

1H 2019 RESULTS

30 JULY 2019



**BANCA
GENERALI**

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



Preliminary remarks



1H 2019 Results



Net Inflows, Assets and Recruitment



Business update



Appendix



Record assets expansion

- **Total assets reached new highs at €62.9bn (+€4.8bn YoY, +€5.4bn YTD)** with Lux-based assets (BG FML) hitting €15.6bn (+11% YTD). On a pro-forma basis¹, total assets reached €65bn. Assets under advisory (AuA) almost doubled to €4.0bn (+75% YoY, +79% YTD), representing 6.5% of total assets (3.8% in 1H18)
- **Solid net inflows at €2.8bn** with a growing contribution from the existing FAs² (75% of total vs. 58% in 1H18). Inflows into new retail SICAV LUX IM (€1bn) gaining speed thus providing support to profitability levels
- **FA network further growing both by number and quality** as total number of FAs reached 2,022 with an average portfolio of €31.1m, 50% above sector average³

TOTAL ASSETS
€62.9bn
(+€5.4bn YTD)

NET INFLOWS
€2.8bn
(vs. €3.2bn)

Healthy results supported by favorable financial markets

- **Solid reported net profit at €132.8m (+43%)** driven by strong asset growth, improving core net recurring revenues and a strong contribution from variable revenues amid positive market performance.
- **Core net profit at €65.0m (+12%)** as higher core revenues (NII, management fees and new revenue streams) more than offset higher operating costs tied to new strategic projects and one-offs
- **Solid capital position confirmed with CET1 ratio at 15.7% and TCR at 17.1%** assuming 100% of interim profits set aside for dividend cover and one-off charge for IFRS 16 first time adoption

REP. NET PROFIT
€132.8m
(vs. €92.6m)

CORE NET PROFIT
€65.0m
(vs. €58.1m)



RESULTS AT A GLANCE

KEY TAKEAWAYS

(€ mln)	1H 18	1H 19	% Chg	1H 19	% Chg
		Lfl		IFRS 15 / IFRS 16	
Net Interest Income	28.1	35.3	25.8%	33.6	19.7%
Net income (loss) from trading activities and Dividends	20.6	6.0	-70.6%	6.0	-70.6%
Net Financial Income	48.6	41.3	-15.0%	39.6	-18.5%
Gross fees	376.6	424.5	12.7%	424.5	12.7%
Fee expenses	-201.9	-202.0	0.1%	-191.4	-5.2%
Net Fees	174.7	222.5	27.3%	233.1	33.4%
Total Banking Income	223.4	263.8	18.1%	272.7	22.1%
Staff expenses	-42.3	-45.0	6.4%	-45.0	6.4%
Other general and administrative expense	-49.4	-54.0	9.3%	-44.5	-9.9%
Depreciation and amortisation	-4.2	-5.0	20.3%	-13.8	231.7%
Other net operating income (expense)	2.3	2.5	8.5%	2.5	9.8%
Total operating costs	-93.6	-101.6	8.5%	-100.9	7.7%
<i>Cost /Income Ratio</i>	<i>40.0%</i>	<i>36.6%</i>	<i>-3.4 p.p.</i>	<i>31.9%</i>	<i>-8.1 p.p.</i>
Operating Profit	129.8	162.2	25.0%	171.8	32.4%
Net adjustments for impair.loans and other assets	-3.6	-1.1	-68.3%	-1.1	-68.3%
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Gain (loss) from disposal of equity investments	-0.1	-0.1	-39.3%	-0.1	-39.3%
Profit Before Taxation	115.4	151.7	31.4%	161.3	39.7%
Direct income taxes	-22.8	-25.4	11.0%	-28.5	24.7%
<i>Tax rate</i>	<i>19.8%</i>	<i>16.7%</i>	<i>-3.1 p.p.</i>	<i>17.7%</i>	<i>-2.1 p.p.</i>
Net Profit	92.6	126.3	36.5%	132.8	43.5%

Comments

Solid increase in Total Banking Income (22%)

- Net Financial Income supported by higher NII (+20% reported, +26% on a like-for-like basis) almost offsetting lower trading gains (-71%)
- Net Fees (+33%, +27% on a like for like basis) driven by more diversified recurring revenue streams and by higher performance fees reflecting positive performance delivery

Temporary spike in operating costs (+7.7%)

- Operating costs were inflated by the speed-up of major strategic projects and other one-off items. On an adjusted basis¹, costs increase remains well under control at 5.7% YoY
- Cost/Income ratios² at 40.1% confirmed at best practice levels amid strong business and revenue expansion

Lower charges below the operating line

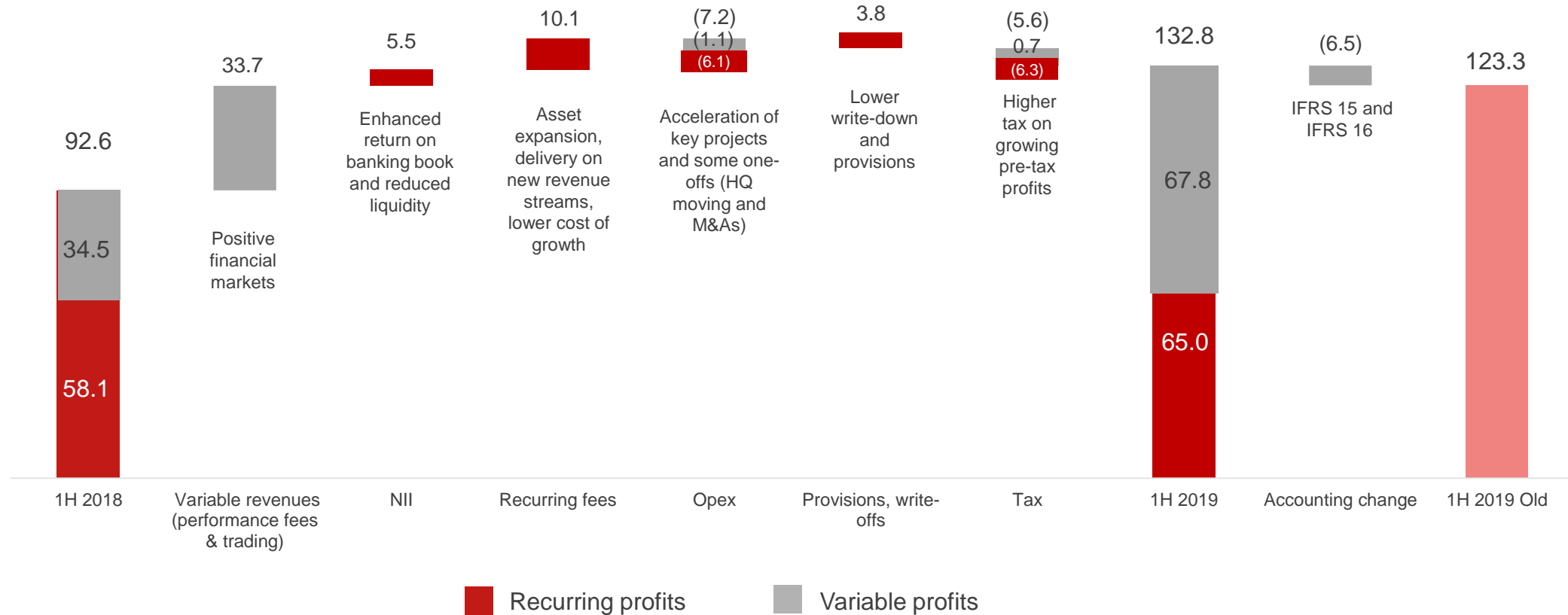
- Lower charges thanks to the recovery in the credit risk of Italian government bonds on IFRS 9 valuation assessment

Total net profit at €132.8m, second best first half results ever

NET PROFIT BUILD-UP

BEST OF BOTH WORLDS

Net Profit build-up m/€



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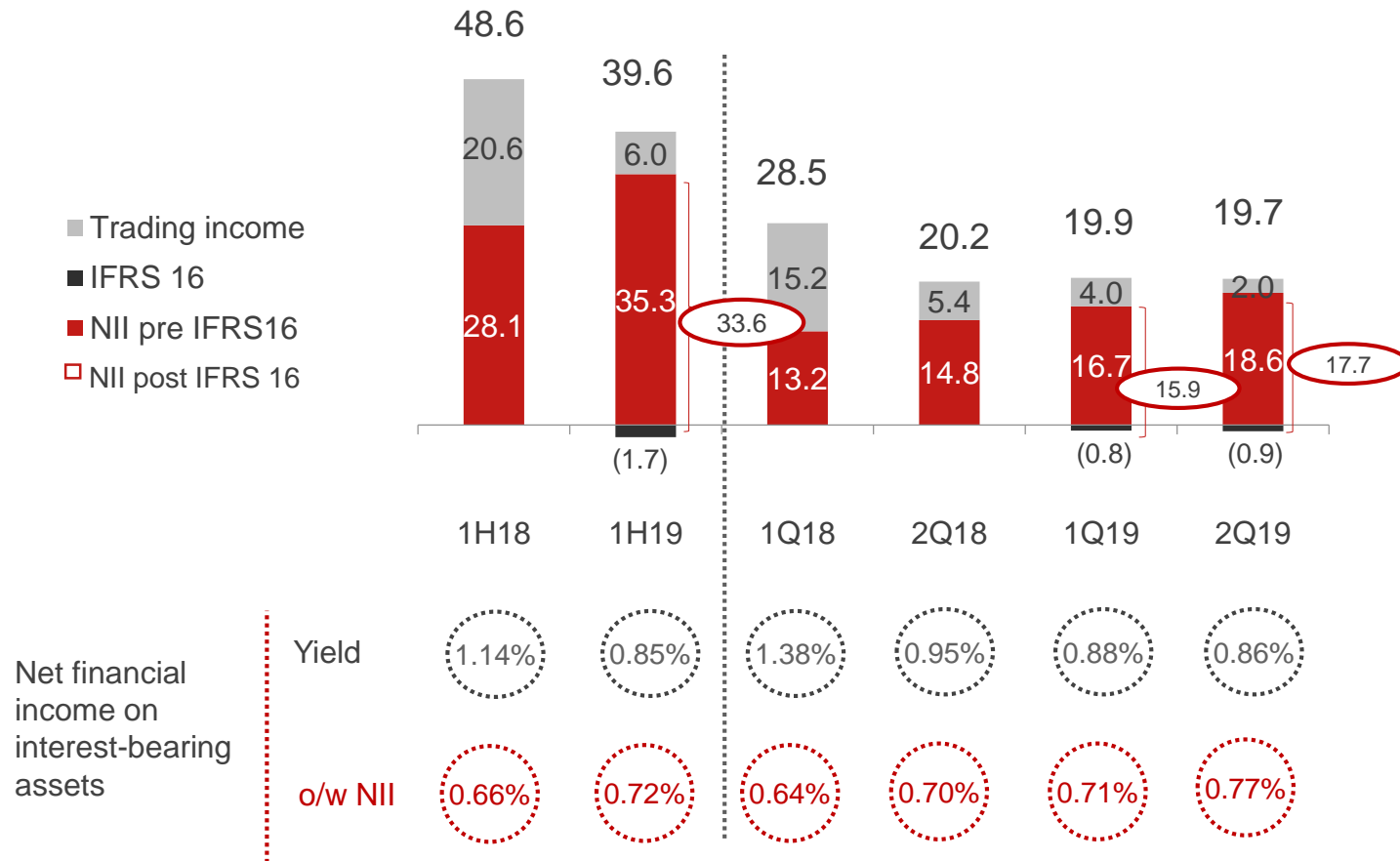


