

9M 2019 RESULTS

31 OCTOBER 2019



**BANCA
GENERALI**

Our Mission:
To be the
No.1 Private
Bank unique
by Value of
Service,
Innovation and
Sustainability



Preliminary remarks



9M 2019 Results



Net Inflows, Assets and Recruitment



Business update



Appendix

EXECUTIVE SUMMARY

BEST 9M NET PROFIT EVER



Strong net profit led by asset growth, diversification and investment performance

- **Strong growth both in reported net profit (€196m, +44%) and core net profit (€103m, +18%)** leveraging on favorable financial markets, asset expansion and supported by a solid increase in net interest income and new revenue streams
- **Profitability improving quarter-on-quarter** as management fee margin remains comfortably within 2021 guidance and new revenue margins are delivering ahead of plan
- **Cost ratios at best practice level** (33% reported, 39% excl. performance fees and variable items) despite acceleration on all key projects and one-off items



Record increase in assets: +€10bn YTD

- **Total assets were up to €66.1bn (+15%)** driven by **strong net new money** (€3.8bn, 6.6% of starting assets), the **strong investment performance** (+6.4% on total assets, +7.5% on managed assets) and consolidation of Nextam (€1.1bn). Assets under Advisory almost doubled to €4.4bn (+91% YTD)
- **Total assets up to €67.2bn on a pro-forma basis¹ with almost a €10bn increase YTD.** Acquisition of Valeur completed and integration well underway
- **FA network** further expanding both by number to €2,033 despite slower recruiting and by quality with an average portfolio of €32.0m, 51% above sector average²



Execution of long-term strategy: well on track to achieve sustainable and profitable growth

- **Growth trend ahead of expectations** leveraging on top professional FAs , strong brand recognition and roll out of wealth management approach. Successful positioning in private banking bodes well for further expansion across cluster of clients
- **LUX IM drives growth in managed solutions** once again confirming positive track record in product innovation while reinforcing revenue sustainability
- **New revenue streams driving growth and supporting margins** in a context of clients' risk aversion and searching for liquidity and protection

RESULTS AT A GLANCE

KEY TAKEAWAYS

m/€	9M 18	9M 19	% Chg	9M 19	% Chg
		LfL		Reported ¹	
Net Interest Income	44.2	56.5	27.8%	53.9	21.8%
Net income (loss) from trading activities and Dividends	22.1	9.3	-57.8%	9.3	-57.8%
Net Financial Income	66.3	65.8	-0.7%	63.2	-4.7%
Gross fees	566.7	631.9	11.5%	633.1	11.7%
Fee expenses	-301.1	-303.6	0.8%	-287.9	-4.4%
Net Fees	265.5	328.3	23.6%	345.2	30.0%
Total Banking Income	331.8	394.1	18.8%	408.4	23.1%
Staff expenses	-62.8	-66.9	6.6%	-67.6	7.7%
Other general and administrative expense	-76.4	-84.0	10.0%	-70.0	-8.4%
Depreciation and amortisation	-6.3	-7.5	20.7%	-21.2	n.m.
Other net operating income (expense)	2.1	3.0	43.6%	3.0	45.2%
Total operating costs	-143.3	-155.5	8.5%	-155.7	8.6%
<i>Cost /Income Ratio</i>	<i>41.3%</i>	<i>37.5%</i>	<i>-3.8 p.p.</i>	<i>32.9%</i>	<i>-8.4 p.p.</i>
Operating Profit	188.5	238.6	26.6%	252.7	34.1%
Net adjustments for impair.loans and other assets	-6.1	-2.3	-62.6%	-2.3	-62.6%
Net provisions for liabilities and contingencies	-14.6	-13.0	-11.1%	-13.0	-11.1%
Gain (loss) from disposal of equity investments	-0.2	-0.2	44.2%	-0.2	44.1%
Profit Before Taxation	167.7	223.1	33.1%	237.2	41.5%
Direct income taxes	-31.8	-36.6	14.9%	-41.2	29.4%
<i>Tax rate</i>	<i>19.0%</i>	<i>16.4%</i>	<i>-2.6 p.p.</i>	<i>17.4%</i>	<i>-1.6 p.p.</i>
Net Profit	135.8	186.6	37.3%	196.0	44.3%

Comments

Strong increase in Operating Profit (+34%)

- **Higher NII (+21.8%)** on higher volumes and higher investment yield
- **Higher Net Fees (+30.0%)** driven by higher assets, strong investment performance and lower cost of growth
- **Reported opex inflated by one-offs (adj. +5.8%)** due to the speed-up of major strategic projects, selected extraordinary items and consolidation of Nextam
- **Cost/Income ratios at 33% (39% adjusted²)** confirmed at best practice levels

Lower charges below the operating line

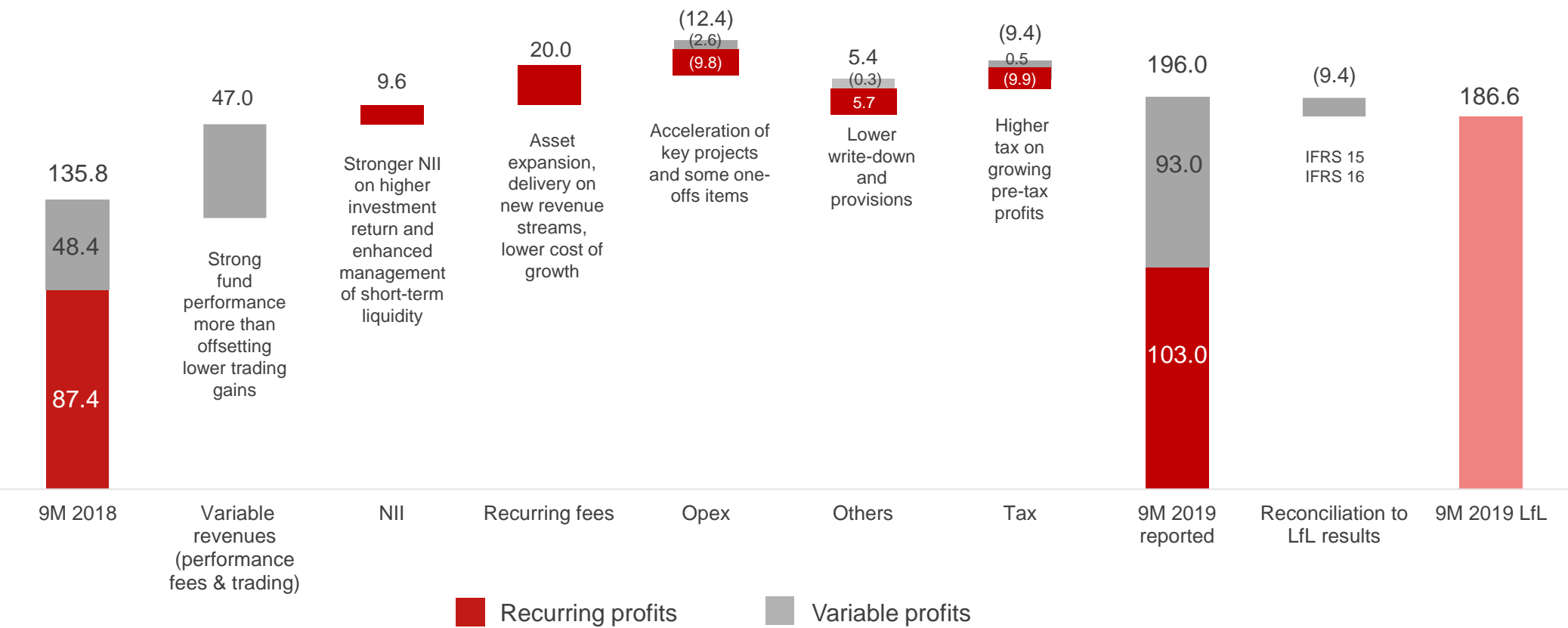
- Lower adjustments linked to the IFRS9 quarterly assessment thanks to the **improvement in credit risk** of Italian government bonds

Total reported net profit at €196.0m (+44%), the best 9M results in the bank's history.

NET PROFIT BUILD-UP

STRONG IMPROVEMENT IN BOTH REPORTED AND RECURRING PROFITS

Net Profit build-up m/€



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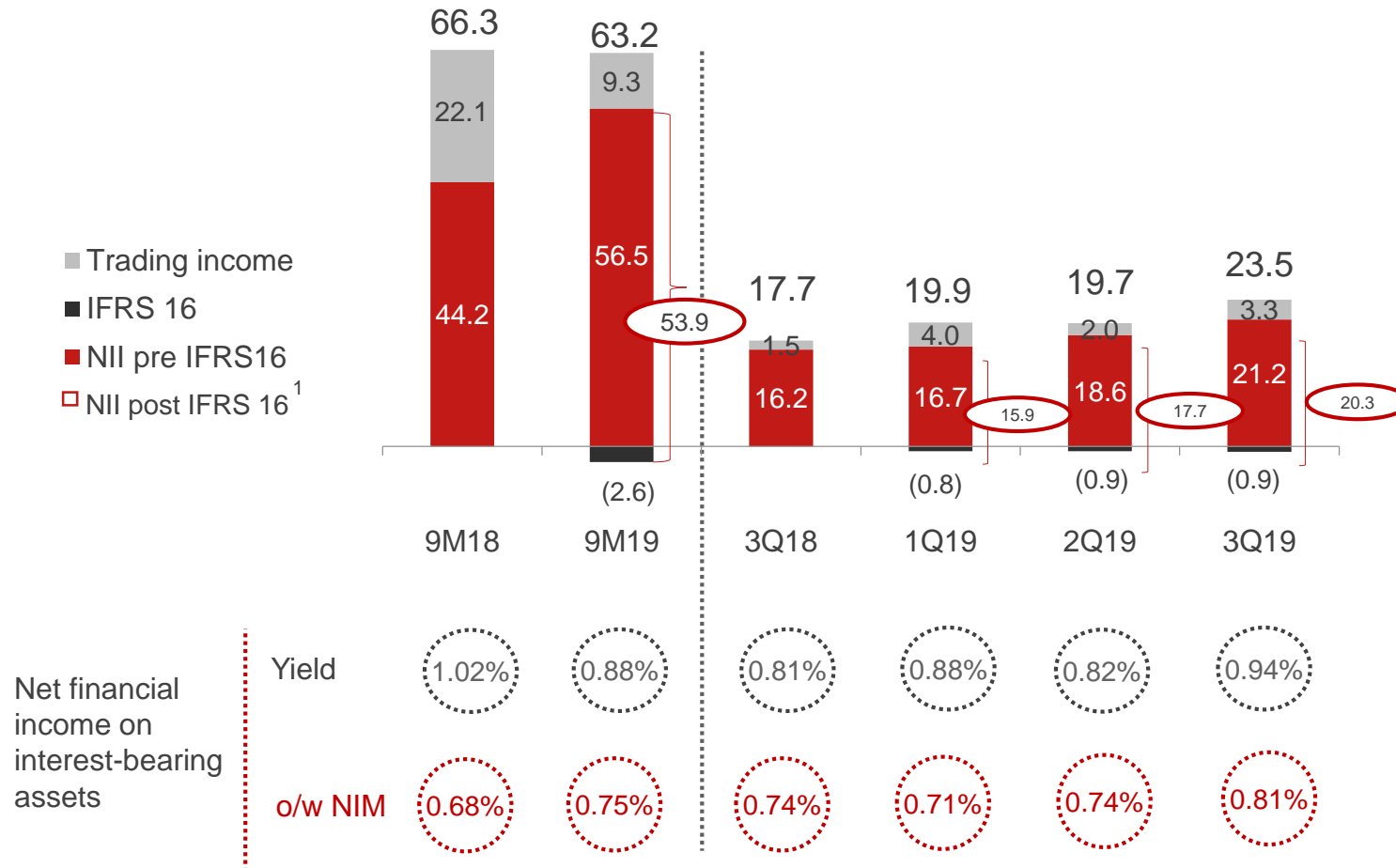


