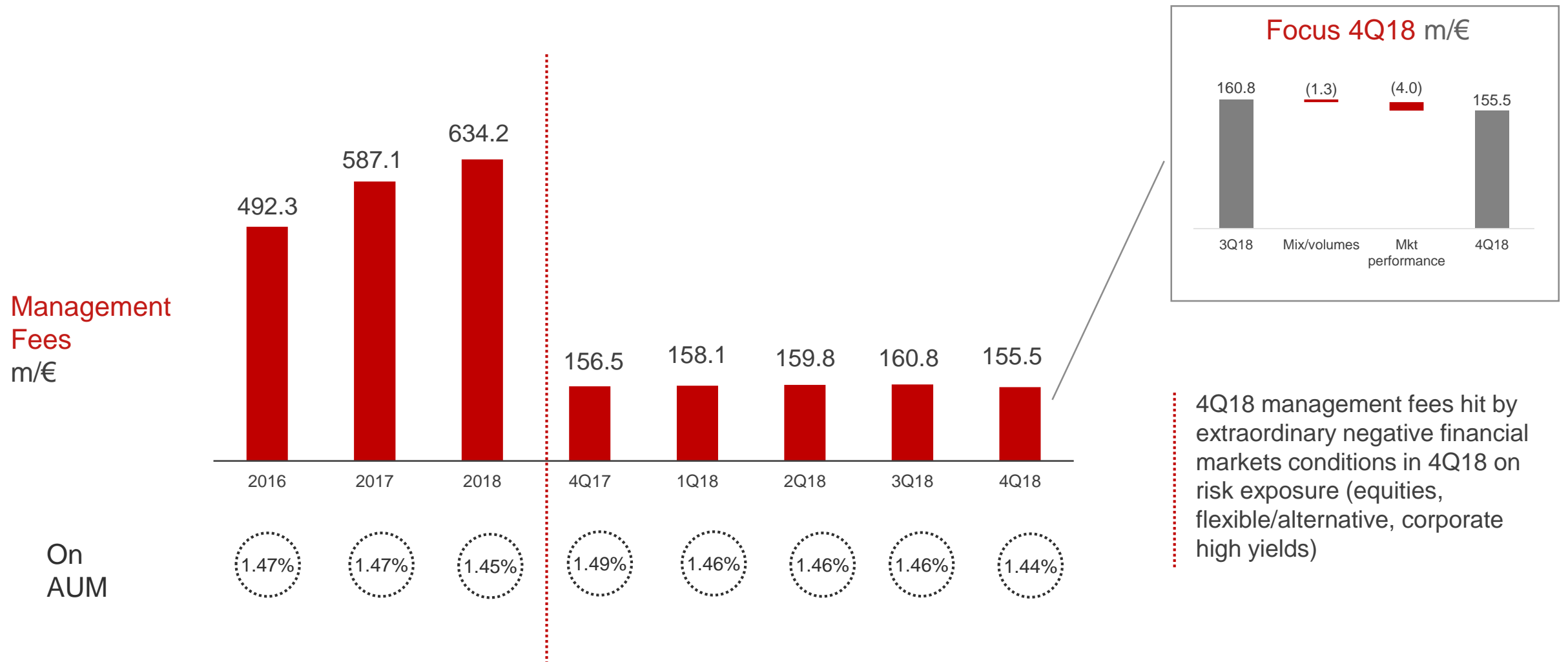
Temporary increase in liquidity (€1.5bn, +90%) partly due to treasury operations and MTS repos in 4Q (€400m). Liquidity is mostly deposited at the ECB

Banking book is 99% invested in bonds (duration 2 yrs and maturity 3.5 yrs). Over €1.2bn are due to expire in 2019

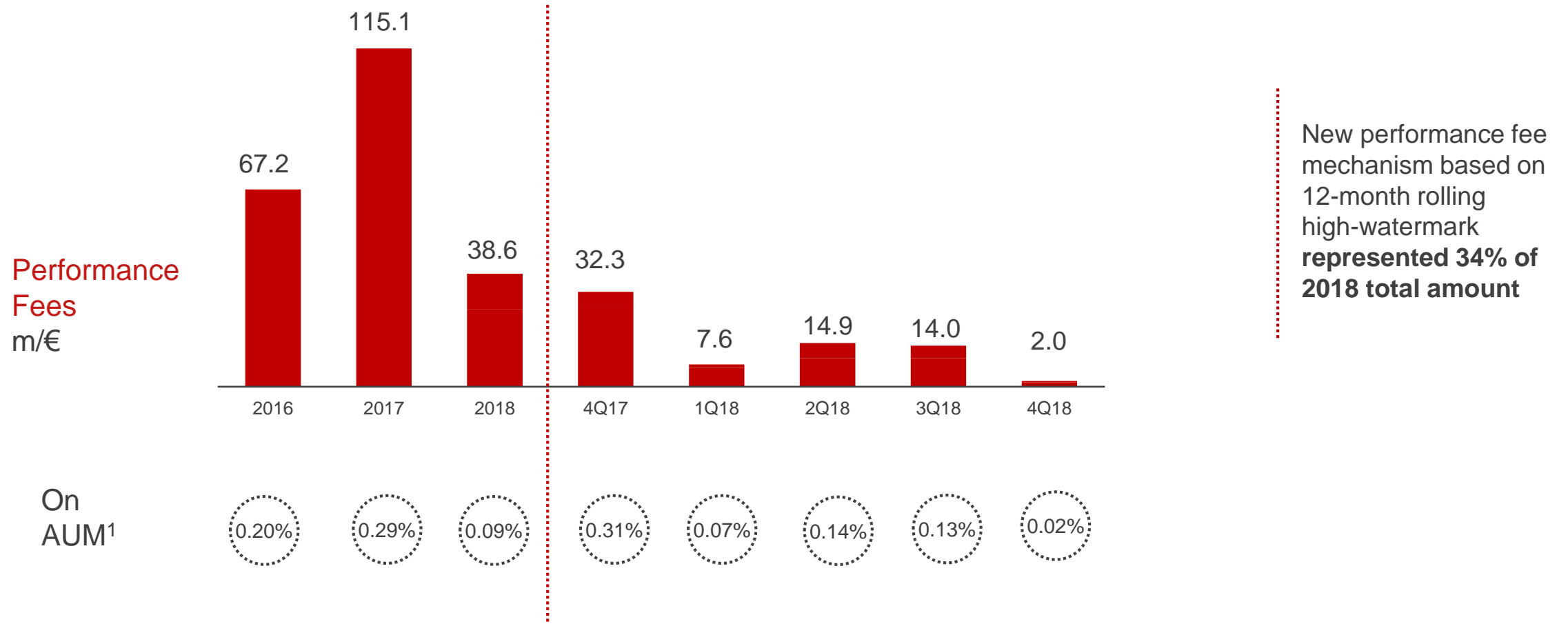
Higher diversification of the investment portfolio expected by reinvesting part of current high liquidity and expiring Italian Government bonds