Appendix

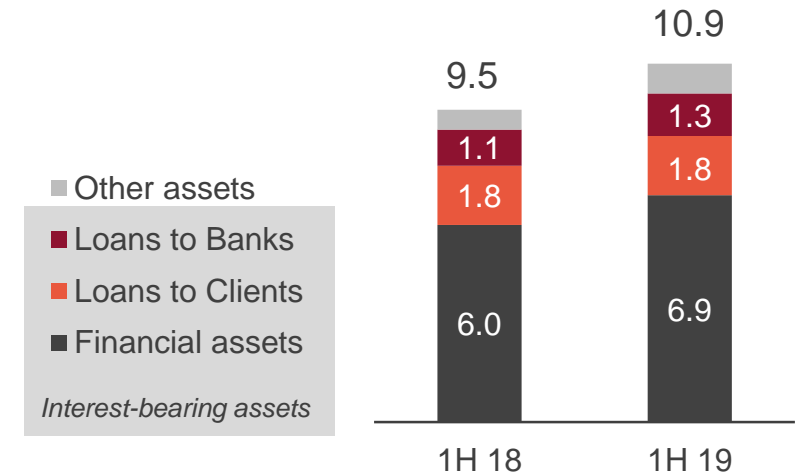
NET FINANCIAL INCOME

UPWARDS TREND CONFIRMED

Net financial income m/€



Interest-bearing Assets bn/€

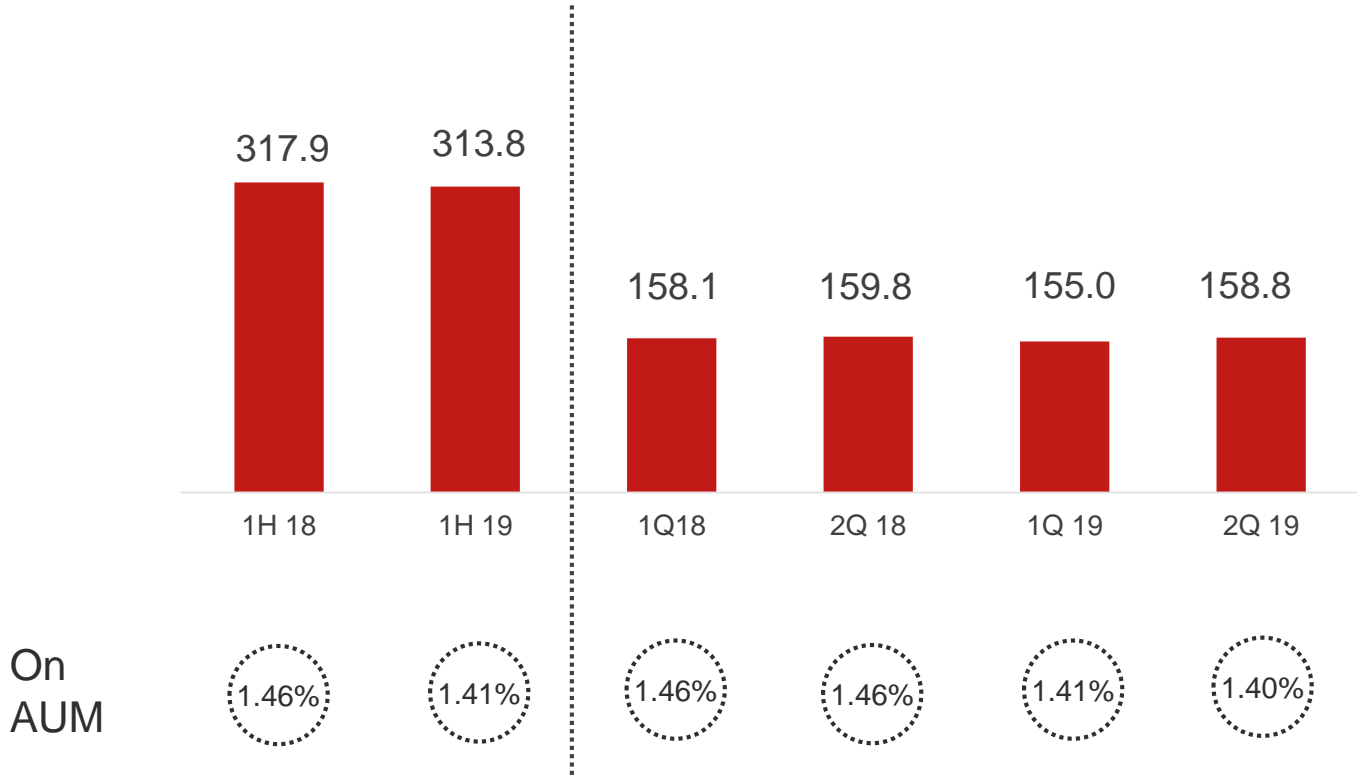


- **Steady increase in interest-bearing assets** (€10bn, +12%) thanks to the ongoing acquisition of new assets from new and existing clients (**clients deposits at €9.4bn, +14% YoY**)
- Loans to bank had a **temporary spike at the end of the semester** due to booming new liquidity which was invested in the first days of July

GROSS FEES (1/3): MANAGEMENT FEES

MANAGEMENT FEES STEADILY RECOVERING

Management Fees m/€



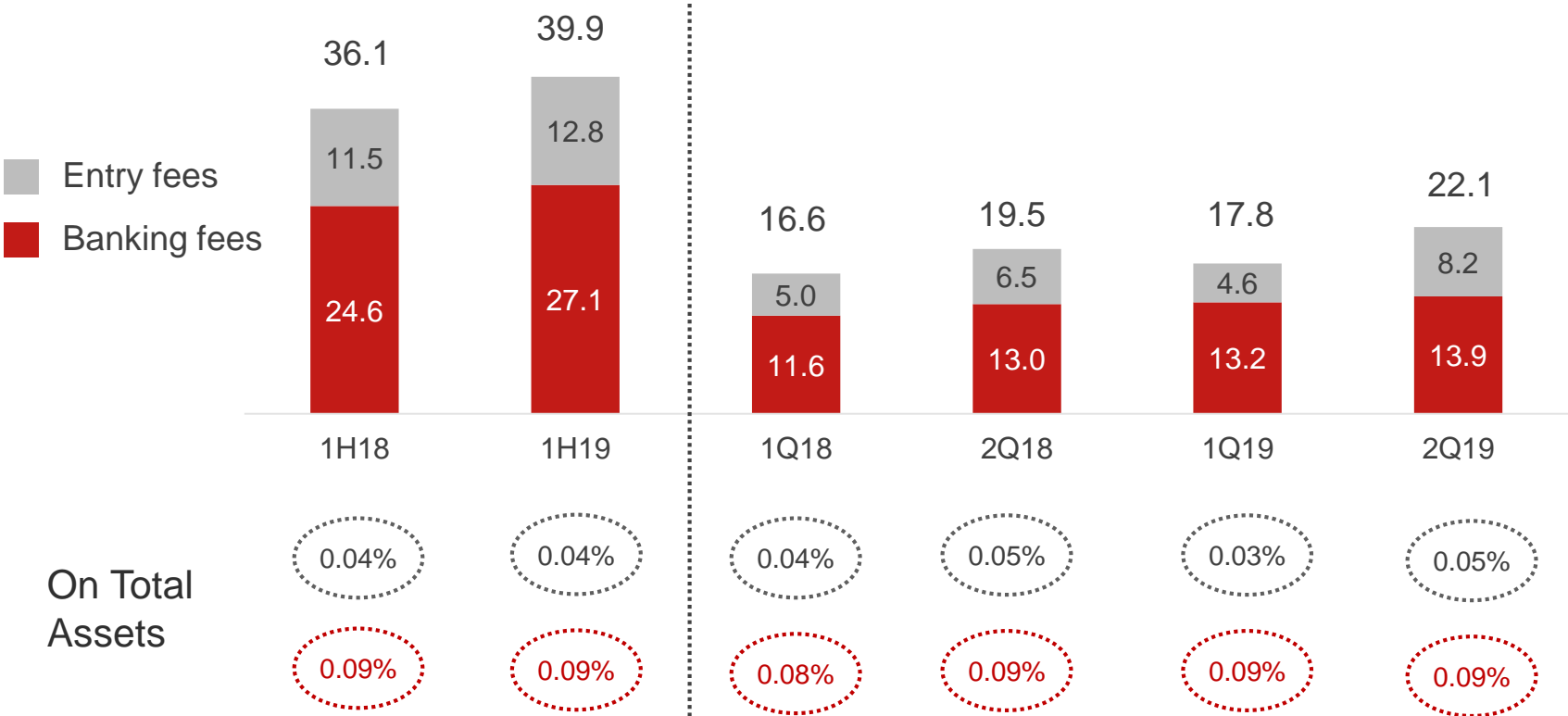
Management fees steadily recovering in values as margin trend reflects a **more defensive product mix** on clients' higher risk aversion