Appendix

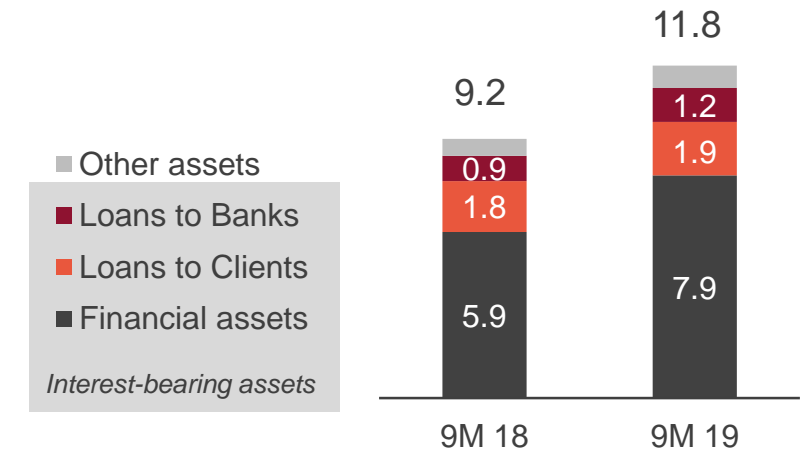
NET FINANCIAL INCOME

LIFTED BY HIGHER VOLUMES AND INVESTMENT YIELD

Net financial income m/€



Interest-bearing Assets bn/€

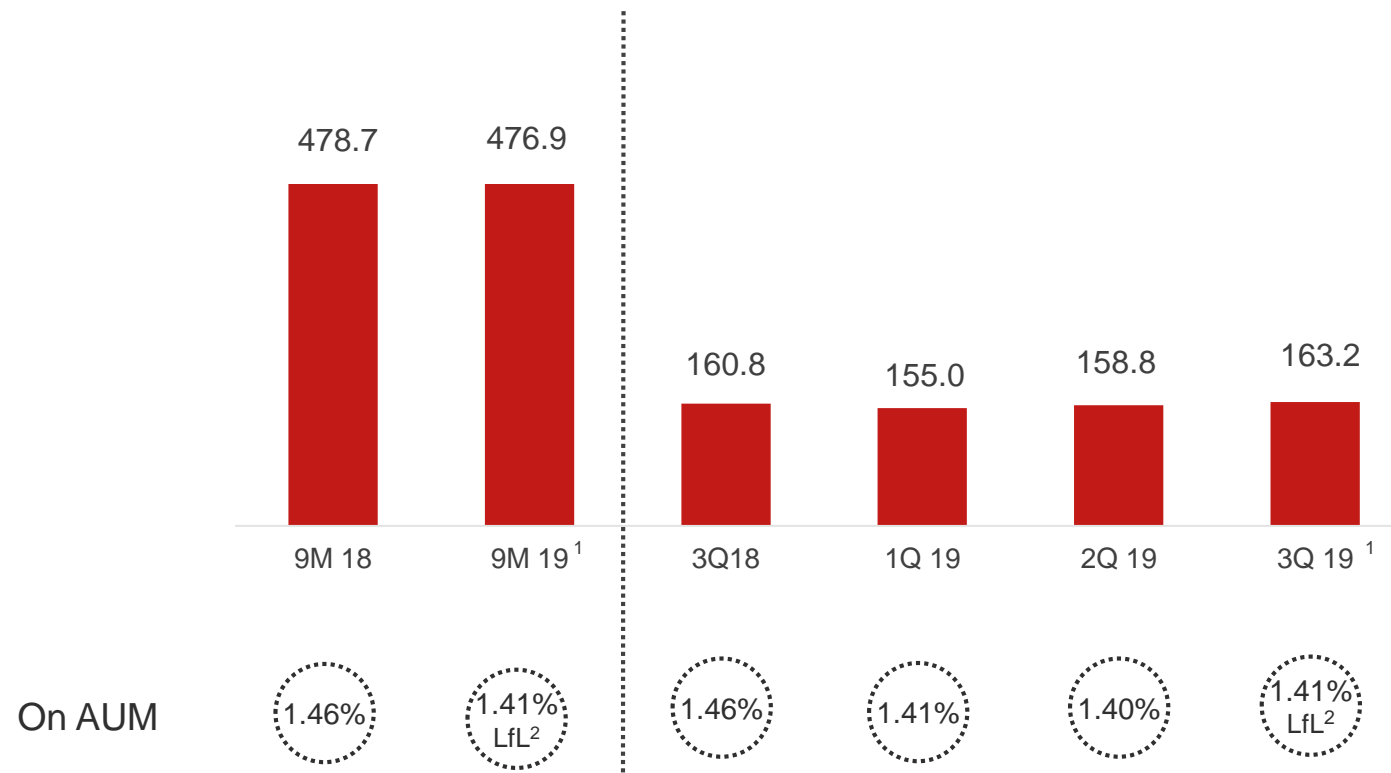


- **Strong increase of NII to €53.9m (+22%)** including the €2.6m charge for IFRS16, almost offsetting the sharp drop of realized trading gains (-58%)
- Increase in NII driven by **higher volumes** (+€2.2bn YTD) and **higher investment yield** on the banking book (+10bps to 83bps²) coupled with **lower cost of liquidity** (13bps vs. 26bps at 2018YE)

GROSS FEES (1/3): MANAGEMENT FEES

MANAGEMENT FEES STEADILY RECOVERING

Management Fees m/€



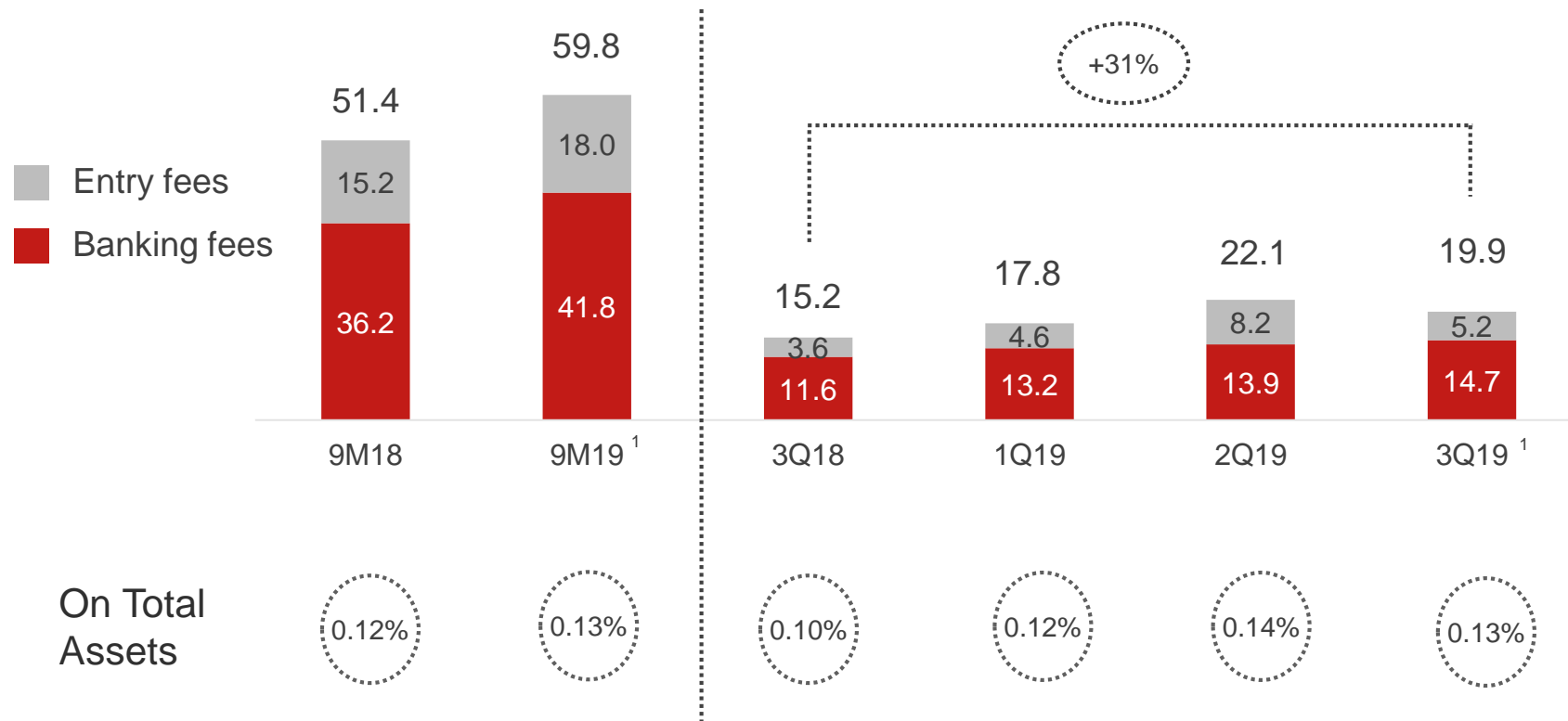
Management fees steadily recovering in absolute terms (+5.3% from 1Q19 low) and margins (+1bps QoQ) on a like-for-like basis, thanks to the improved product mix in the quarter.