GROSS FEES (1/3): MANAGEMENT FEES

SOLID MARGINS AMID FINANCIAL MARKET TURBOLENCE



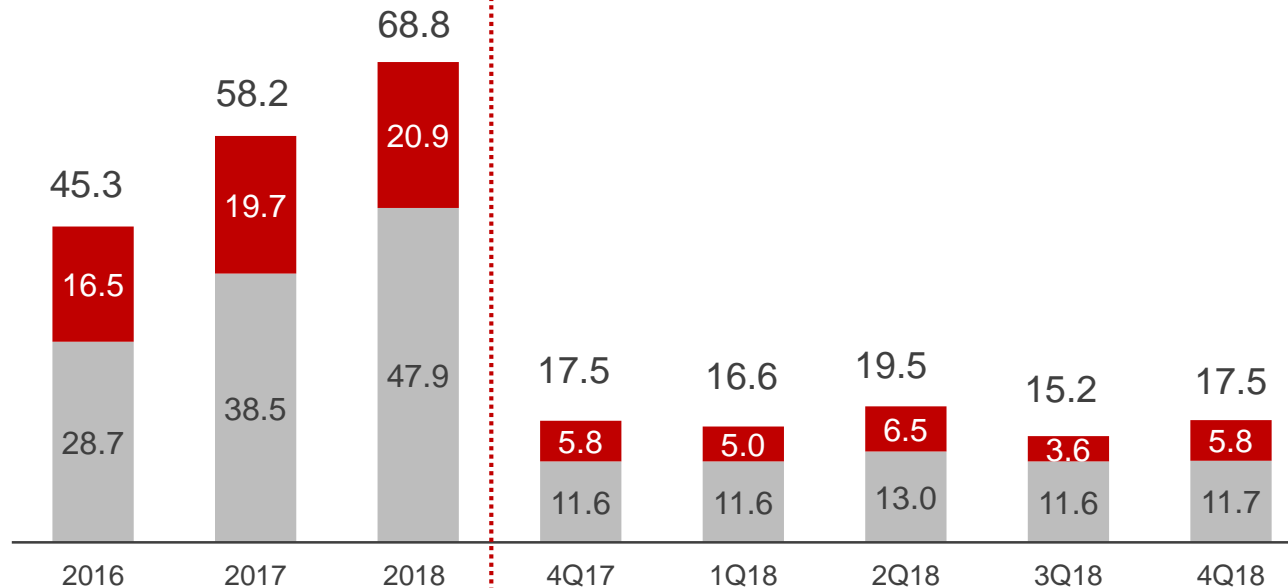
GROSS FEES (2/3): PERFORMANCE FEES AMONGST THE LOWEST LEVEL IN THE LAST 10 YEARS



GROSS FEES (3/3): OTHER FEES

ONGOING SOLID GROWTH

Banking and
Entry Fees
m/€



On Total
Assets



New revenue streams

(certificates and asset under advisory) growing fast at €17 million in 2018 (vs. €4m in 2017) and already accounting for 25% of total other fees (vs. 7% in 2017)

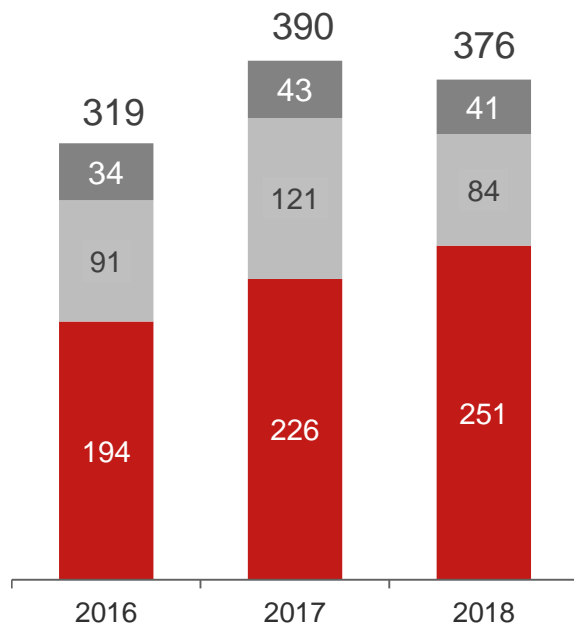
New revenue streams **increasing revenue diversification** and partially offsetting lower contribution from variable commissions



FEE EXPENSES

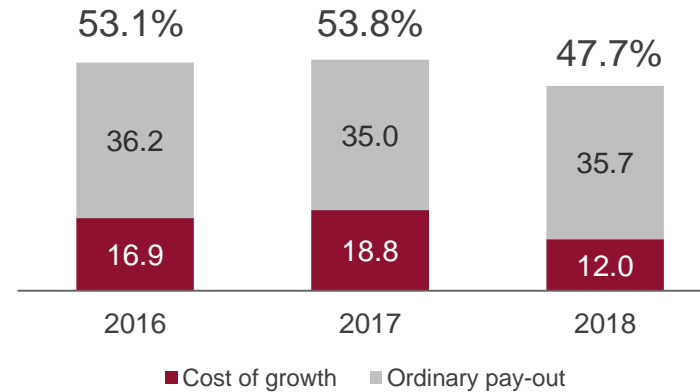
KEY DRIVER FOR BUSINESS FLEXIBILITY

Total Fee Expenses m/€

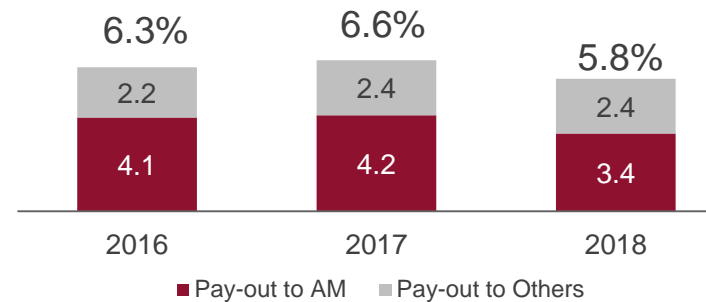


- Fee expenses to FA - ordinary
- Fee expenses to Fas - growth
- Fee expenses to Third-parties

Pay-out to the network %



Pay-out to Third-parties %



Pay-out ratio to FAs

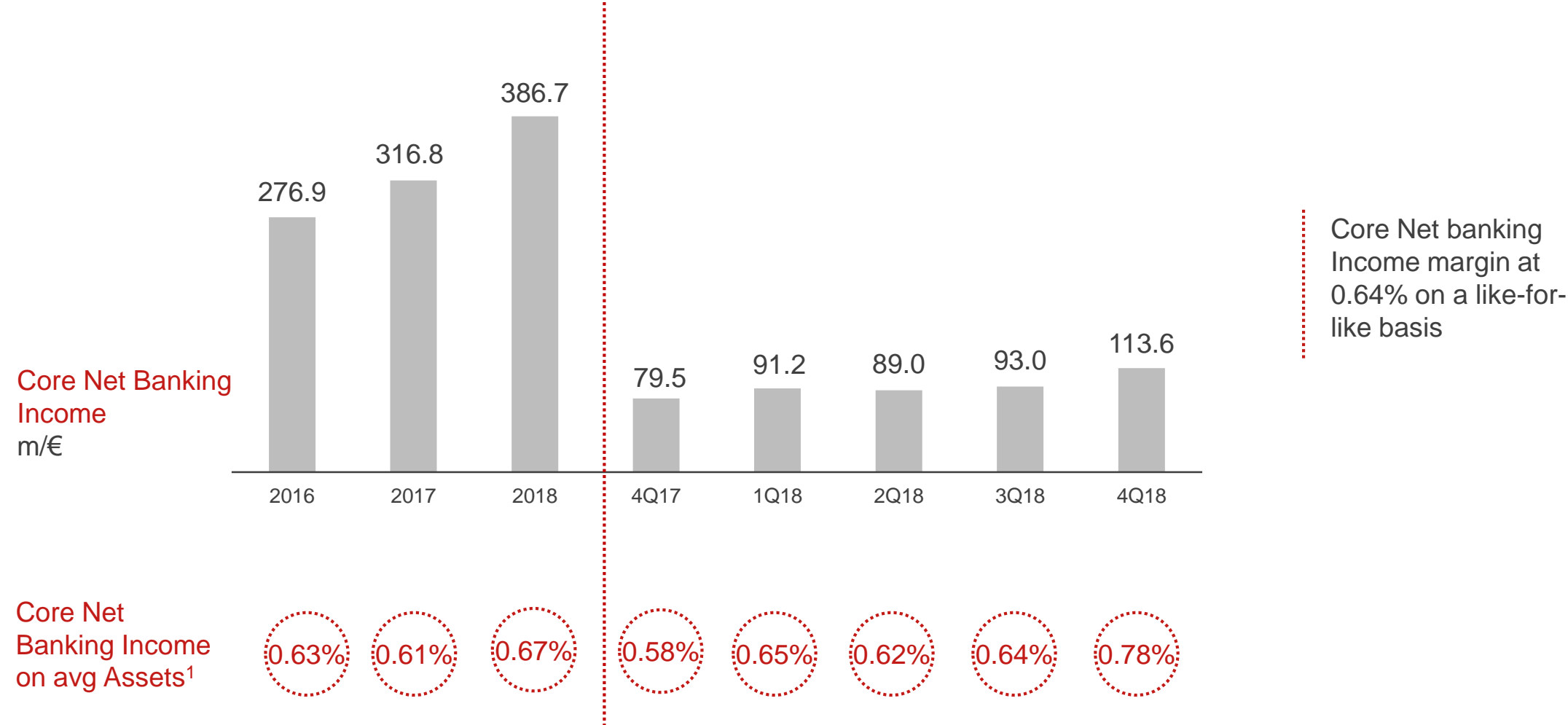
Net decrease linked primarily to a lower cost of growth (-4.0 p.p. like-for-like) related to net inflows mix (more organic, more banking products)