Results are in line management fee margin guidance of **≥1.38-1.42% by 2021**

GROSS FEES (2/3): OTHER FEES

GROWING CONTRIBUTION, GROWING DIVERSIFICATION

Banking and Entry Fees m/€



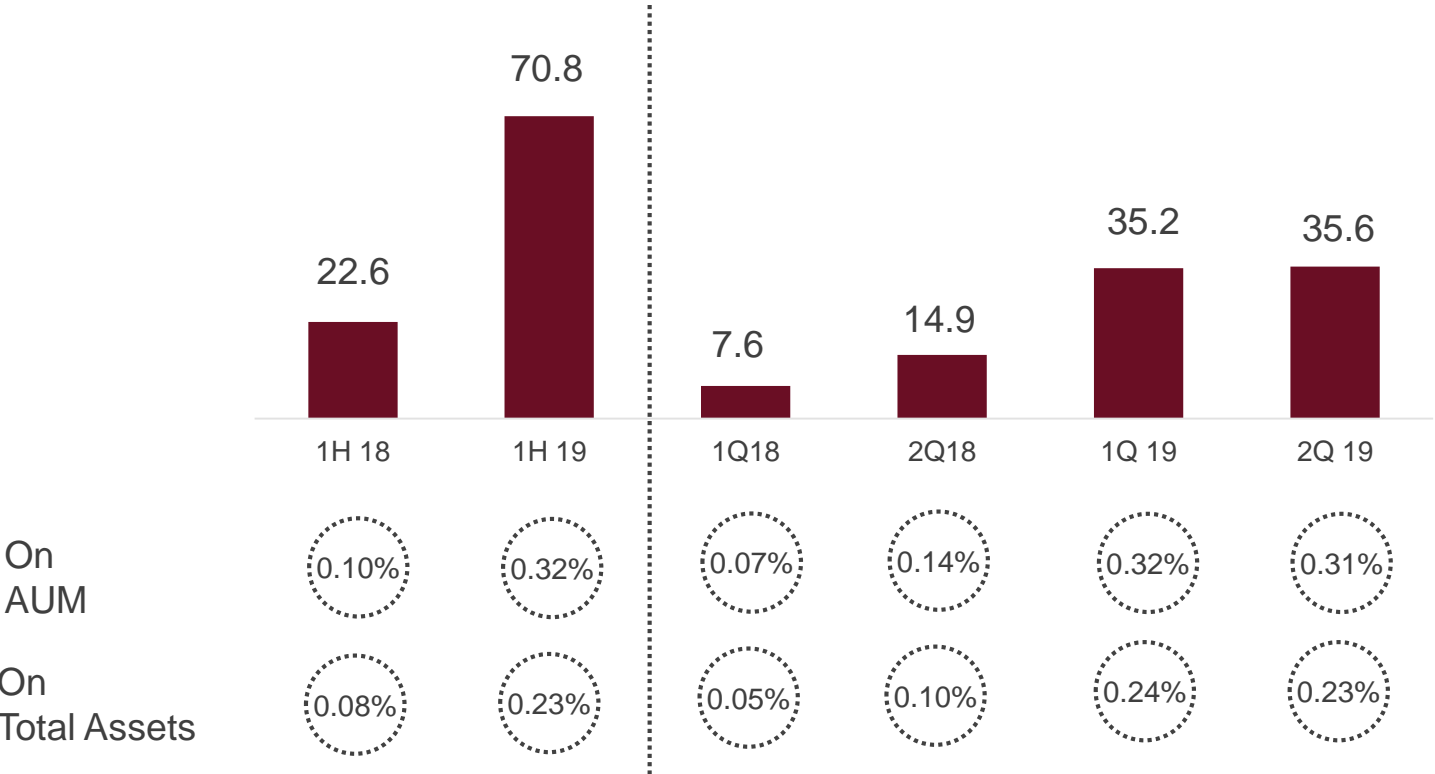
Entry fees growing fast (+11% YoY, +77% QoQ) on higher placement of structured products and certificates

Banking fees also higher (+10% YoY, +6% QoQ) driven by the contribution from advisory fees linked to the advanced advisory contract (BGPA)

GROSS FEES (3/3): PERFORMANCE FEES

POSITIVE FINANCIAL PERFORMANCE

Performance Fees m/€



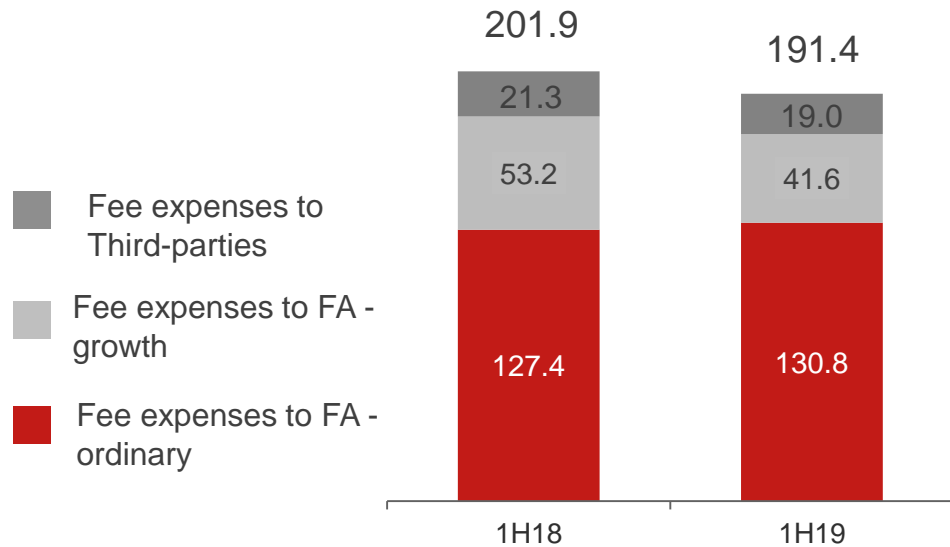
Performance fee in the semester at 16bps of managed assets (31 bps on an annualised basis)

New performance fees calculation mechanism applying to 56% of total Lux-based assets

FEE EXPENSES

TOTAL PAY-OUT MOVING FURTHER DOWN

Total Fee Expenses m/€

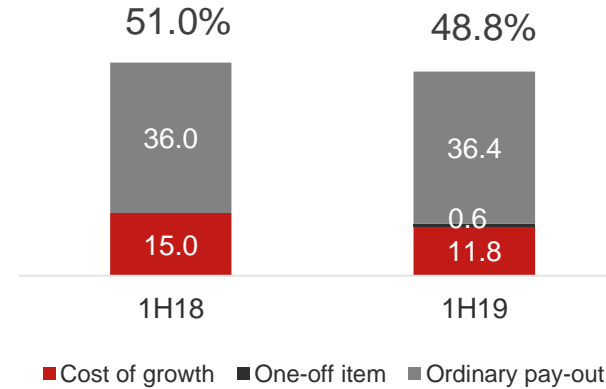


Total Pay-out ratio
(ex-performance fees)

57.0%

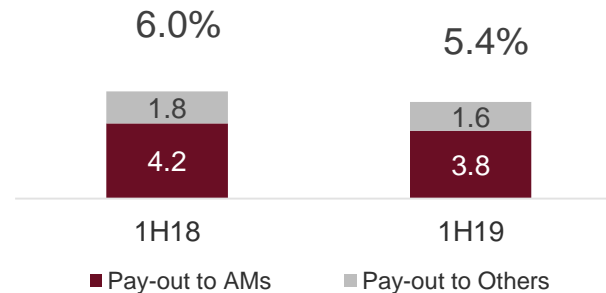
54.1%

Pay-out to the network %



Pay-out to the network
down 2.3 pts on lower cost of growth thanks to higher organic contribution and positive impact from IFRS15 accounting