Current high liquidity positions and clients' risk aversion limit a stronger margins' recovery

GROSS FEES (2/3): OTHER FEES

NEW FEES SHARPLY HIGHER

Banking and Entry Fees m/€



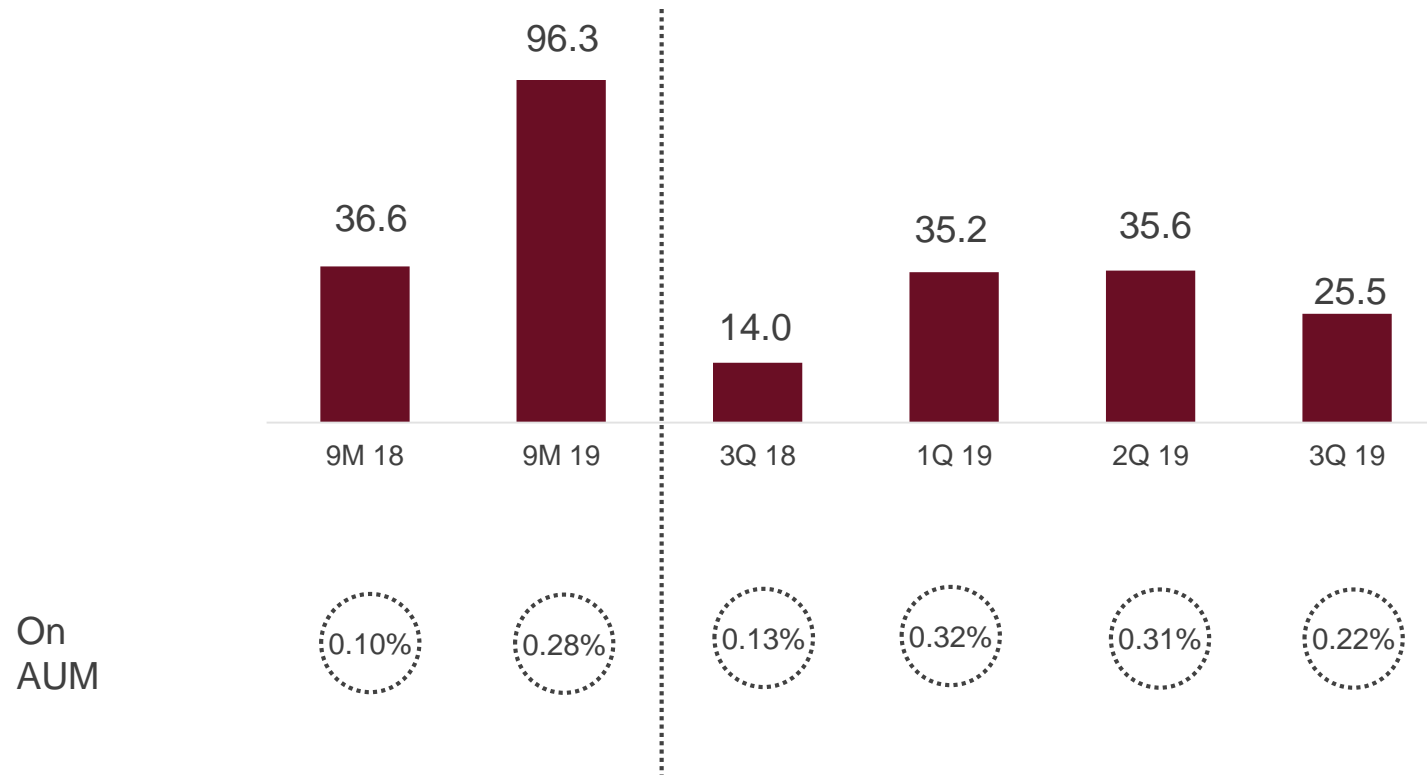
Entry fees strongly up – despite 3Q seasonality - driven by the new offer of certificates, whose volumes issued doubled YoY

Banking fees up with the growing contribution from **advisory fees** driven by higher volumes

GROSS FEES (3/3): PERFORMANCE FEES

POSITIVE FINANCIAL PERFORMANCE

Performance Fees m/€



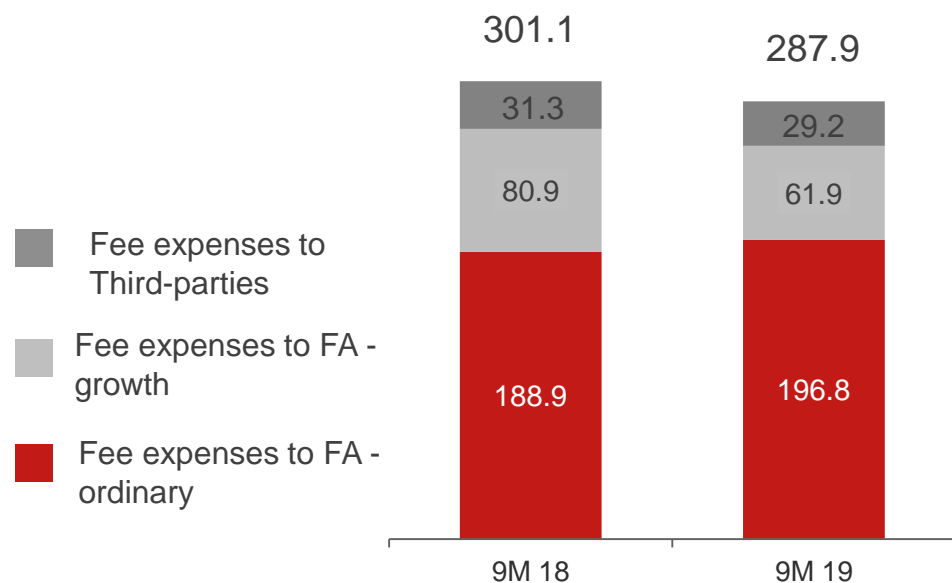
Performance fees at 22 bps of managed assets in the quarter

New performance fees calculation mechanism applying to 59% of total Lux-based assets

FEE EXPENSES

TOTAL PAY-OUT MOVING DOWN FURTHER

Total Fee Expenses m/€

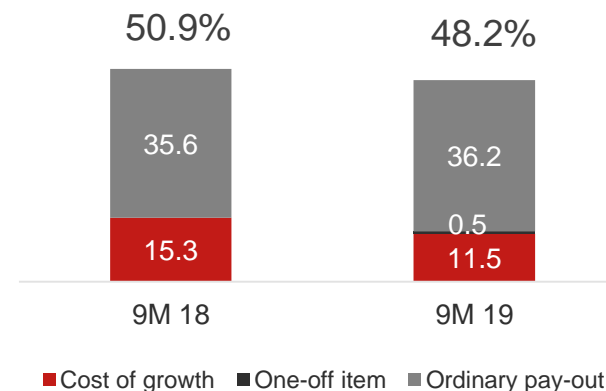


Total Pay-out ratio
(ex-performance fees)

56.8%

53.6%

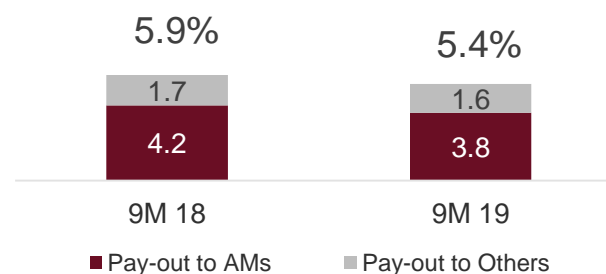
Pay-out to the network %



Pay-out to the network benefits from lower cost of growth (higher organic inflows and IFRS15 accounting).

Ordinary pay-out slightly higher on different product mix

Pay-out to Third-parties %

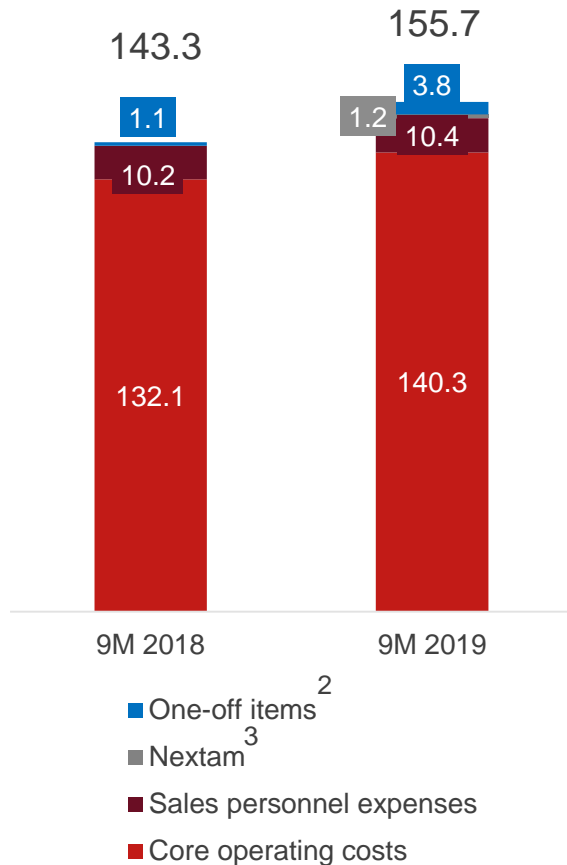


Pay-out to third-parties benefits from more favourable agreements with third-party providers

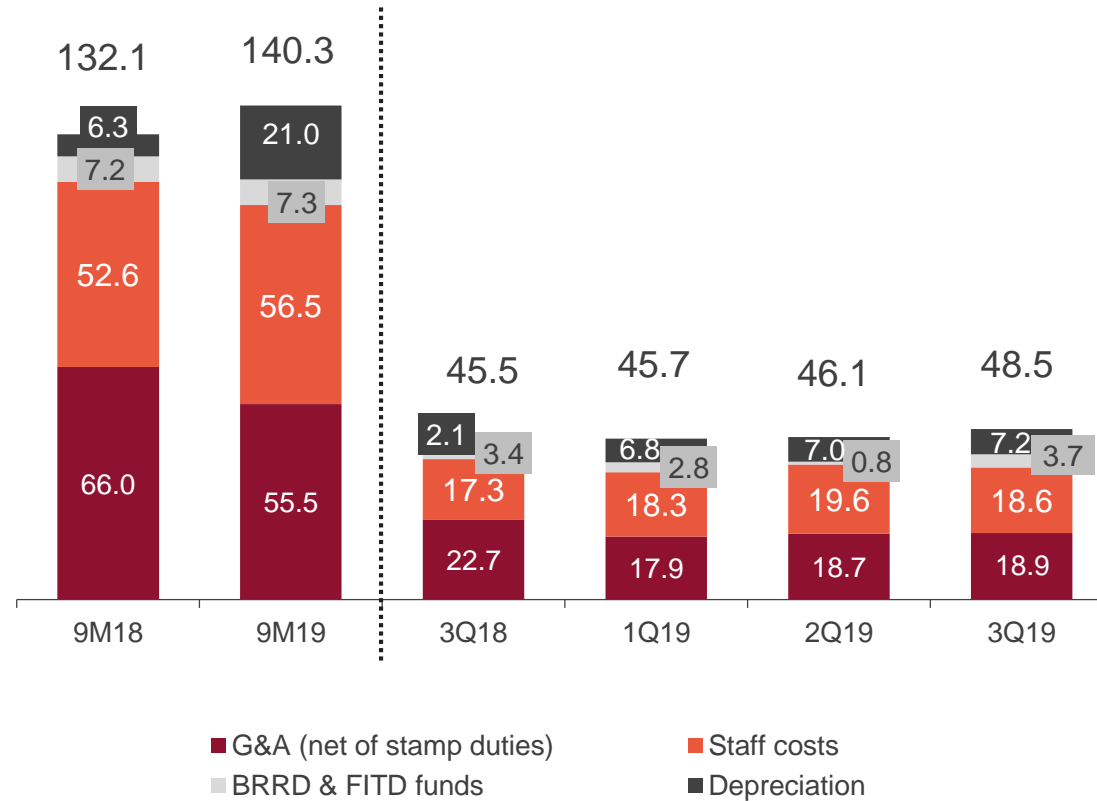
OPERATING COSTS (1/2)