Pay-out ratio to third-parties

Net decrease linked to the review in agreements with third-party AMs

CORE NET BANKING INCOME

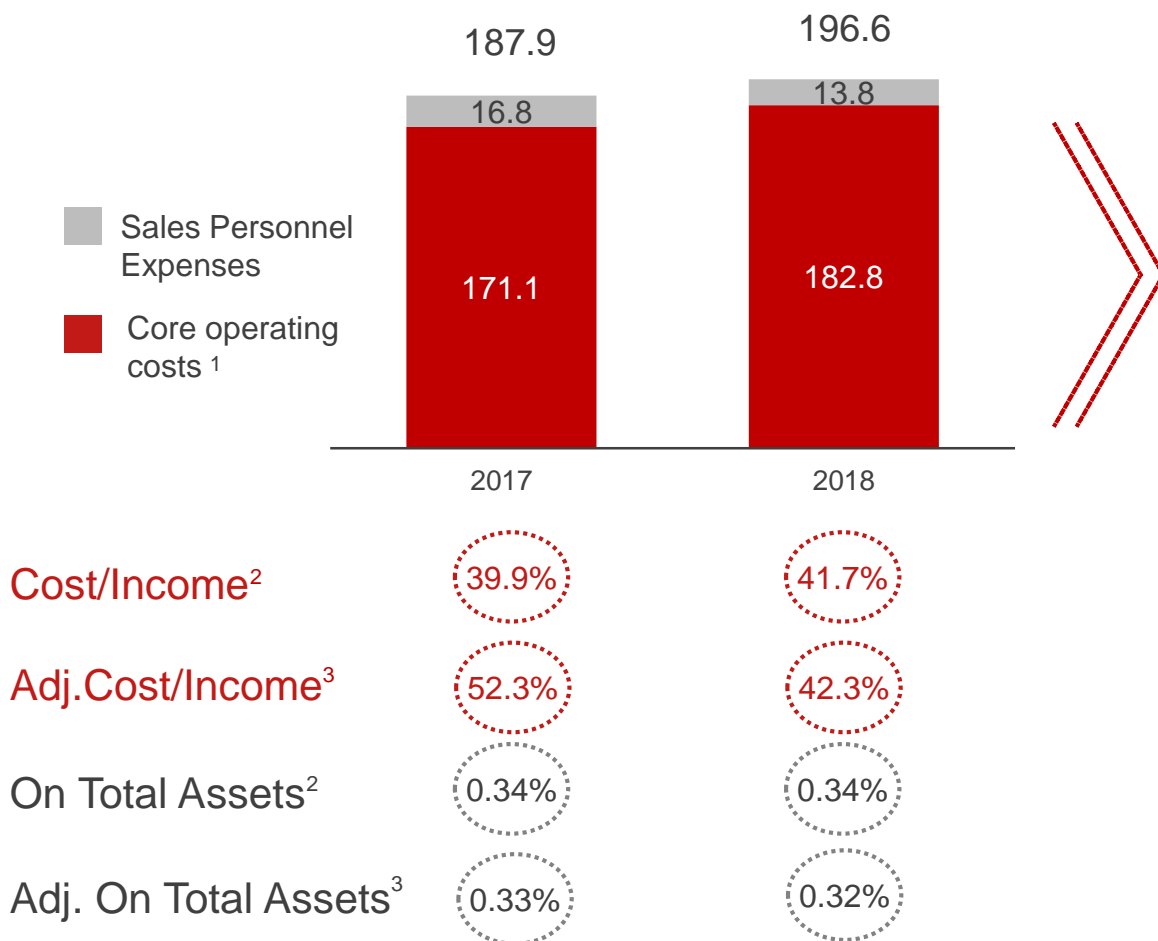
GROWING TREND



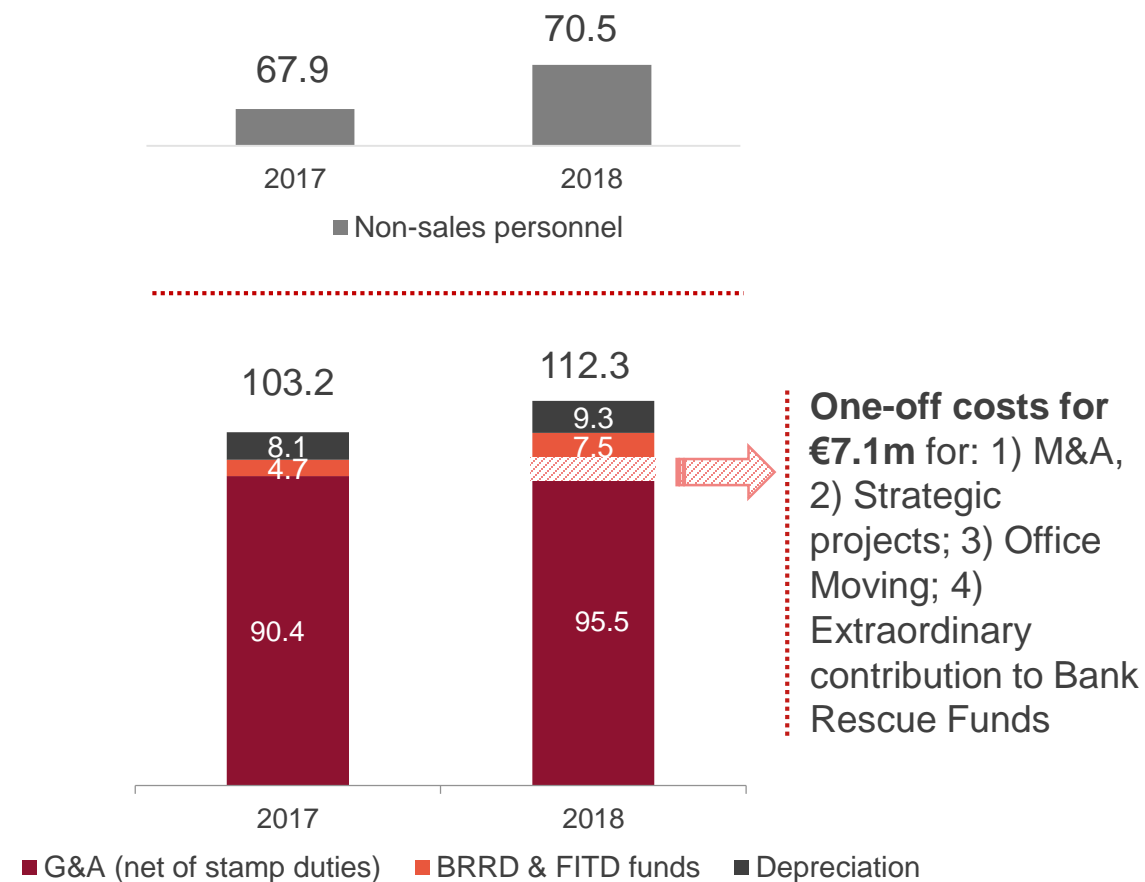
OPERATING COSTS

OPERATING COSTS IN LINE WITH GUIDANCE

Total operating costs m/€

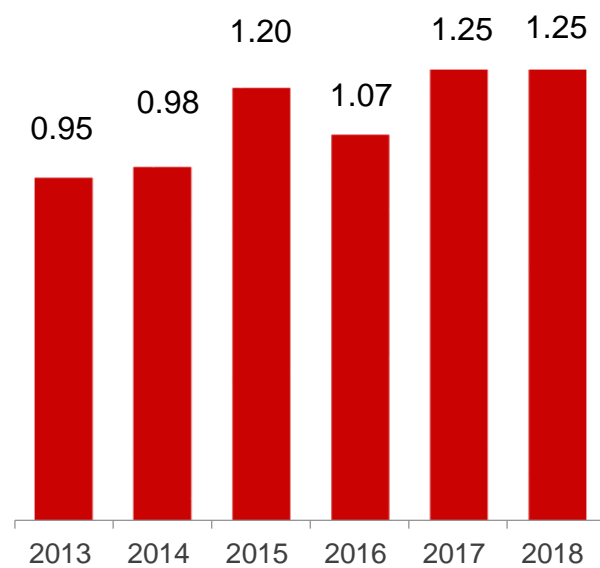


Breakdown of core operating costs m/€



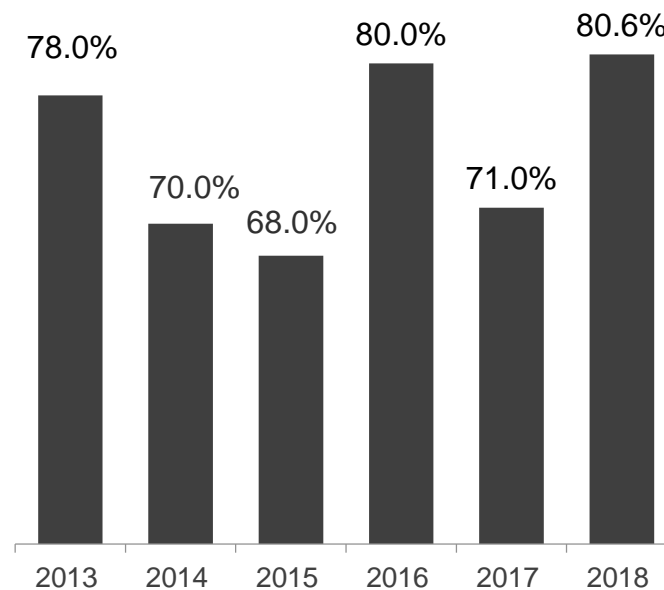
DIVIDEND PROPOSAL TO AGM

Dividend Per Share (DPS) €

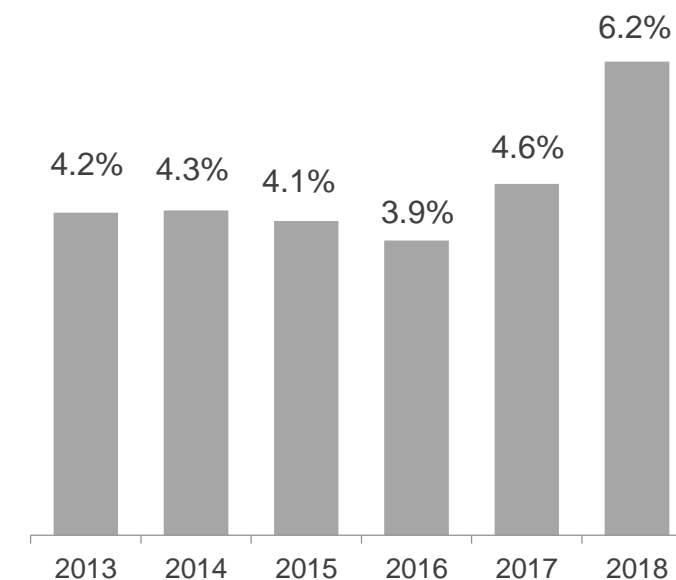


(¹) AGM scheduled for 18 April 2019

Dividend Pay-Out %



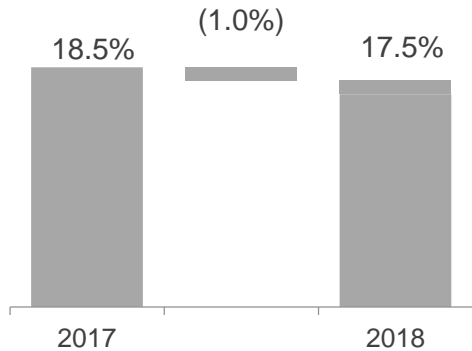