Pay-out to Third-parties %

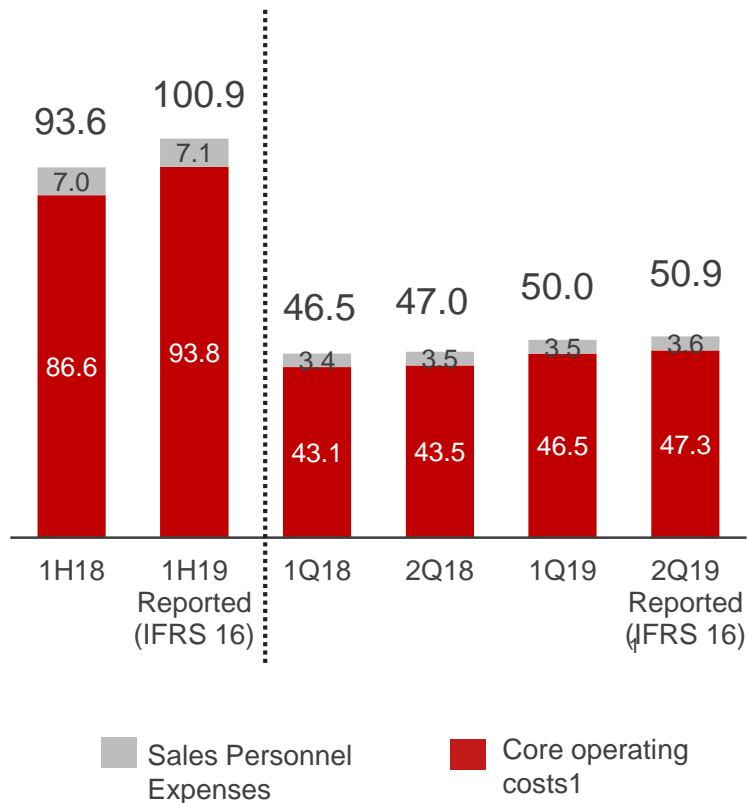


Pay-out to third-parties
decreasing thanks to efficiency gains

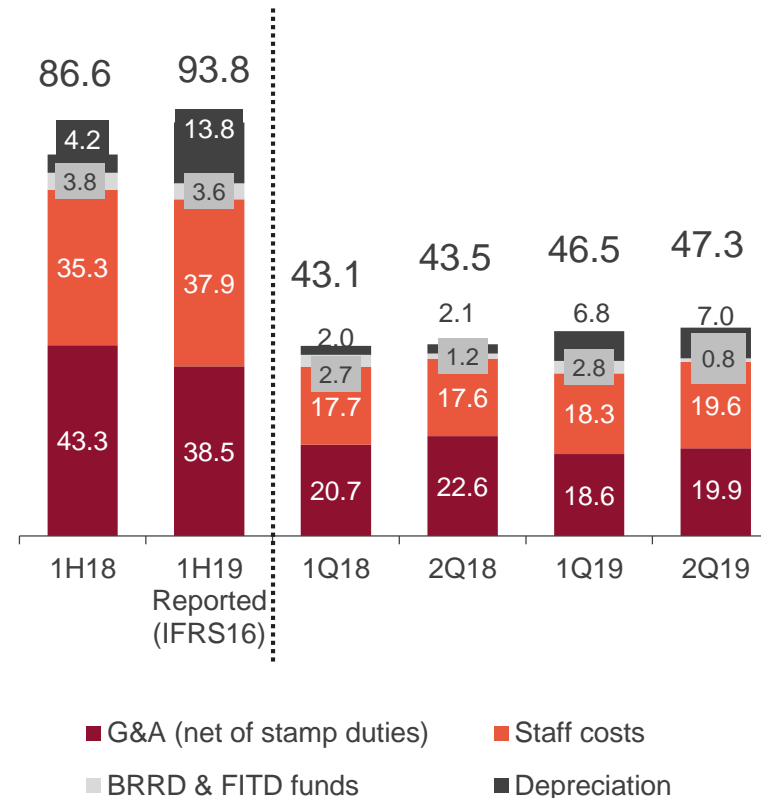
OPERATING COSTS (1/2)

GROWTH, STRATEGIC PUSH AND ACCELERATION OF KEY PROJECTS

Total operating costs m/€



Breakdown of core operating costs m/€



Operating costs inflated by **€1.9m one-off items** (office moving, M&As, IFRS16). Net of one-offs, costs would have been up by 5.7%

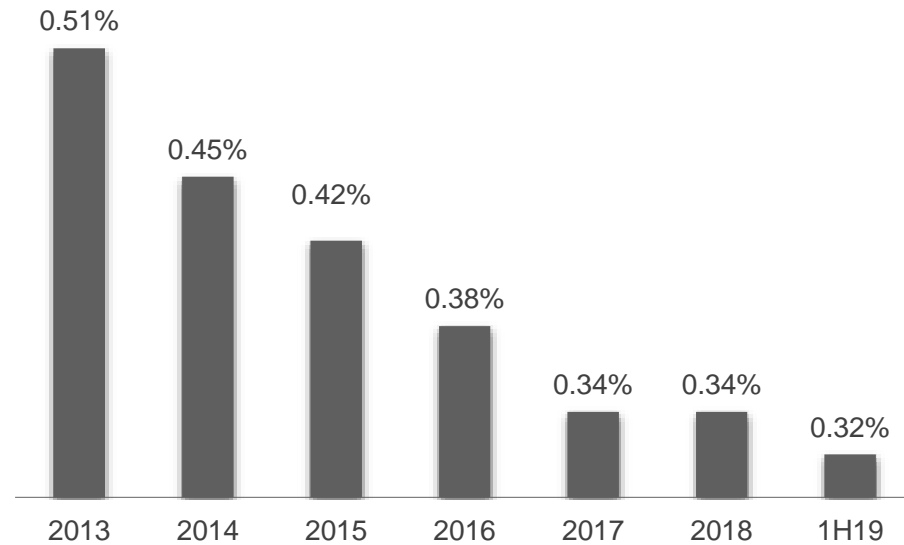
Higher **G&A costs** linked to business expansion and speed-up of key strategic projects (digital platforms for clients, BG SAXO)

Trend in line with **2018-21 CAGR 3%-5%** guidance for 'core operating costs'

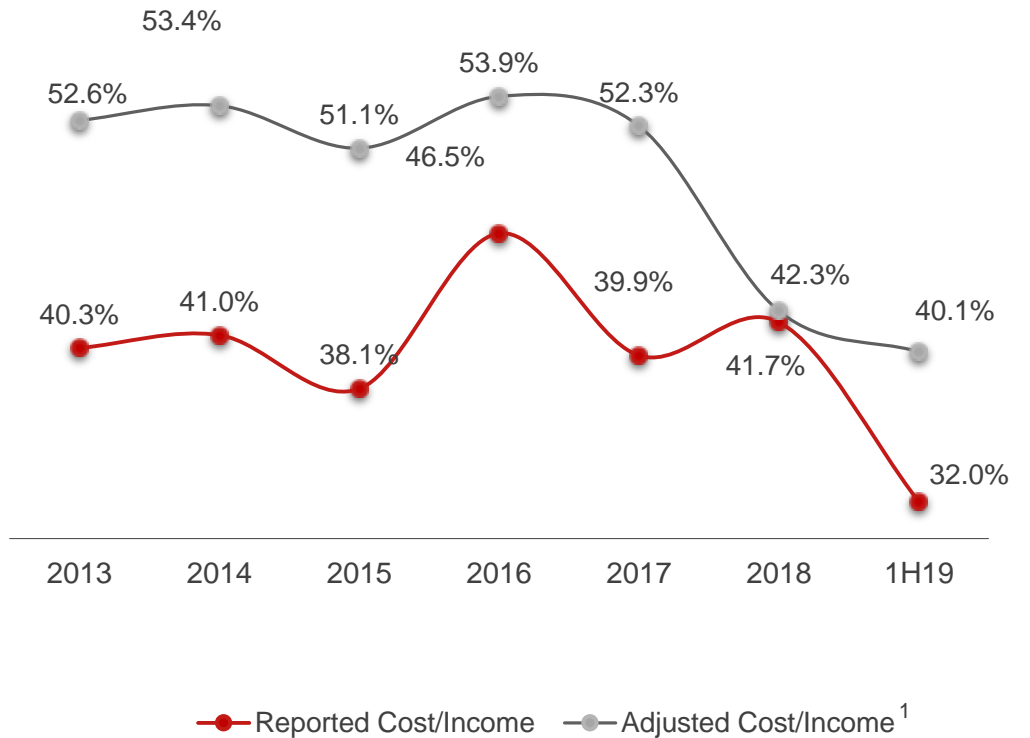
OPERATING COSTS (2/2)

HIGH EFFICIENCY LEVELS CONFIRMED

Operating costs/Total assets



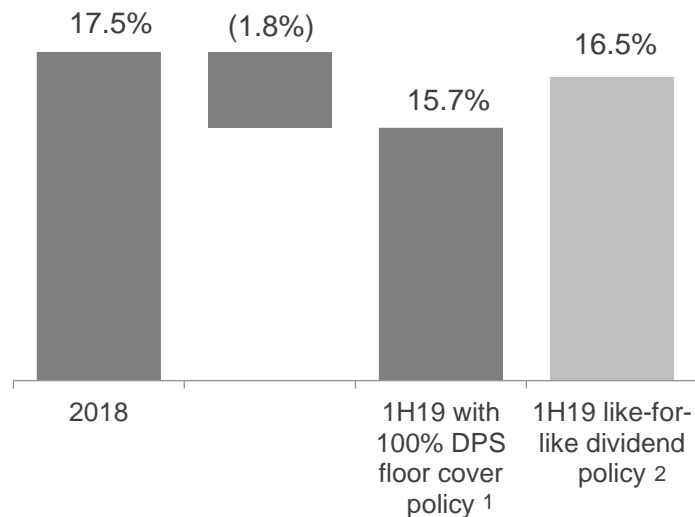
Cost/Income ratio



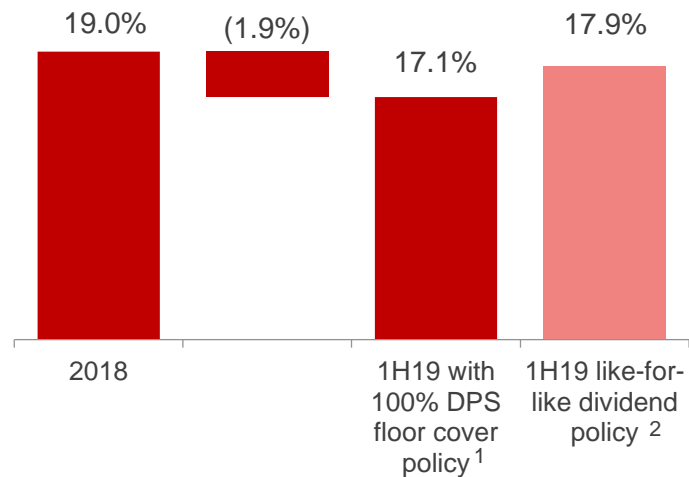
CAPITAL POSITION

SOLID CAPITAL REAFFIRMED ALSO ON CONSERVATIVE BASIS

CET1 ratio



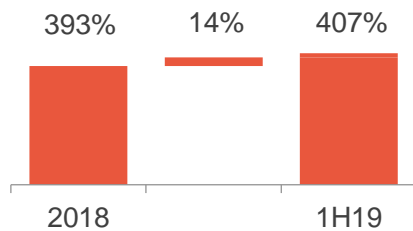
TCR ratio



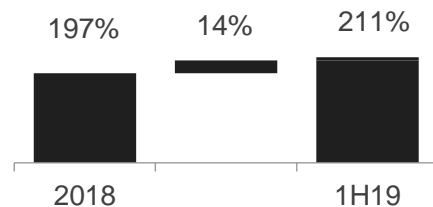
Solid capital ratios confirmed on more conservative assumptions, i.e. 100% of interim profit set aside for dividend policy (€1.25 per share¹ floor)