STRATEGIC PUSH AND ACCELERATION OF KEY PROJECTS

Total operating costs m/€



Breakdown of core operating costs¹ m/€



Reported operating costs inflated by one-off items and consolidation of Nextam

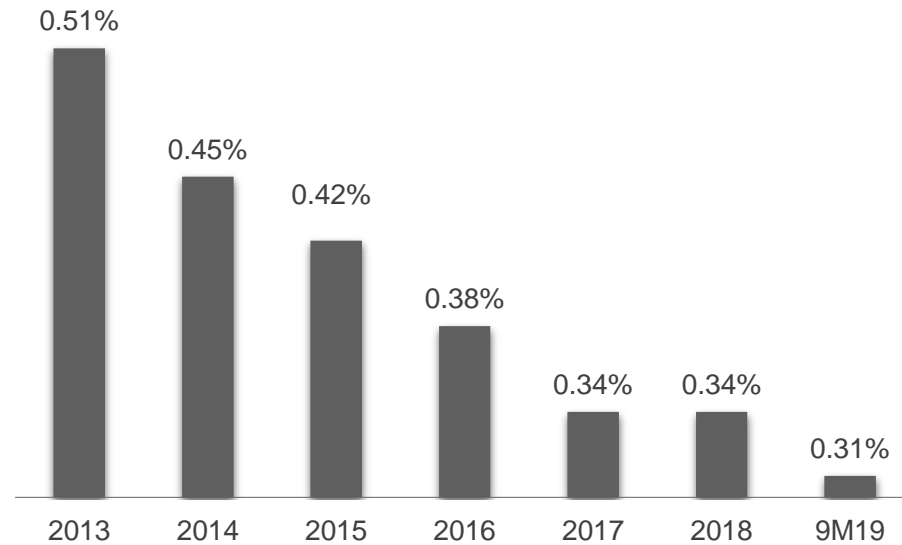
Adjusted operating costs were +5.8% mostly for the acceleration in key strategic projects in 3Y plan

Cost guideline confirmed (3%-5% CAGR guidance for 'core operating costs')

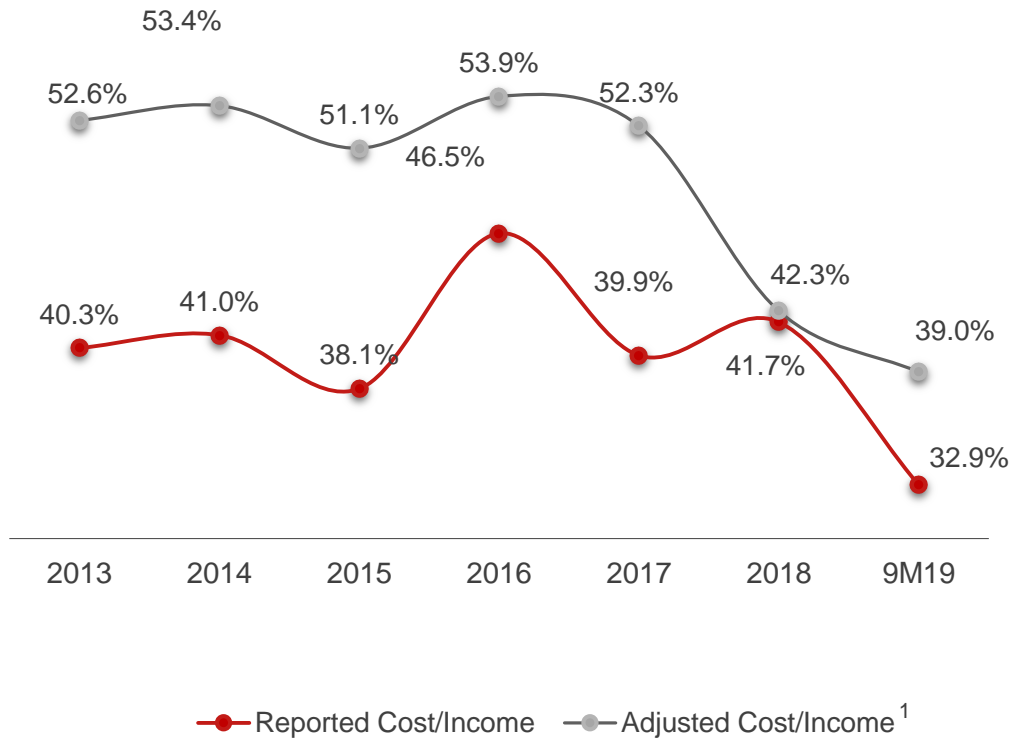
OPERATING COSTS (2/2)

HIGH EFFICIENCY LEVELS CONFIRMED

Operating costs/Total assets



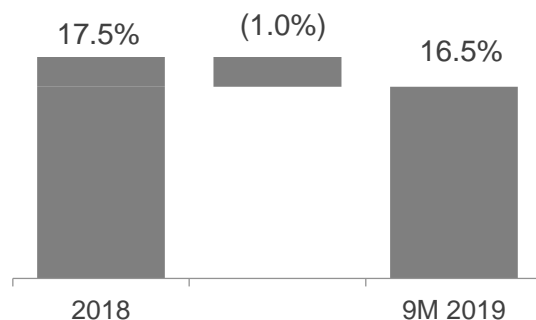
Cost/Income ratio



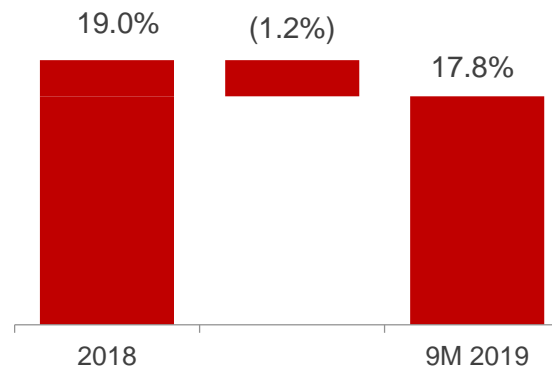
CAPITAL POSITION

SOLID CAPITAL REAFFIRMED

CET1 ratio



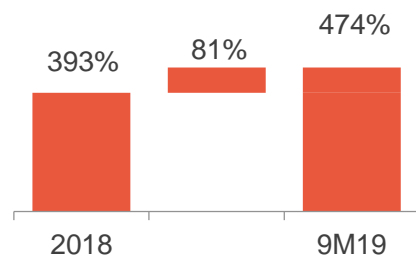
TCR ratio



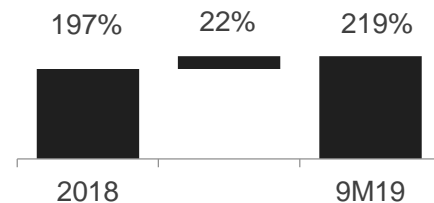
Solid capital ratios confirmed after including

1. **IFRS 16 FTA application** with a one-off charge of 86bps on CET1 and 93bps on TCR linked to recognition of the rights of use (RoU) for lease contracts
2. **First time consolidation of Nextam Partners** with a one-off charge of 65 bps
3. **Dividend pay-out** estimated in line with the dividend policy¹

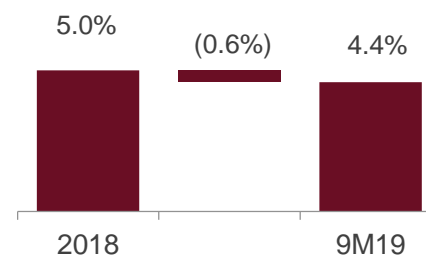
LCR ratio



NSFR ratio



Leverage



Liquidity ratios and leverage are both well above requirements

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Net Inflows, Assets and Recruitment