Dividend Yield



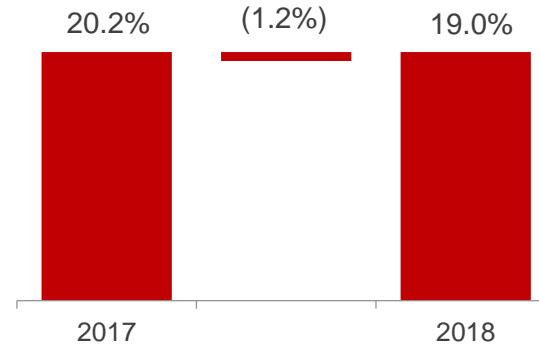
CAPITAL POSITION

SOLID CAPITAL AND HIGH LIQUIDITY POSITION REAFFIRMED

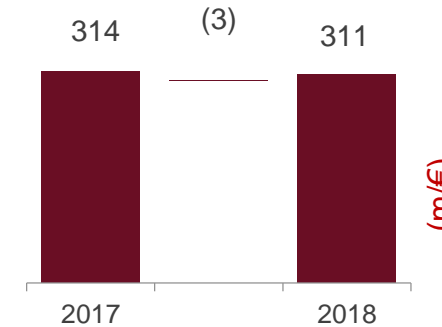
CET1 ratio



TCR ratio

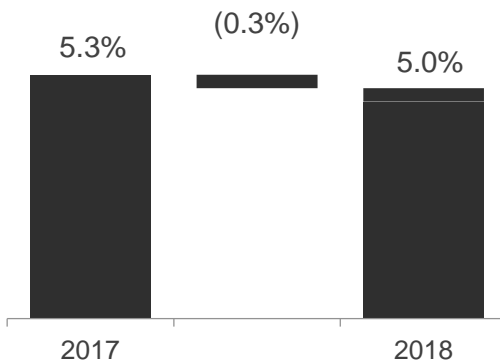


Excess Capital m/€



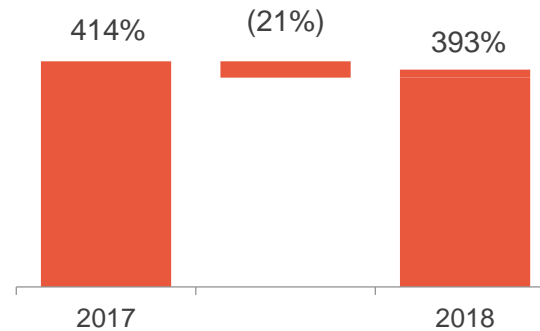
Solid capital ratios both on a YTD and QoQ basis despite market volatility

Leverage ratio

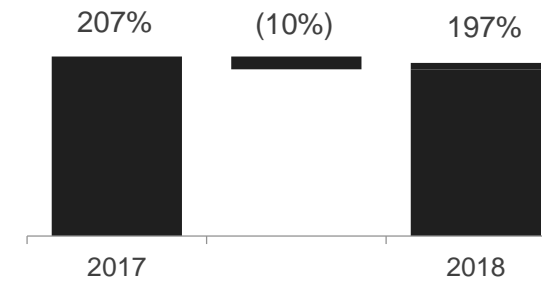


Leverage ratio at 5.0% well above min. requirement

LCR ratio



NSFR ratio



High liquidity ratios, even after accounting for the strong increase in retail deposits