Capital ratios also incorporate the **First Time Application of the IFRS 16 accounting principle** with a one-off charge of 80bps on CET1 and 87bps on TCR linked to recognition of the rights of use (RoU) for lease contracts

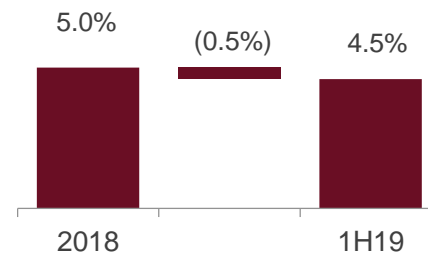
LCR ratio



NSFR ratio



Leverage



Liquidity ratios and leverage are both well above requirements

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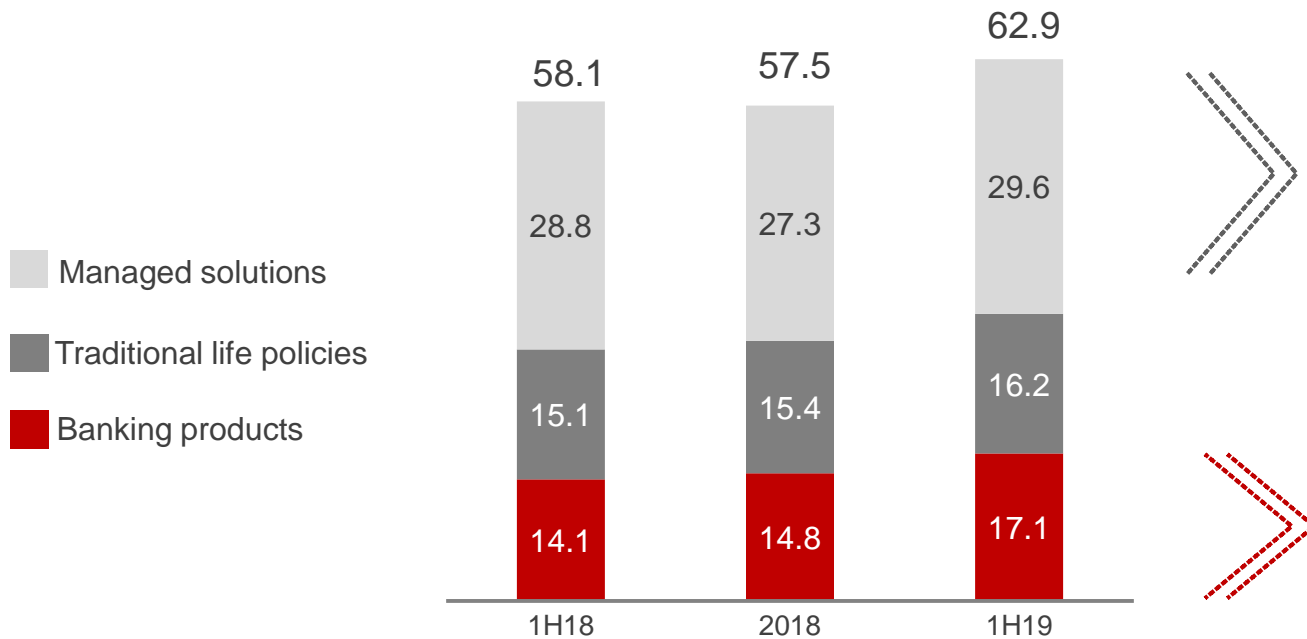


Appendix

TOTAL ASSETS

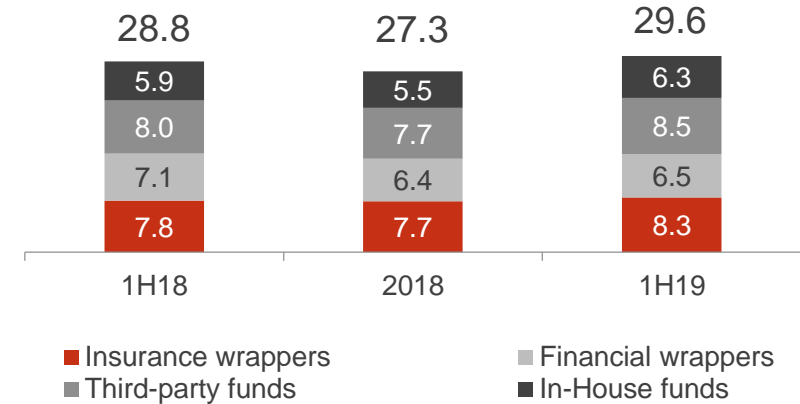
HIGHER VOLUMES AND PRODUCT MIX

Total Assets bn/€

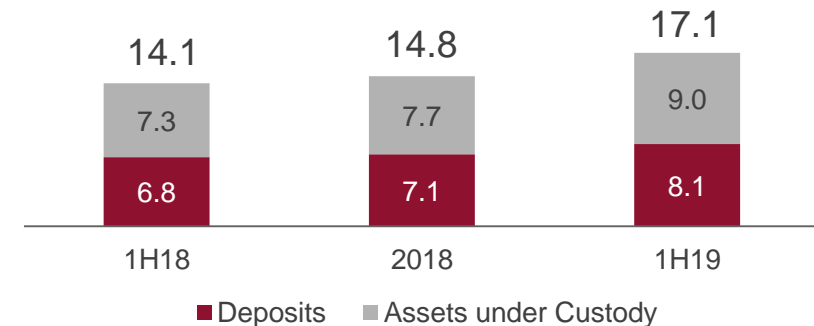


Record asset growth (+8% YoY, +9.3% YTD) driven by steady increase in net new money and positive asset performance (+7% YTD on managed solutions)

Managed Solutions bn/€



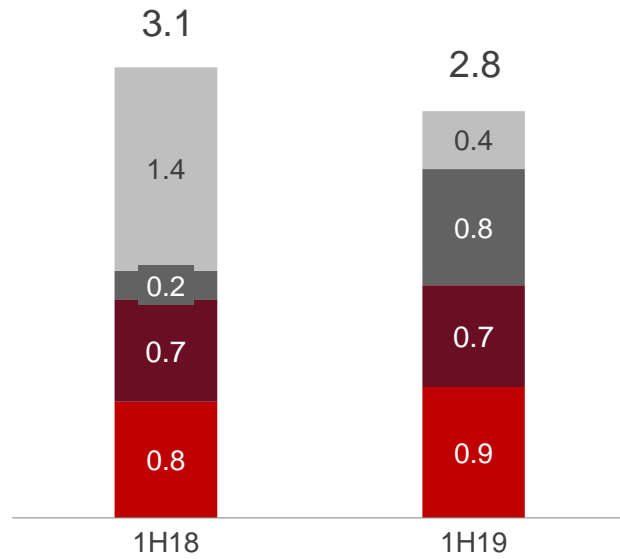
Banking assets bn/€



NET INFLOWS

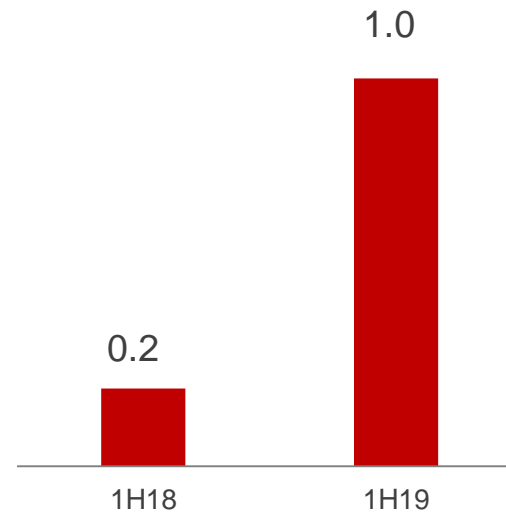
ONGOING STRONG VOLUMES, PRODUCT MIX TRENDING BETTER