Business update

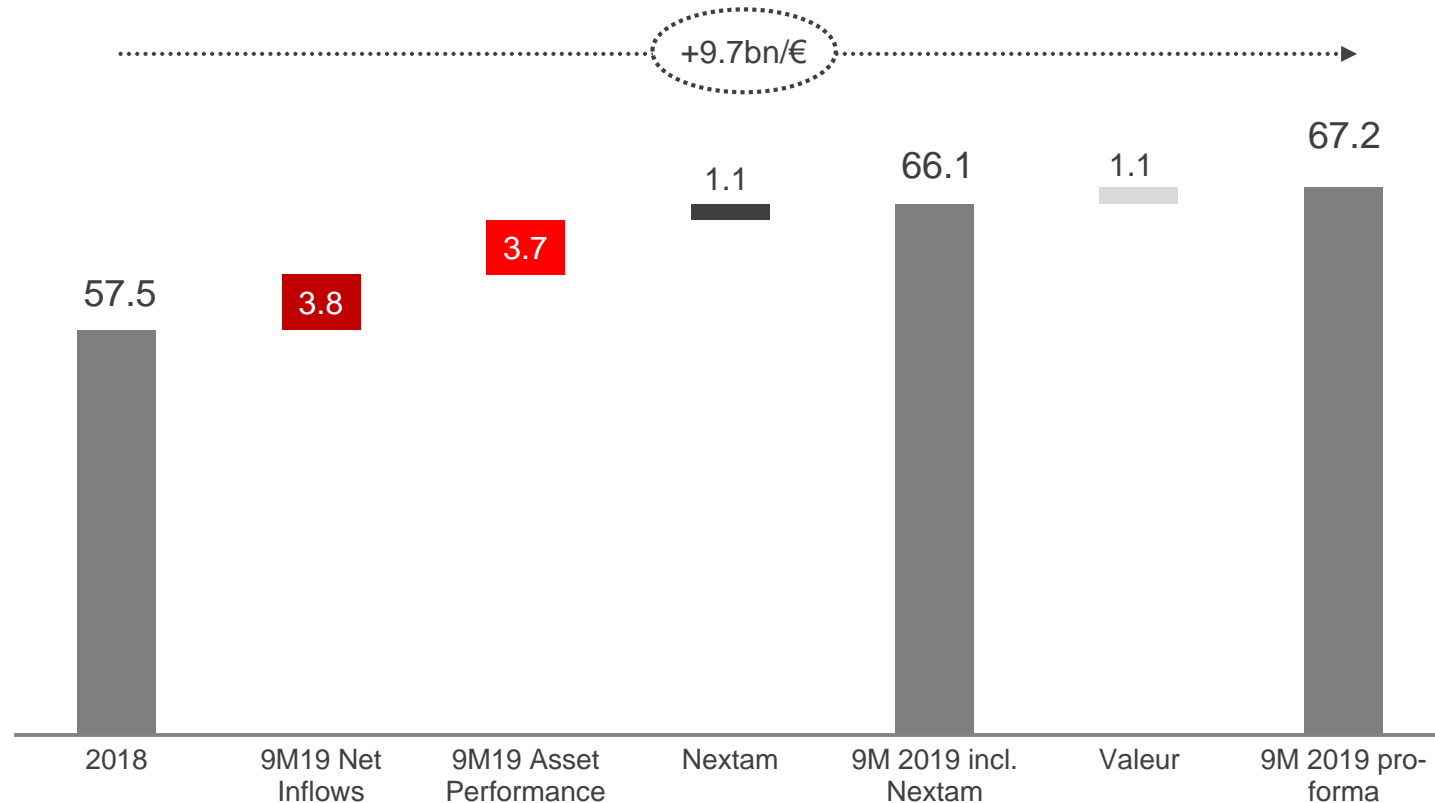


Appendix

TOTAL ASSETS (1/3)

TOTAL ASSETS EXPANSION CLOSE TO €10 BN YTD

Total Assets bn/€



Record asset expansion on a pro-forma basis: almost €10bn YTD driven by

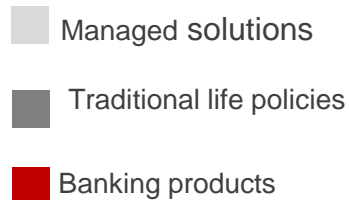
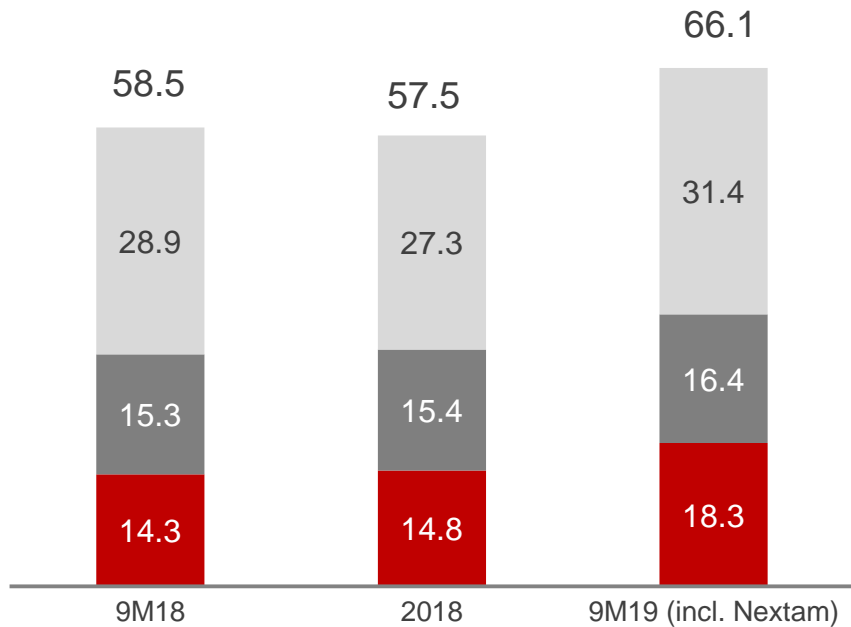
- Organic growth €3.8bn
- Asset performance €3.7bn
- M&A: €2.2bn

Asset performance YTD at + 6.4%
(+7.5% on managed solutions only)

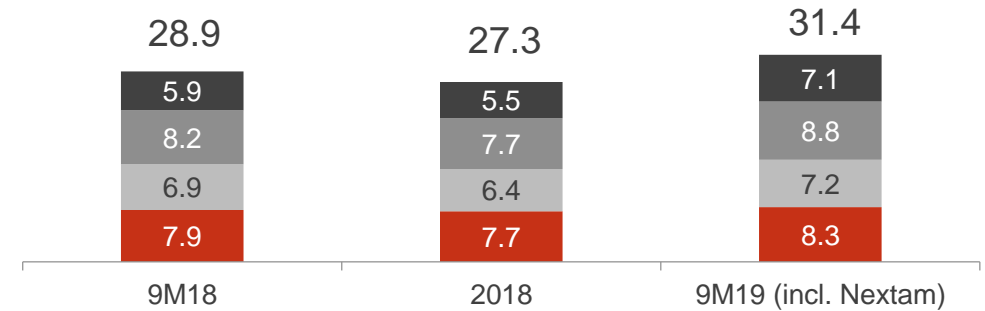
TOTAL ASSETS (2/3)

PRODUCT MIX STILL AFFECTED BY RISK AVERSION

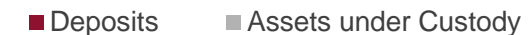
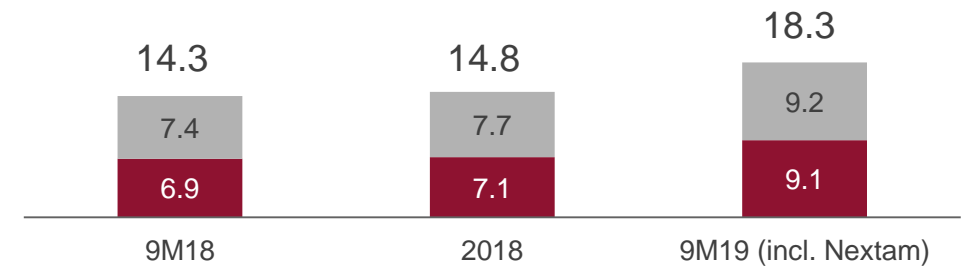
Total Assets bn/€



Managed Solutions bn/€



Banking assets bn/€

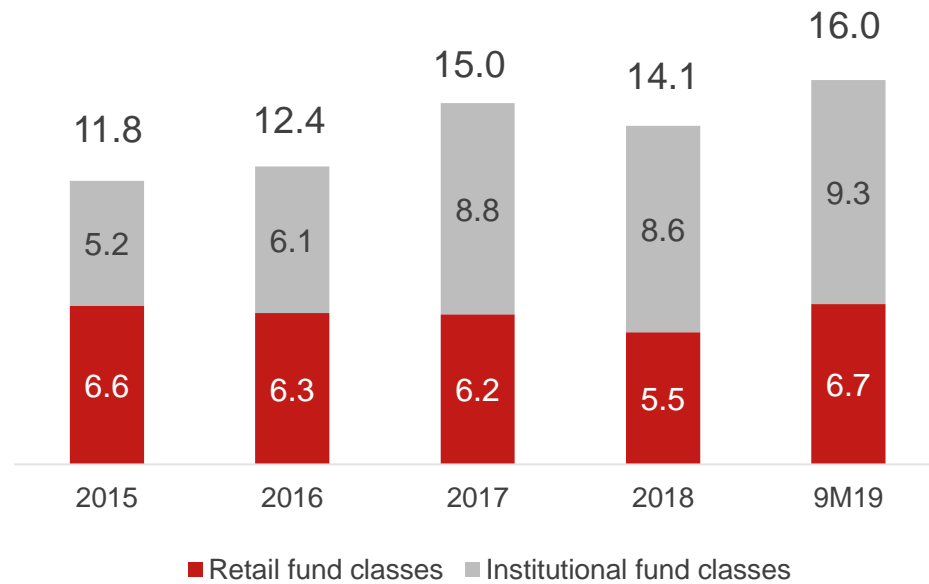


TOTAL ASSETS (3/3)

FOCUS ON LUX-BASED ASSETS AND ASSETS UNDER ADVISORY

LUX-based assets bn/€

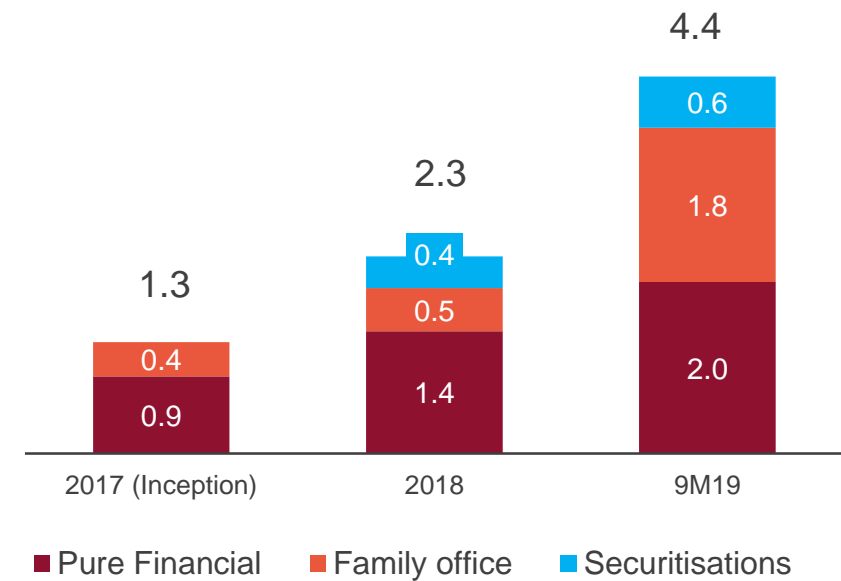
BG Fund Management Luxembourg
Total assets by fund class