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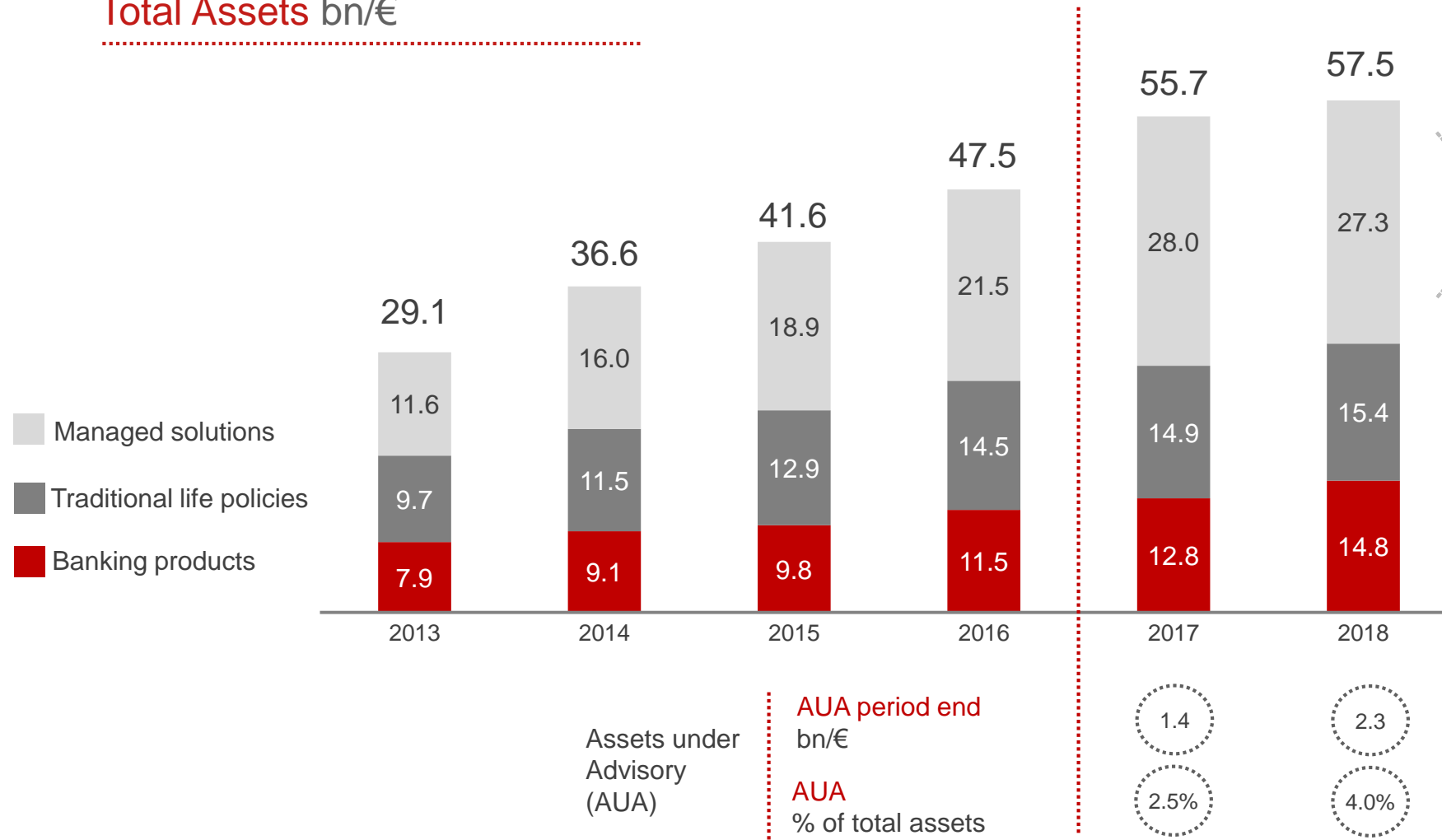
Closing remarks

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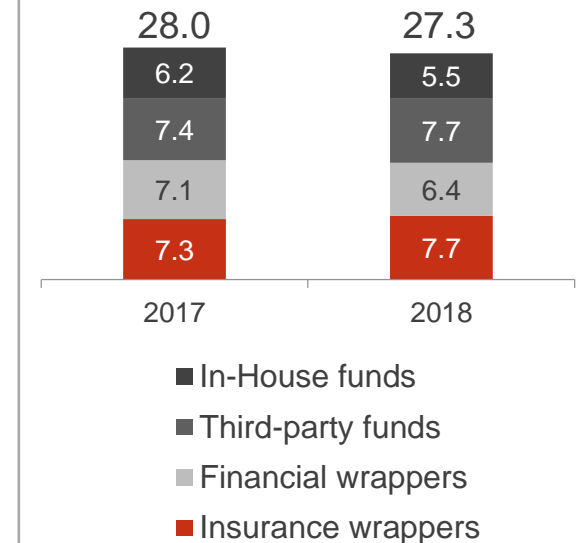
TOTAL ASSETS

VOLUMES AND PRODUCT MIX

Total Assets bn/€



Managed Solutions bn/€



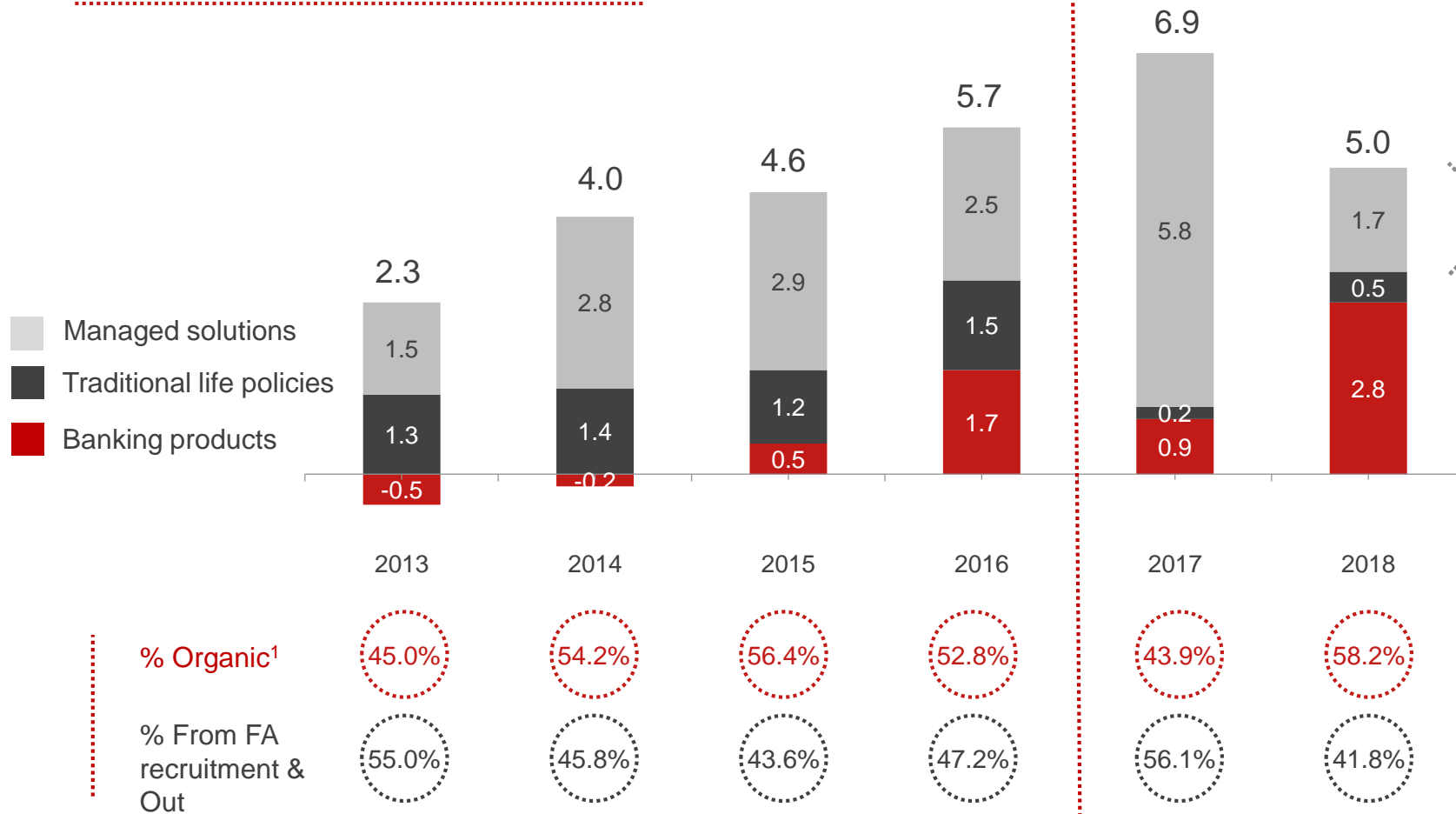
Wrapper solutions representing 52% of total managed solutions (25% of total assets)