Total Net inflows bn/€

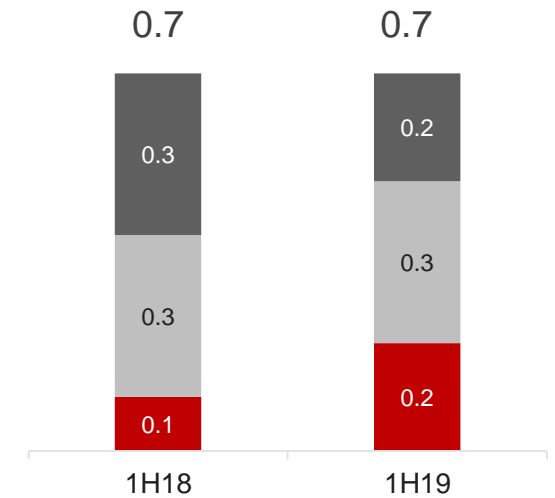


- Managed solutions
- Traditional life policies
- AuC
- Deposits

LUX IM (in-house retail offer, net inflows) bn/€



Net inflows in AuC solutions bn/€

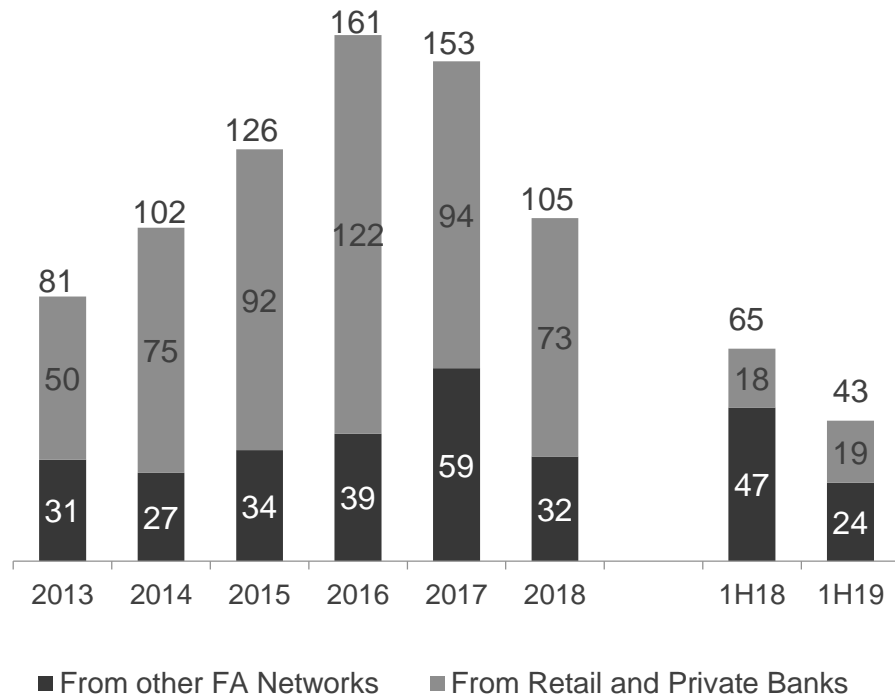


- Certificates
- Securitisations
- Single securities

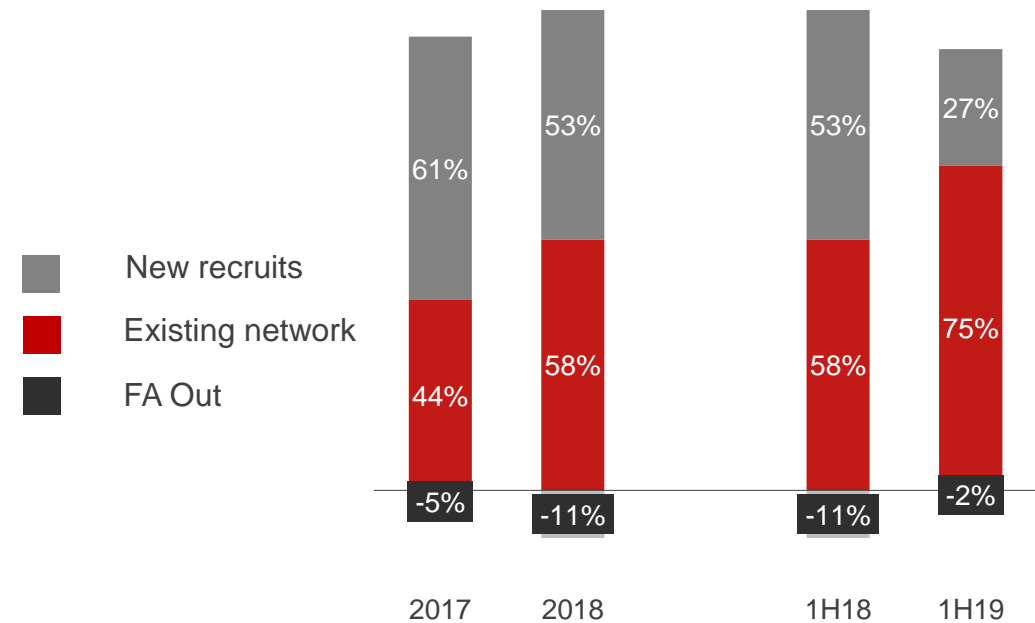
RECRUITING

SOFTER RECRUITING OFFSET BY HIGHER ORGANIC GROWTH

Recruitment trend (# of Recruits)



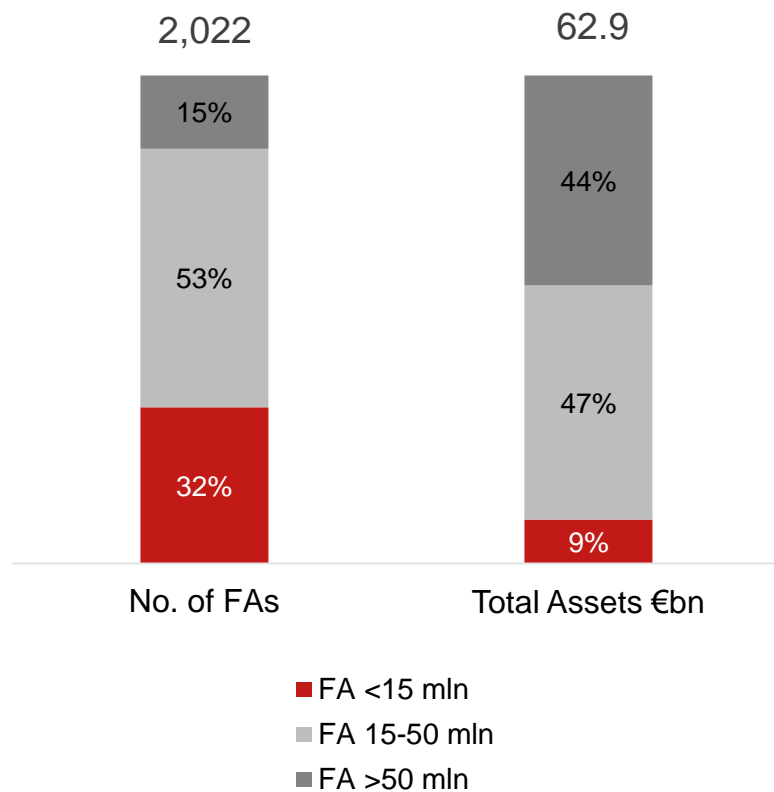
Total net inflows by acquisition channel m/€



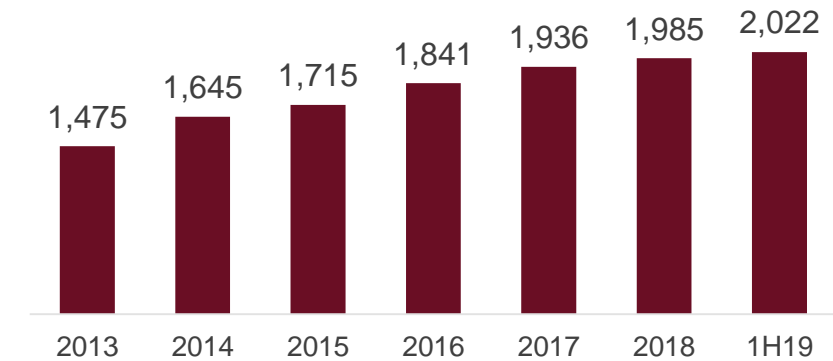
FA NETWORK

SUPERIOR FA QUALITY FURTHER ENHANCED

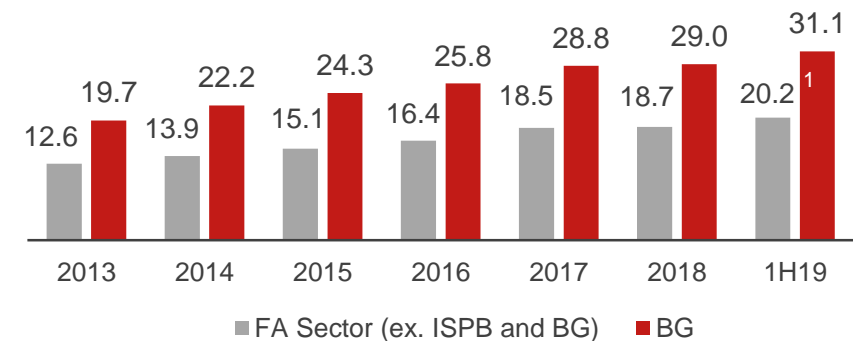
FA Network breakdown by cluster of portfolio (as of 30.06.2019)



FA Network (# of FAs)



FA Portfolio vs. sector (Average Assets/FA)