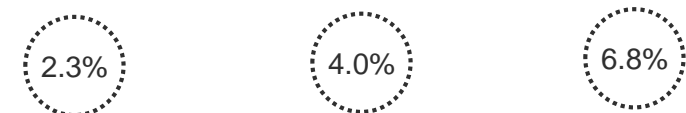
% of managed assets¹



Assets under Advisory bn/€



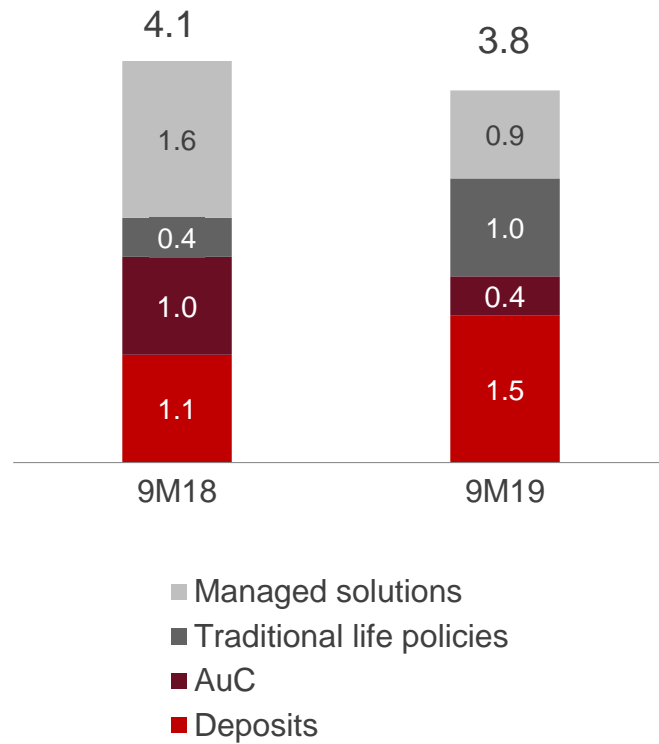
% of total assets



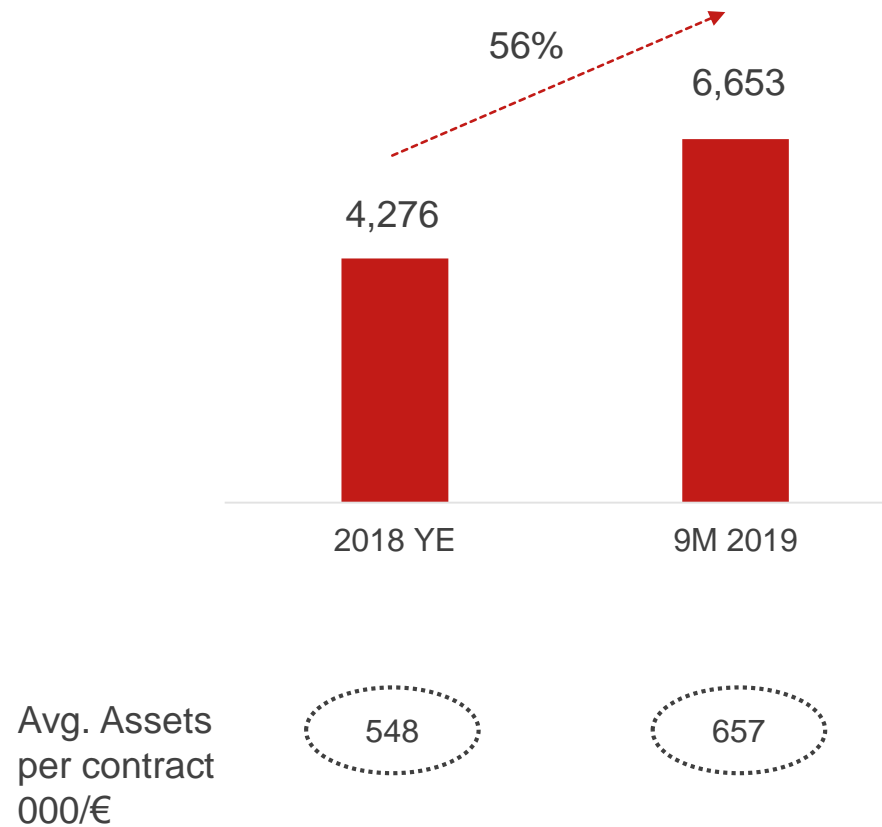
NET INFLOWS

TWO GROWTH DRIVERS AT FULL SPEED

Total Net inflows (LfL) bn/€



AuA contracts (#; 000/€)



Strong net inflows
at 6.6% of starting
assets

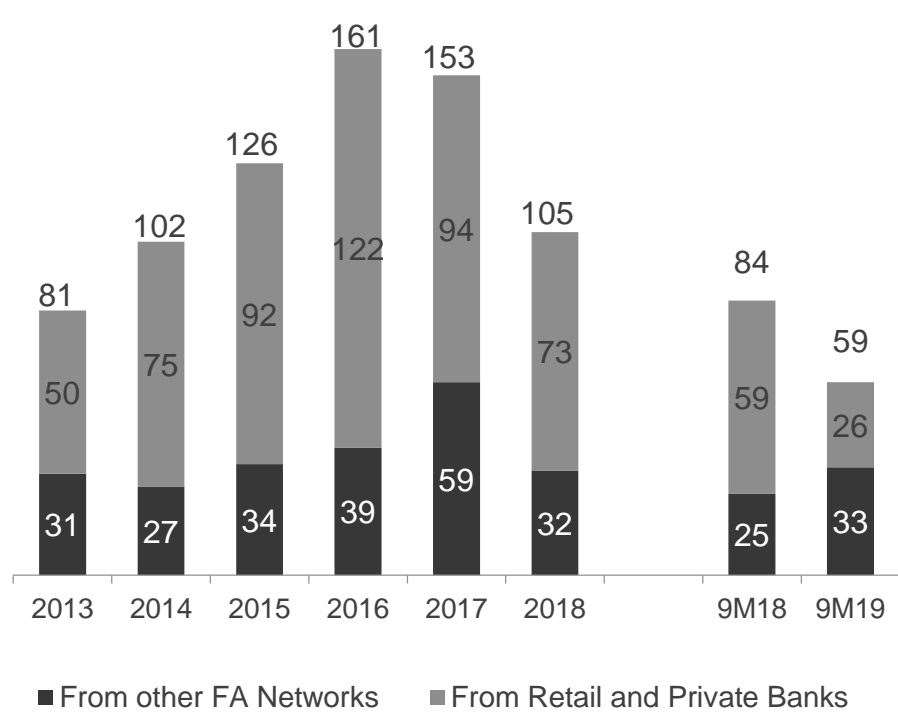
Product mix
reflecting ongoing
clients' high risk
aversion

**Strong growth
momentum** for AuA
confirming a
structural trend

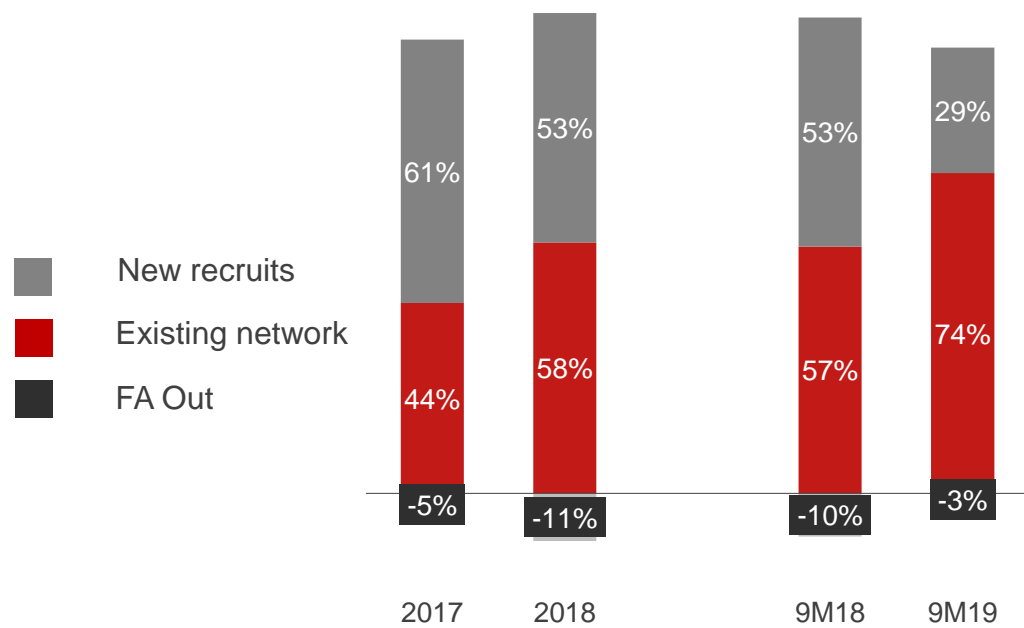
NET INFLOWS BY CHANNEL

ORGANIC GROWTH REPRESENTING 74% OF TOTAL NET INFLOWS

Recruitment trend (# of Recruits)



Total net inflows by acquisition channel



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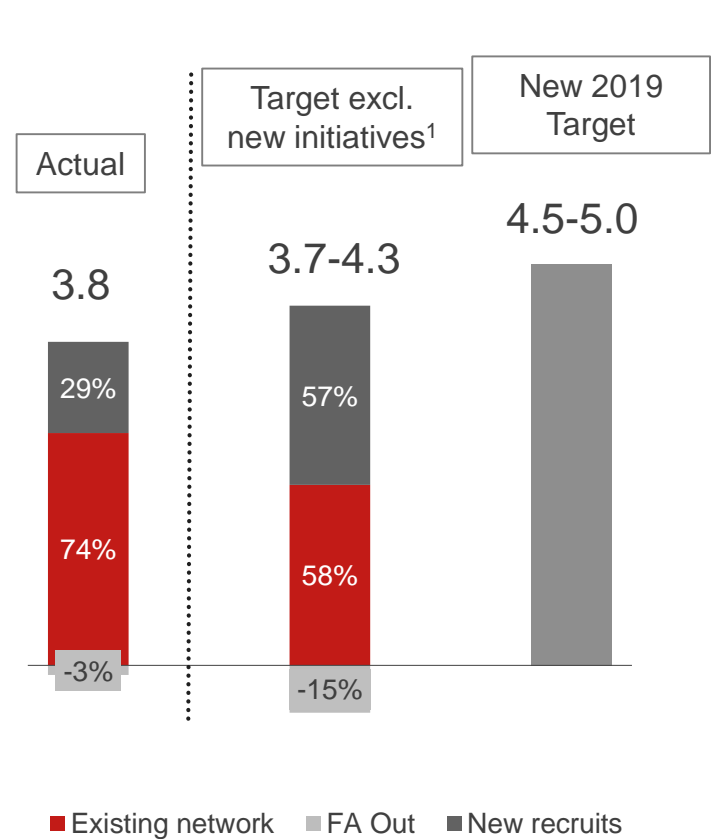