New **LUX IM** assets at €1.4bn and included amongst In-House funds

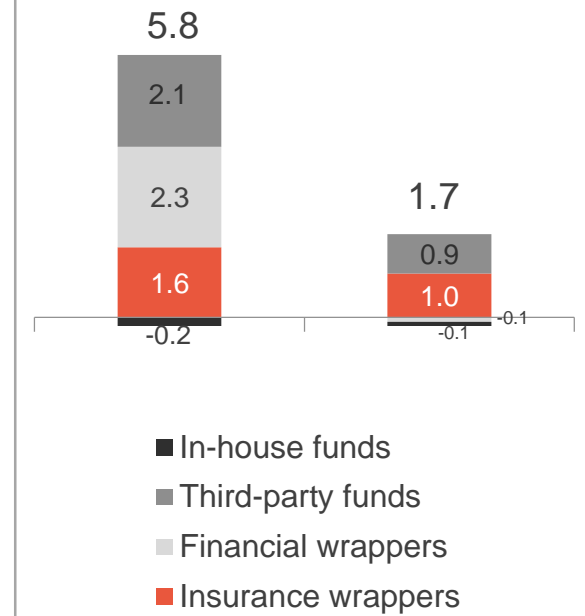
TOTAL NET INFLOWS

SOLID VOLUMES, HIGHER SHARE OF ORGANIC CONTRIBUTION

Total Net Inflows bn/€



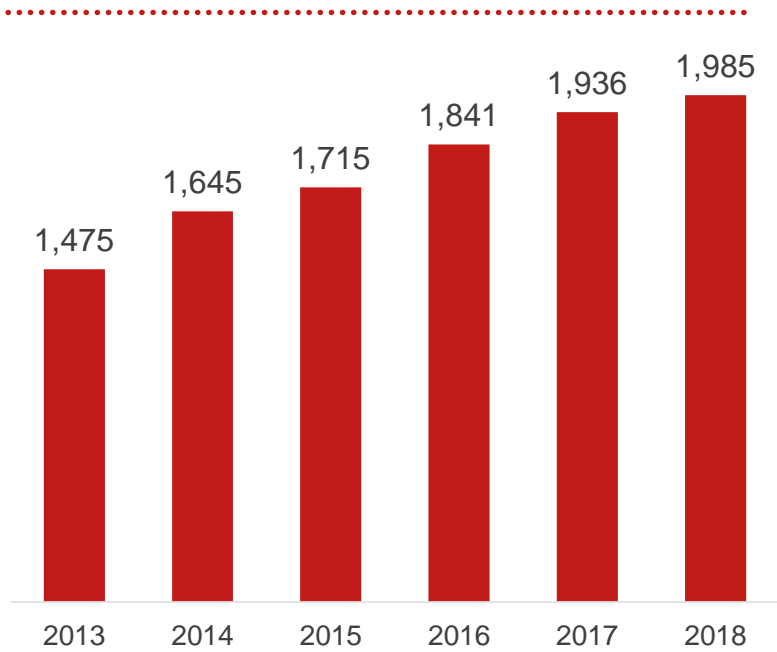
Managed Solutions bn/€



ADVISORY NETWORK

STEADY QUALITY GROWTH

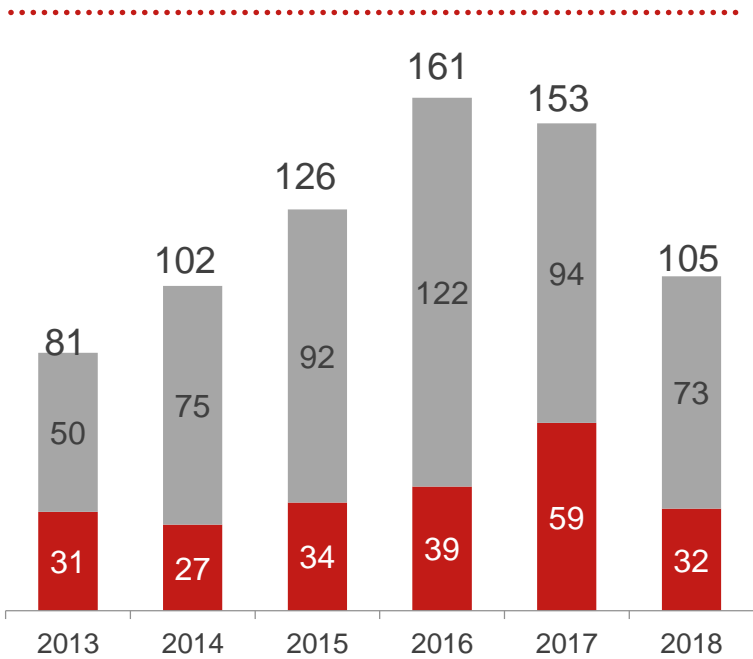
FA Network
(# of Recruits)



FAs
with
assets
>€15m



Recruitment trend
(# of Recruits)

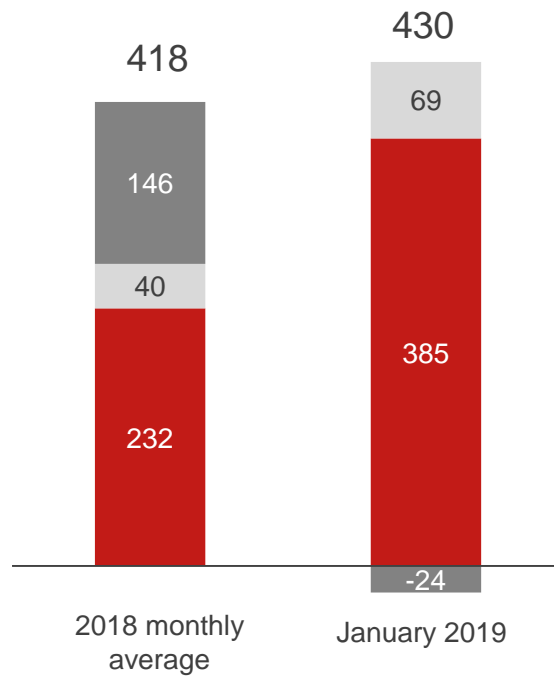


■ From Retail and Private Banks
■ From other FA Networks

JANUARY NET INFLOWS

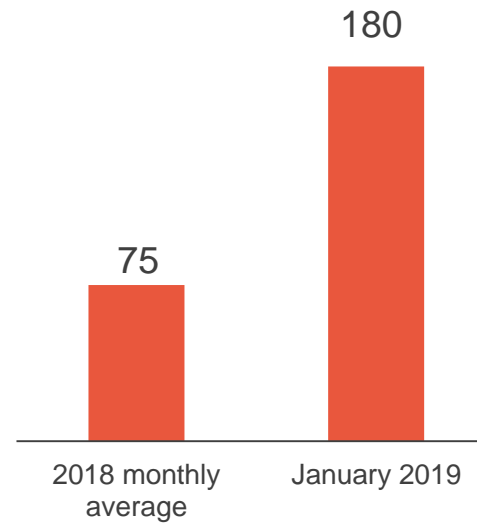
POSITIVE START TO THE YEAR

Total net inflows, monthly trend
m/€

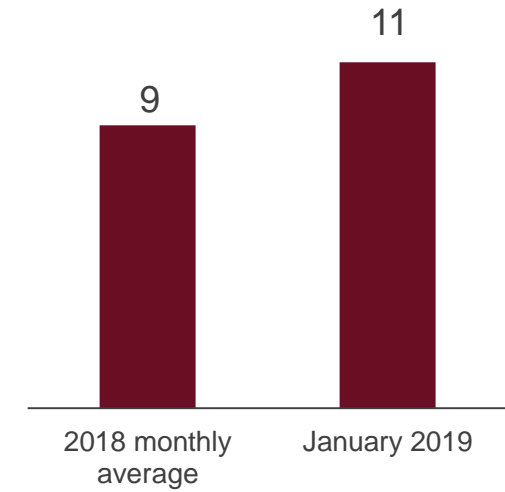


- Managed solutions
- Traditional life policies
- Banking products

Advisory, monthly new assets
trend m/€



Recruiting trend, monthly trend
(# of new recruits)



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2019-21 BUSINESS PLAN GUIDELINES

CLEAR STRATEGIC AMBITIONS



- Foster culture of talent, **sustainability** and diversity & inclusion
- Strengthen open banking approach and **state-of-the-art customer digital experience**
- **Diversify revenue mix** amid higher quality and range of wealth management services
- **Work on the entire client base** on protection, and new services for entrepreneurs
- Accelerate on **cross-fertilisation of the best practice** of the network to speed up growth and enhance quality
- Serve the Italian Client through an **international approach** while **selectively expanding abroad**

SUSTAINABILITY FOR BANCA GENERALI

EMBEDDING SUSTAINABILITY IN THE BANK CULTURE



- Review of Banca Generali's **VISION: "To be the No. 1 private bank by value of service, innovation and sustainability"**. The bank is focussed indeed on implementing and monitoring sustainability KPIs within all business functions with the aim of creating long-term value all BG's stakeholders



- Institution of the **Nomination, Governance and Sustainability Committee** (within the Board), responsible for setting sustainability and governance guidelines, with the objective of supervising the set up, introduction and implementation of the ESG strategy within all bank's functions



- Introducing a **new commercial approach dedicated to sustainability**, allowing clients to invest according to one or more of the 17 SDGs with clear evidence of the implied benefits.