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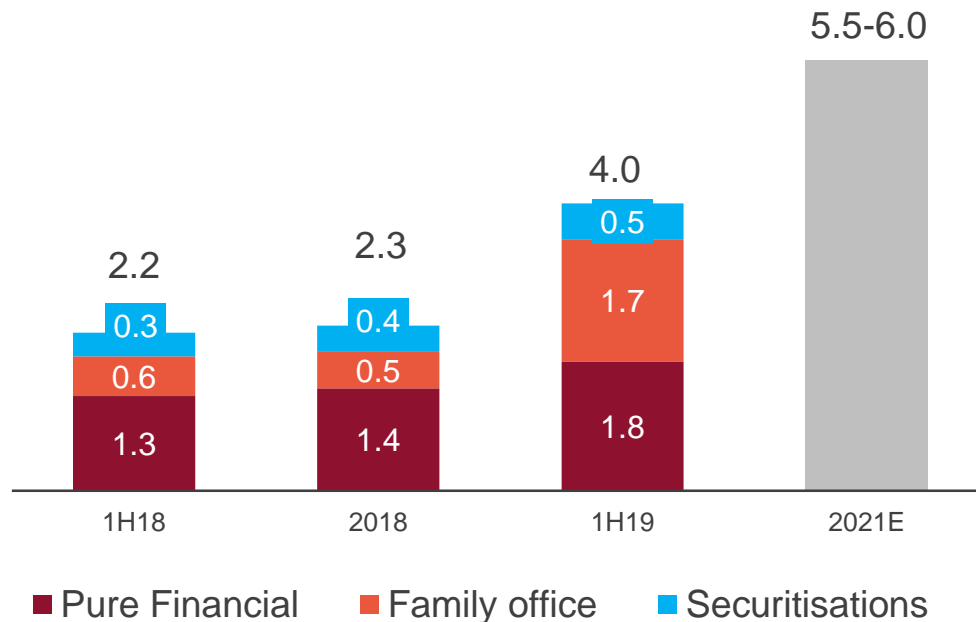


Appendix

ASSETS UNDER ADVISORY (AUA)

GROWTH AHEAD OF PLAN

Assets under Advisory (AuA) breakdown by cluster of service bn/€



% of Total Assets

3.8%

4.0%

6.5%

7.0%
8.0%

PURE FINANCIAL traditional financial advisory approach on fund/securities supported by new tools:

- robo-4-advisory platform through an exclusive partnership with UBS
- market strategy team

FAMILY OFFICE advisory also on non-financial wealth (real estate, succession planning, corporate finance, art advisory)

- proprietary IT platform (BGPA)
- real-estate advisory, the most in demand
- ongoing scouting of innovative digital partnerships

SECURITISATIONS

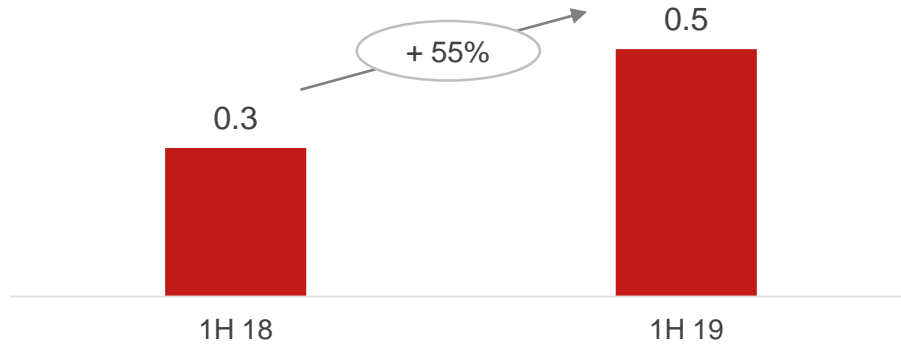
- ongoing launch of **securitisation programmes** dedicated to professional clients with the support of sector specialists

GOALS:

- Upselling for private and HNWI,
- Leverage on the unexploited AuC potential
- Increase share of wallet of existing clients
- Increase revenue diversification

ASSETS UNDER CUSTODY (AUC) NEW TOOLS TO SPEED UP GROWTH

Gross Inflows from existing FAs of stocks and bonds from other banks¹ bn/€



BG | CERTIFICATEhub:

BGPA & RO4AD



BG CERTIFICATES hub

- €205m new issues in 1H19, of which €139m public offering and €61m private certificates
- New initiatives to be launched soon

BGPA&RO4AD fully integrated IT tool with multi-advisory sources and based on BG's risk approach

- active FAs: 52% of total
- avg. contract size: €650K and recurring average fee: 46bps
- security turnover: +25% since inception (Mid March 2019)

BG SAXO fully integrated trading platform, tailor-made interface leveraging on SAXO proprietary technology

- First release: cash equity (from 400 to 15,000 stocks), bonds (from 2,600 to almost 5,000 bonds) and ETF live from mid-July 2019
- Next releases: CFD, FU live in 4Q19 and FX, FXO, LO in 1H20

GOALS:

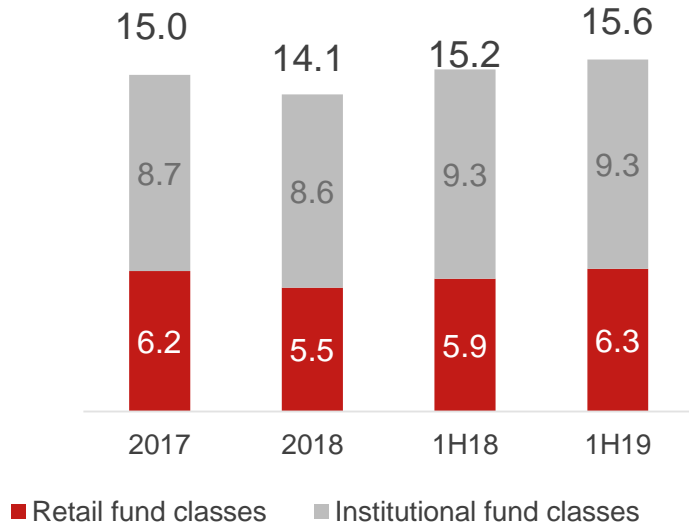
Increasing share of wallet of existing clients
Growing new clients by number and value
Ongoing monitoring of portfolio and suitability within Mifid 2
Increasing turnover ratio (portfolio-specific trading alerts)
Open to B2C

ASSETS UNDER MANAGEMENT (AUM)

INNOVATION AND PROFITABILITY

Assets under Management¹ (AuM) bn/€

BGFML
Total assets by
fund classes



% of
AuM¹

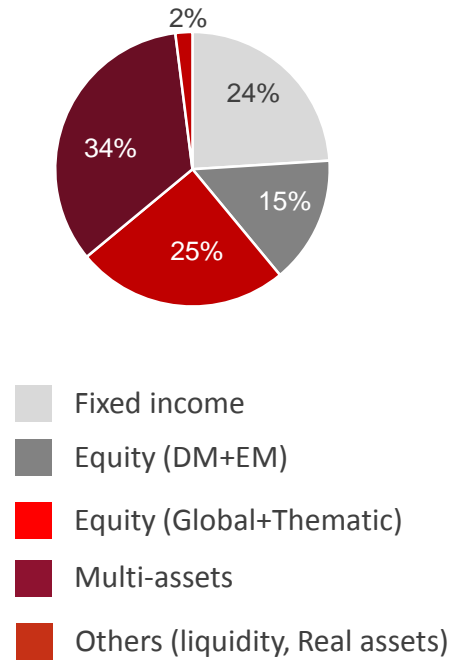
54%

52%

53%

53%

BGFML
by investment
strategies



IN-HOUSE FUNDS

- I wave (March 2018) & II wave (October 2018)
- III wave due September 2019
- Recurring plans

LUX IM

NEW PORTFOLIO MANAGEMENT LINES

- Family office for HMWI
- ESG Lines
- Tailor-made bottom-up strategies (Nextam)



INSURANCE

- new BG Stile Libero – 50 Plus
- Recurring plans



GOALS:

- Nourishing ongoing innovation in core business
- Enhancing value proposition for private clients
- Introducing saving plans offer for affluent clients
- Widening dedicated opportunities for affluent segment

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NEW ACCOUNTING PRINCIPLES IFRS 16

DETAILS ON RECONCILIATION

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		LfL		IFRS 15		IFRS 15 / IFRS 16	
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<i>Tax rate</i>	19.8%	16.7%	-3.1 p.p.	17.7%	-2.0 p.p.	17.7%	-2.1 p.p.
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Comments

First Time Adoption of IFRS 16

Banca Generali has stated its **Right of Use (RoU)** of total lease assests at €136m, based on the Present Value of future payments due throughout the weighted average duration of the lease contracts of 8 years.

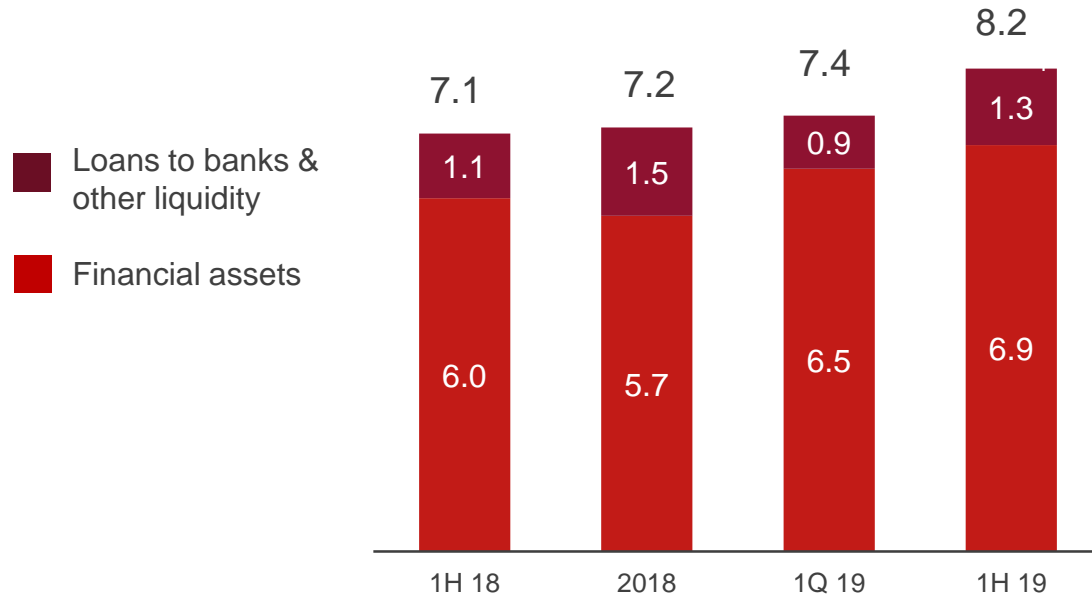
Accordingly:

- **NII (-€1.7m)** - Decrease due to interests paid on the lease debt. Cost of financing stated at 2.5%
- **G&A expenses (-€9.5m)** – Decrease due to cancellation of previous rental costs
- **Depreciation (+€8.8m)** – Increase linked to the RoU depreciation charge according to the weighted average length of the lease contracts estimated at 8 years.