Appendix

GROWING FAST

DRIVEN BY SUPERIOR FA NETWORK

Net inflows: Actual vs. Target bn/€



A network of top-tier FAs

Clusters of FAs ²	(% of Assets)	Assets per FA m/€
Wealth Managers	35%	c. 80 ³
Private Bankers	51%	c. 29 ³
Financial Planners	7%	c. 11 ³
Relationship Managers	7%	c. 72 ³

Move into private accomplished



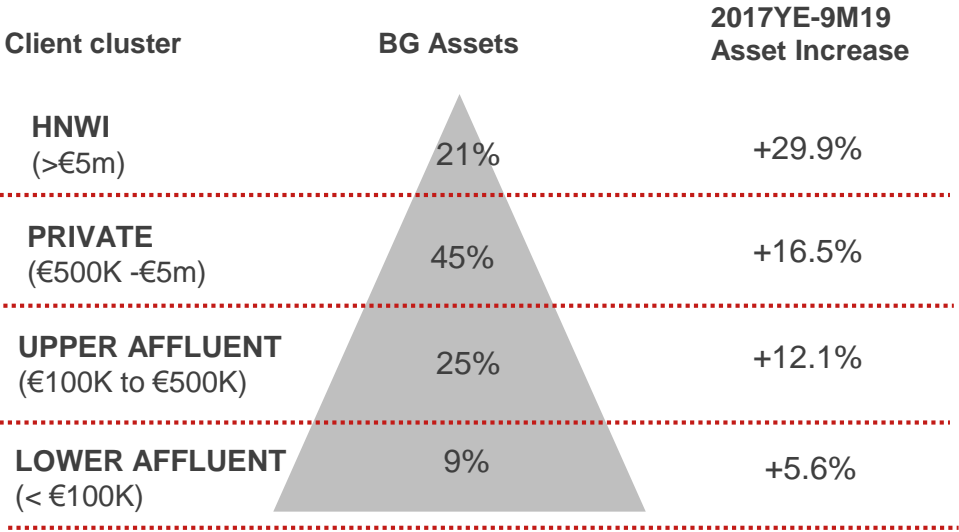
Source: Magstat, 2018 Private Banking report

GROWING PRIVATE AND MORE

FOCUS ON EXPANDING GROWTH IN EVERY CLUSTER

Family office approach on an industrialized basis

Clients growing in every cluster of assets
since the launch of new offering



Compelling offer increasingly differentiated in
order to meet any client need

Holistic advisory approach
feeding into modular schemes
on demand (investment, real-
estate, corporate, family)

- Target: HNWI, Private, Upper affluent

Transaction banking: digital tools, new lending offer, trade finance

- Target: lower affluent, entrepreneurs

Illiquid investments: BG Next, BG Alternative, Securitisation, ELTIF, FIA

- Target: Qualified HNWI and Private Investors

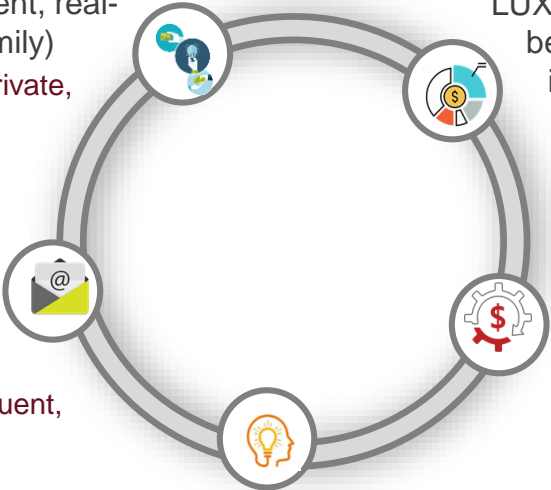
Innovative and diversified managed solutions

LUX IM, ESG approach, bespoke financial and insurance wrappers, private insurance

- Target: All

Brokerage, structured products, base advisory:
RO4AD, BG SAXO, Certificates hub

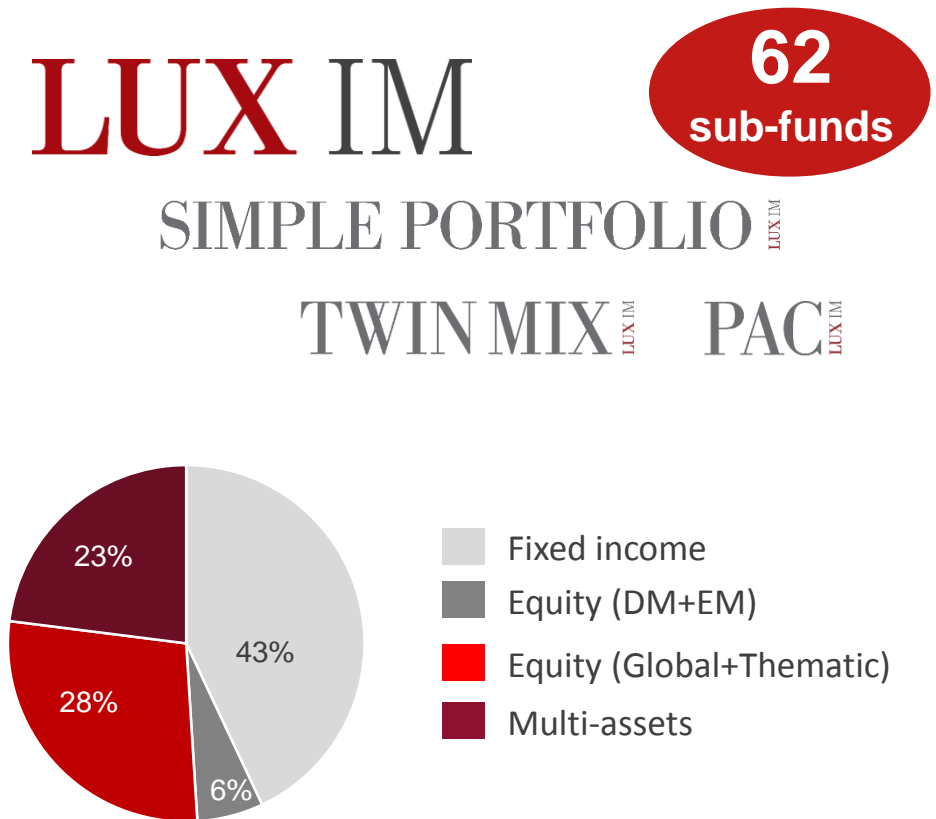
- Target: Lower and upper affluent



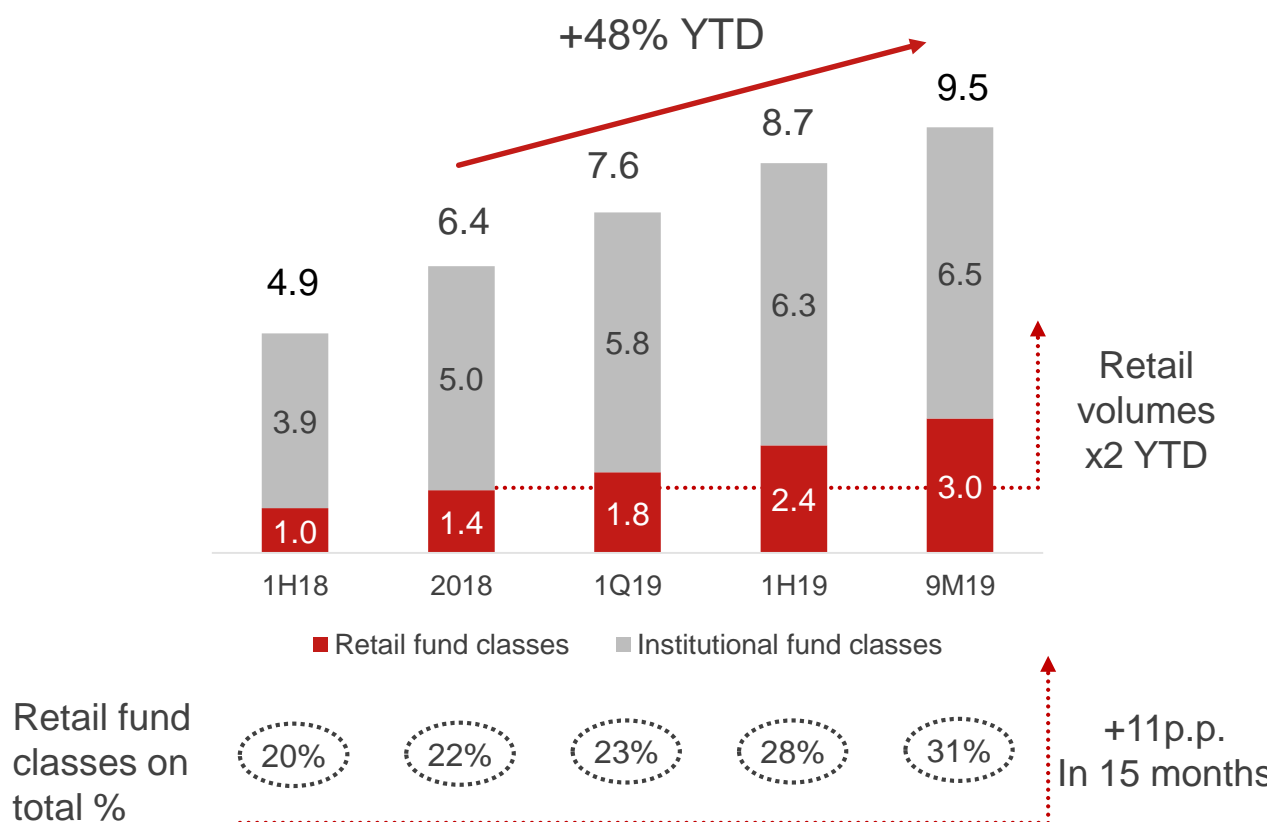
GROWING IN CORE NEW PRODUCTS

STRONG ACCELERATION OF LUX IM

LUX commercial offer



LUX IM total assets



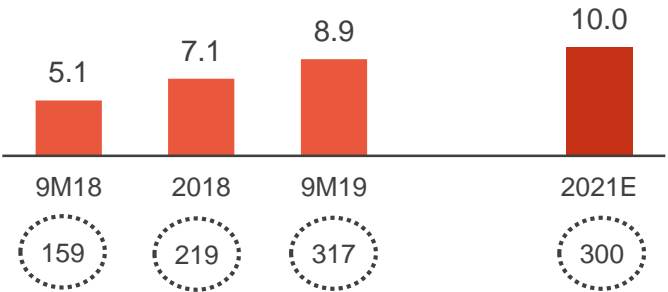
GROWING NEW REVENUE STREAMS

GROWTH TREND ABOVE PLAN

New revenue streams m/€

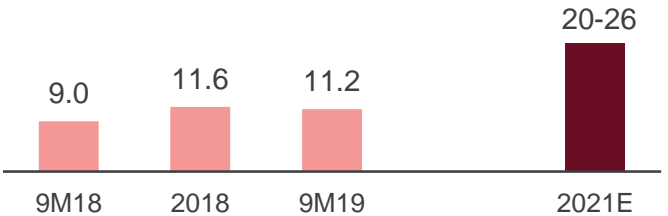
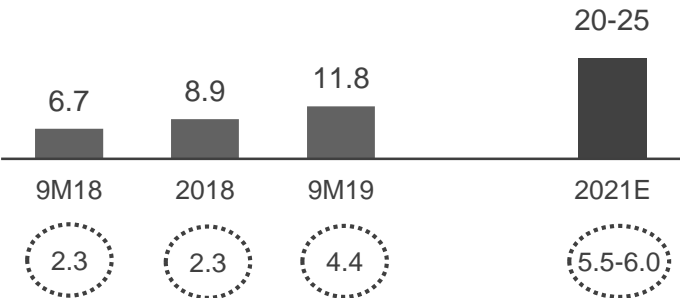
BG|CERTIFICATEhub:

Notional new issues m/€

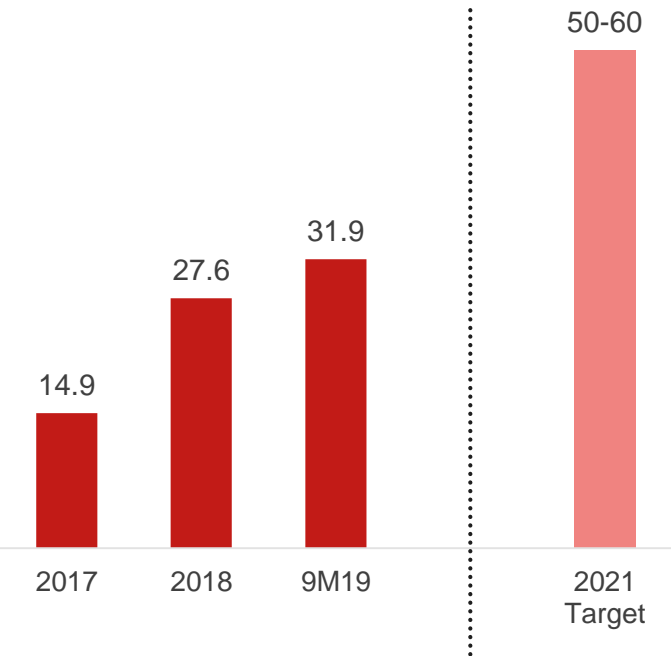


BGPA&ROAD

Assets under advisory bn/€



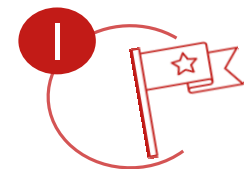
Estimates vs. Target m/€



2019 projection based on a linear progression from 9M 2019 level in terms of volumes and unchanged pricing levels

2019-21 BUSINESS PLAN GUIDELINES

FINANCIAL TARGETS



Empowering FAs



Clients' first choice



International aspiration

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% CAGR ²
▪ Dividend:	70%-80% pay-out ratio DPS (1.25€) set as a floor

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NEW ACCOUNTING PRINCIPLES

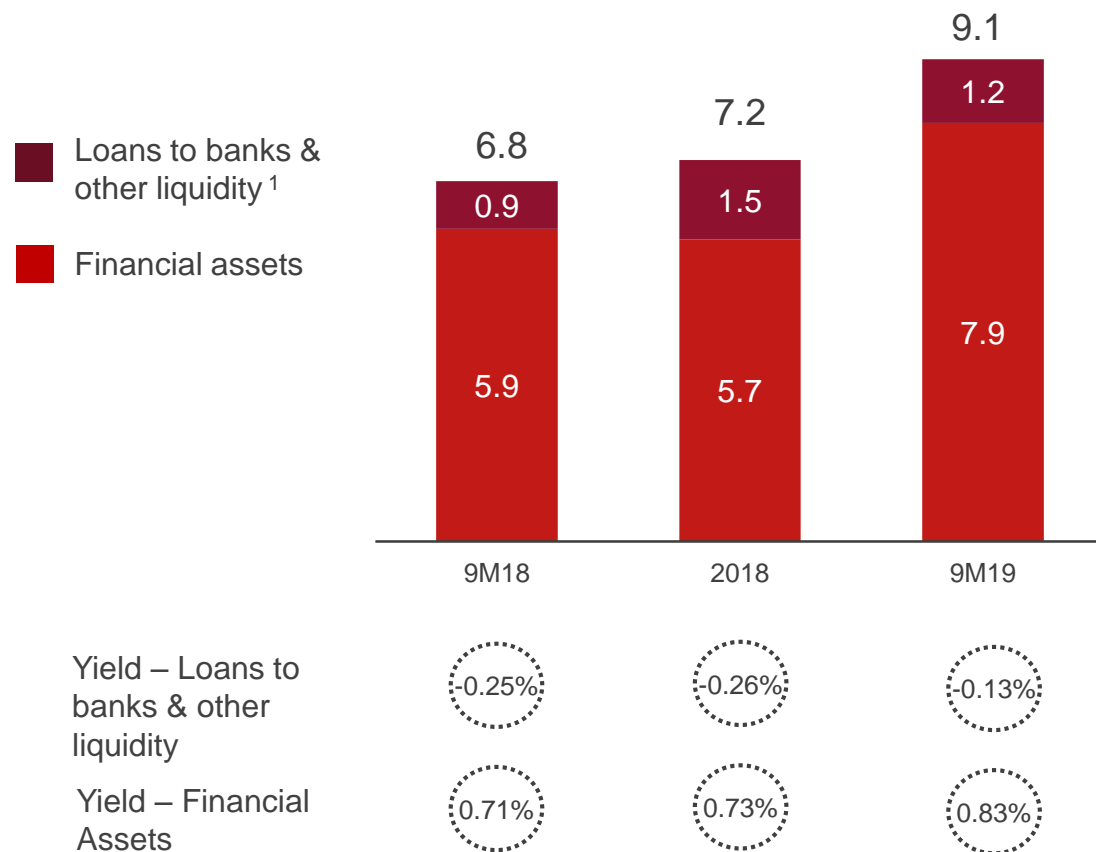
DETAILS ON RECONCILIATION

(€ mln)	9M 18	9M 19	% Chg	9M 19	% Chg	9M 19	% Chg	9M 19	% Chg
		LfL		IFRS 15		IFRS 15 / IFRS 16		Reported	
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Net income (loss) from trading activities and Dividends	22.1	9.3	-57.8%	9.3	-57.8%	9.3	-57.8%	9.3	-57.8%
Net Financial Income	66.3	65.8	-0.7%	65.8	-0.7%	63.2	-4.7%	63.2	-4.7%
Gross fees	566.7	631.9	11.5%	631.9	11.5%	631.9	11.5%	633.1	11.7%
Fee expenses	-301.1	-303.6	0.8%	-287.6	-4.5%	-287.6	-4.5%	-287.9	-4.4%
Net Fees	265.5	328.3	23.6%	344.3	29.6%	344.3	29.6%	345.2	30.0%
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Other general and administrative expense	-76.4	-84.0	10.0%	-84.0	10.0%	-69.6	-9.0%	-70.0	-8.4%
Depreciation and amortisation	-6.3	-7.5	20.7%	-7.5	20.7%	-21.0	n.m.	-21.2	n.m.
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<i>Cost /Income Ratio</i>	<i>41.3%</i>	<i>37.5%</i>	<i>-3.8 p.p.</i>	<i>36.1%</i>	<i>-5.2 p.p.</i>	<i>32.8%</i>	<i>-8.5 p.p.</i>	<i>32.9%</i>	<i>-8.4 p.p.</i>
Operating Profit	188.5	238.6	26.6%	254.6	35.1%	253.0	34.2%	252.7	34.1%
Net adjustments for impair.loans and other assets	-6.1	-2.3	-62.6%	-2.3	-62.6%	-2.3	-62.6%	-2.3	-62.6%
Net provisions for liabilities and contingencies	-14.6	-13.0	-11.1%	-13.0	-11.1%	-13.0	-11.1%	-13.0	-11.1%
Gain (loss) from disposal of equity investments	-0.2	-0.2	44.2%	-0.2	44.2%	-0.2	44.2%	-0.2	44.1%
Profit Before Taxation	167.7	223.1	33.1%	239.1	42.6%	237.5	41.6%	237.2	41.5%
Direct income taxes	-31.8	-36.6	14.9%	-41.8	31.2%	-41.2	29.6%	-41.2	29.4%
<i>Tax rate</i>	<i>19.0%</i>	<i>16.4%</i>	<i>-2.6 p.p.</i>	<i>17.5%</i>	<i>-1.5 p.p.</i>	<i>17.4%</i>	<i>-1.6 p.p.</i>	<i>17.4%</i>	<i>-1.6 p.p.</i>
Net Profit	135.8	186.6	37.3%	197.3	45.3%	196.3	44.5%	196.0	44.3%

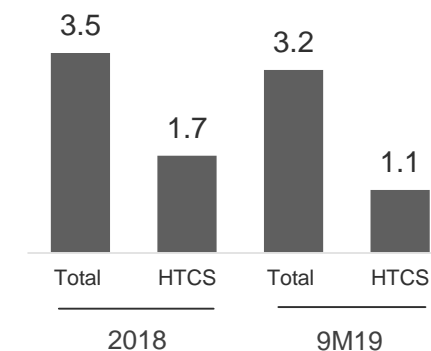
NET FINANCIAL INCOME

FOCUS ON FINANCIAL ASSETS

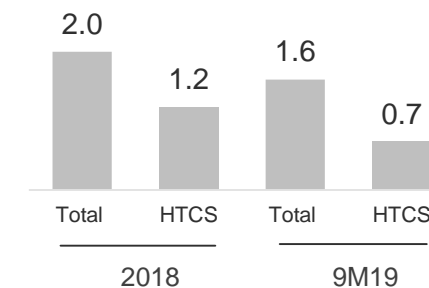
Banking book and liquidity, bn/€



Maturity (Bond)

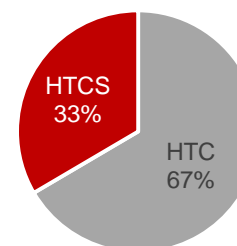


Duration (Bond)

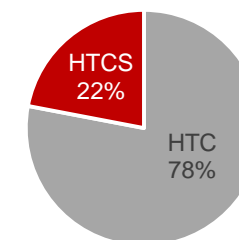


Classification (IT Govt bonds)

2018



9M 2019



■ HTC ■ HTCS

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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