SUSTAINABILITY FOR BANCA GENERALI

EXPORTING SUSTAINABILITY TO CLIENTS

NEW COMMERCIAL APPROACH



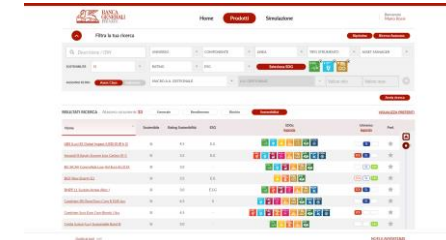
ESG Fund Selection

- Wide and growing offer: 161 ESG funds with 25 AMs
- Wide range of investment strategies (Best in Class, Best effort, Engagement, thematic Investing)



ESG Portfolio

- Fund due-diligence and monitoring of SDGs goals with the support a specialist partner
- Investment advisory dedicated to SRI/ESG portfolio lines



ESG Reporting

- Link and valuation of the contribution of each funds to the SDG target
- Effective and clear reporting of ESG targets



2019-21 BUSINESS PLAN GUIDELINES

CLEAR FINANCIAL TARGETS



2019-21 Targets

▪ Cumulated Net Inflows	>14.5 bn/€
▪ Total Assets	76-80 bn/€
▪ Core Net Banking Income ¹	≥63 bps
▪ Core Operating Costs:	3%-5% CAGR²
▪ Dividend:	70%-80% pay-out ratio DPS (1.25€) set as a floor

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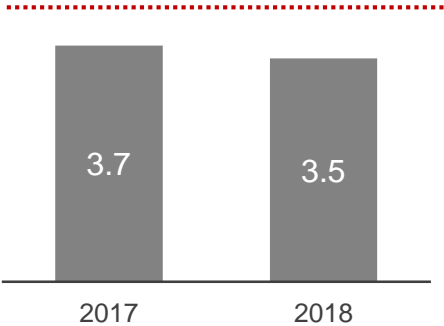
Business update

Appendix

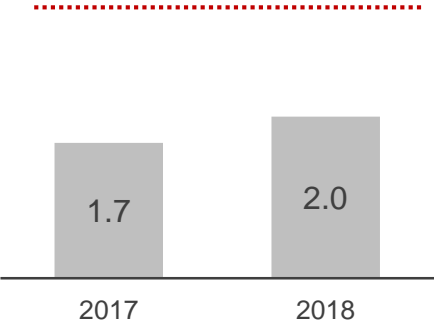
NET FINANCIAL MARGIN

OVERVIEW OF THE BANKING BOOK

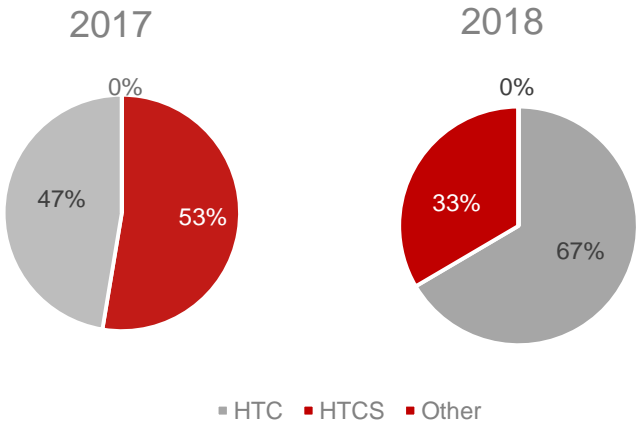
Maturity



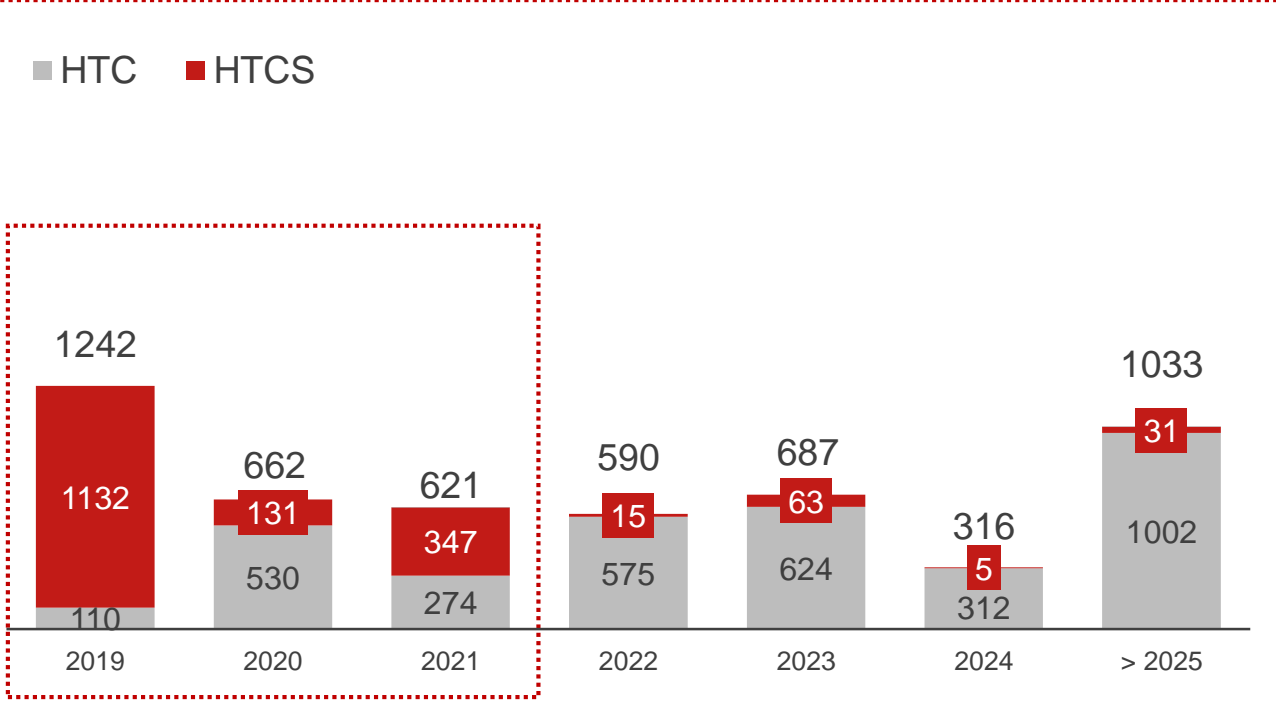
Duration



Classification (IT Govt bond)