NET FINANCIAL INCOME (2/2)

IMPROVING RETURN ON FINANCIAL ASSETS

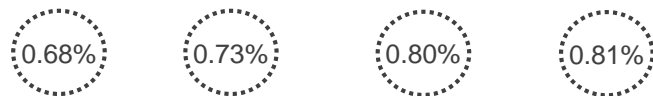
Banking book and liquidity, bn/€



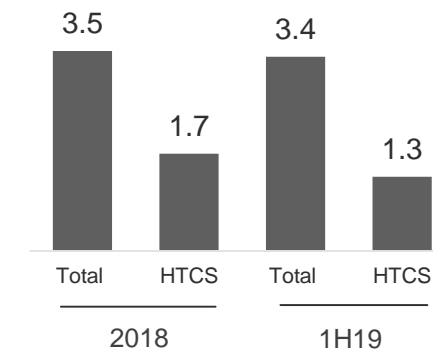
Yield – Loans to banks & other liquidity



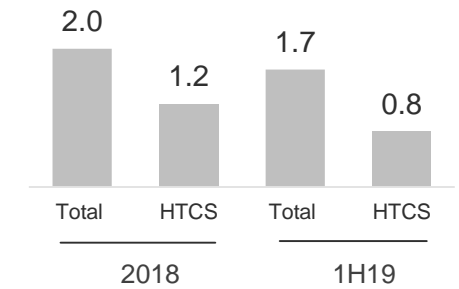
Yield – Financial Assets



Maturity (Bond)

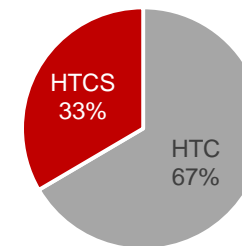


Duration (Bond)

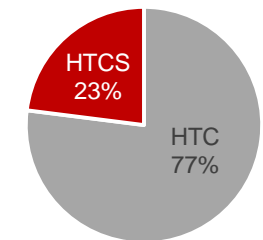


Classification (IT Govt bonds)

2018



1H 2019

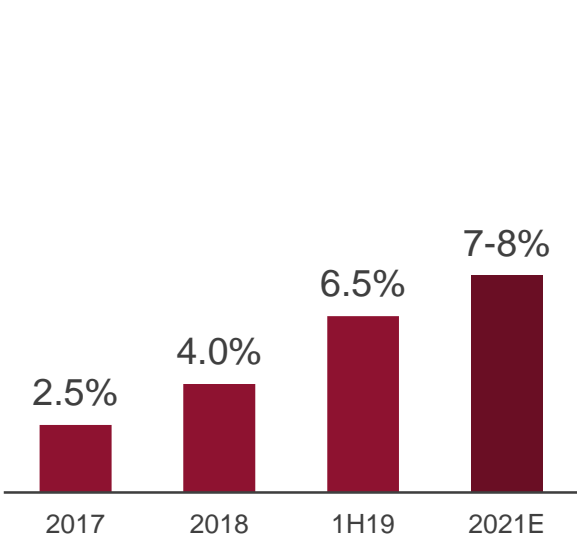


■ HTC ■ HTCS

NEW REVENUE STREAMS

ASSETS UNDER ADVISORY: ADVANCED ADVISORY CONTRACTS

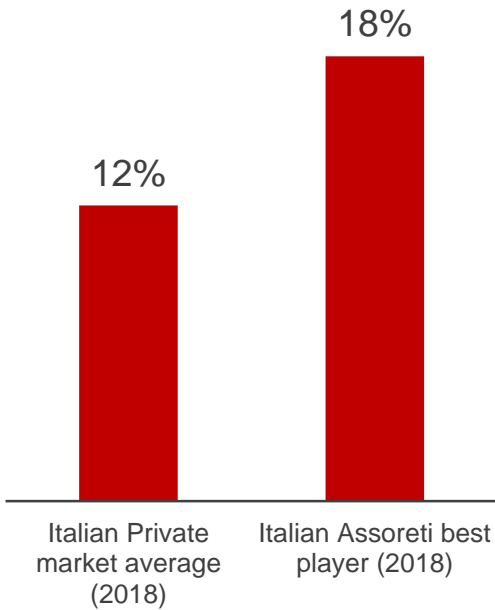
BG - % AUA
on Total Assets



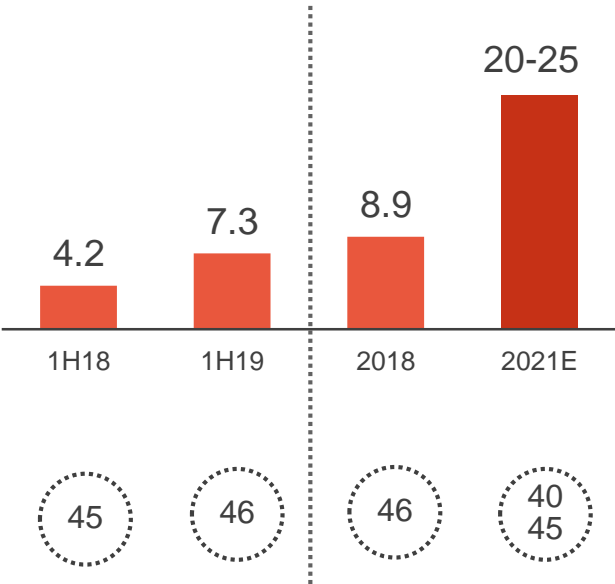
AUA
bn/€
period end



Benchmark
% AUA on Total Assets¹



Guidance: Advisory Fees²
m/€



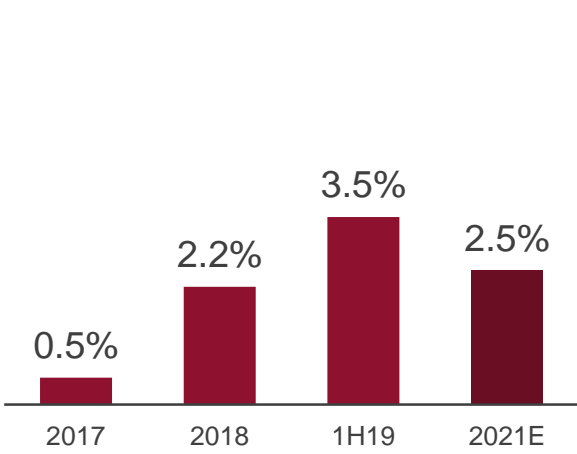
Advisory
Fees /
Avg. AUA
bps



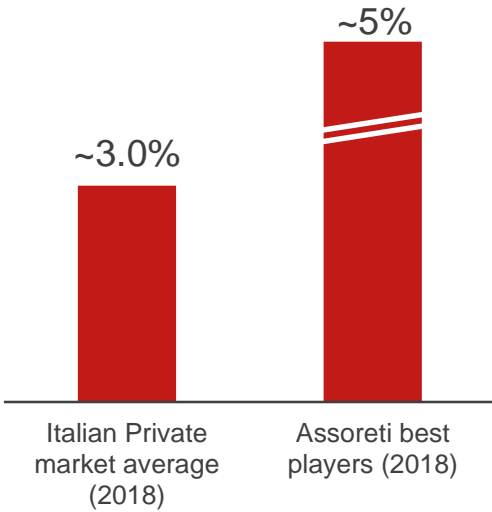
NEW REVENUE STREAMS

ASSETS UNDER CUSTODY: CERTIFICATES AND PRIVATE PLACEMENTS

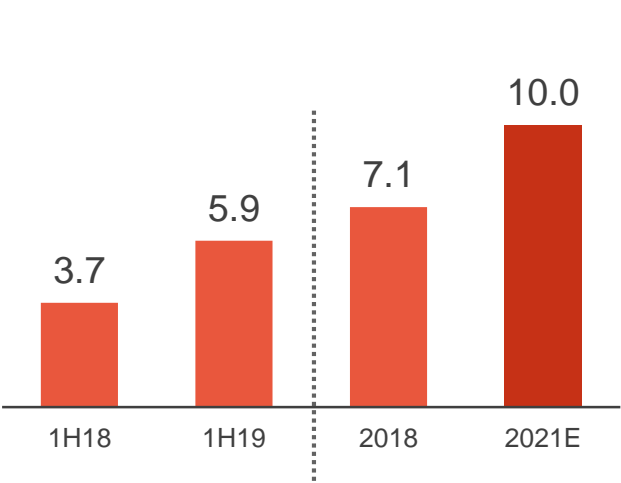
BG - % Certificates & private placements stock on AUC



Benchmark - % Certificates stock on AUC



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



New issues
m/€



Stock
m/€



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

Certain statements contained herein are statements of future expectations and other forward-looking statements.

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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OCTOBER						
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		

9M 2019 results
& Investor Conference Call

Investor Relations

Giuliana Pagliari

Investor Relations Manager

Phone +39 02 408 26548

Mobile +39 331 65 30 620

E-mail: giuliana.pagliari@bancagenerali.it

E-mail: investor.relations@bancagenerali.it

Corporate Website

www.bancagenerali.com

Investor App