Italian Government bond portfolio maturities by IFRS9 classification m/€

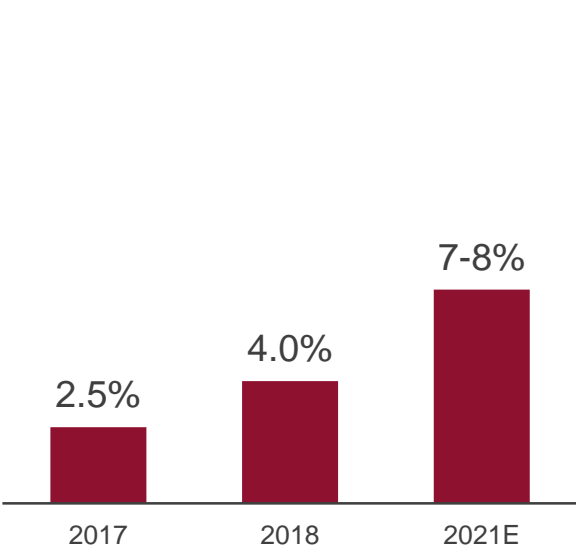


NII sensitivity to +100bps in interest rates' increase equal to €28.6m

NEW REVENUE STREAMS

ASSETS UNDER ADVISORY: ADVANCED ADVISORY CONTRACT

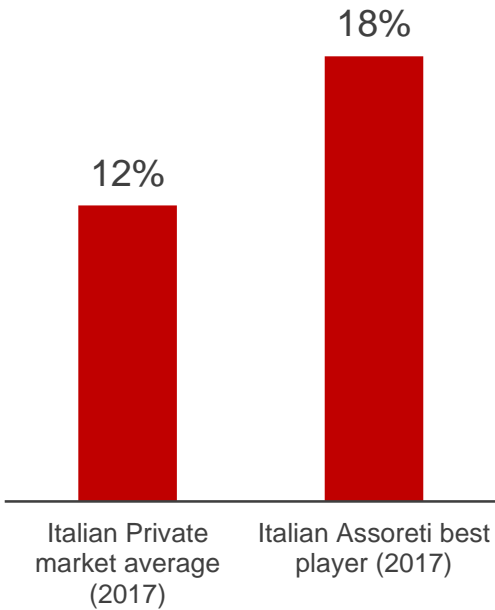
BG - % AUA
on Total Assets



AUA
bn/€
period end



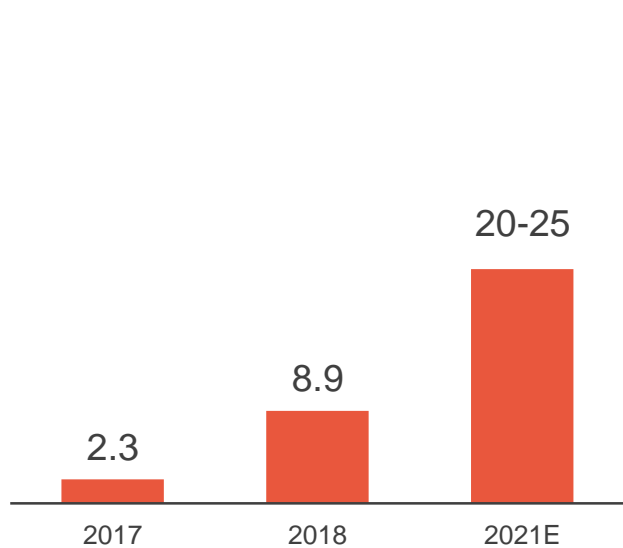
Benchmark
% AUA on Total Assets¹



Advisory
Fees /
Avg. AUA
bps



Guidance: Advisory Fees²
m/€



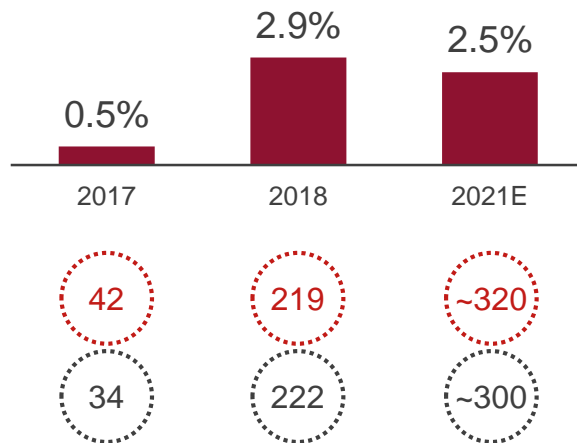
Advisory
Fees /
Avg. AUA
bps



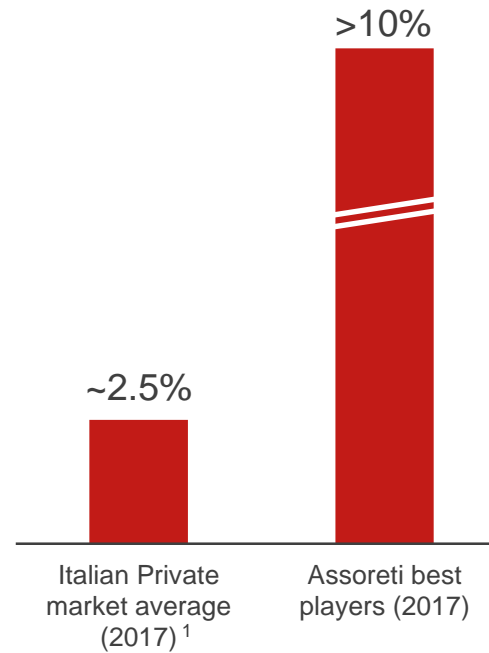
NEW REVENUE STREAMS

ASSETS UNDER CUSTODY: CERTIFICATES AND PRIVATE PLACEMENTS

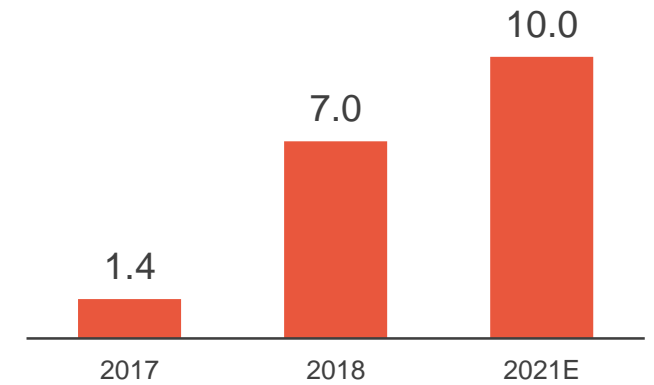
BG - % Certificates & private placements stock on AUC



Benchmark - % Certificates stock on AUC



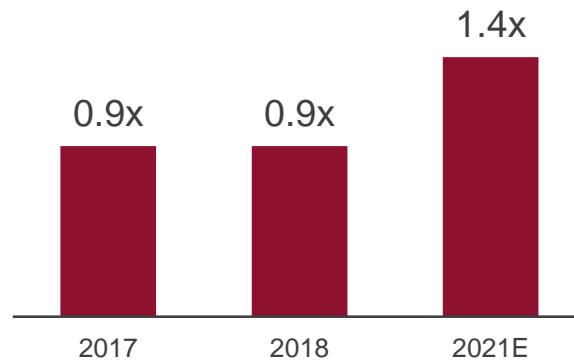
Guidance: Entry fees on certificates & private placements m/€



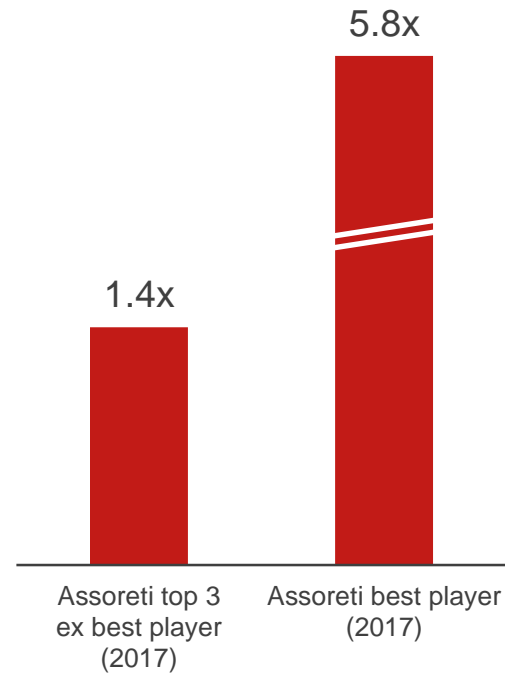
OTHER GROSS FEES

ASSETS UNDER CUSTODY: BROKERAGE

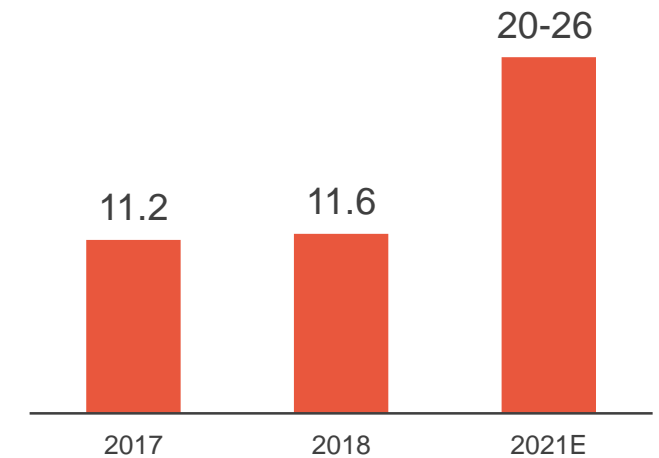
BG - Turnover
Ratio (cash only)¹



Benchmark - Turnover
Ratio (cash only)²



Guidance: Brokerage fees
(cash + derivatives)¹ m/€



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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.

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