

# 9M 2017 RESULTS

8 NOVEMBER 2017



**BANCA  
GENERALI**

**Preliminary remarks**

9M 2017 results

Net Inflows, assets and recruiting

Business update

## High-quality results, also including extraordinary one-off charges

- ❑ Growing recurring revenues (+20%) boosted by business expansions
- ❑ New stream of revenues (advisory, trading) delivering on expectations (+38%)
- ❑ Flat operating costs providing evidence of operating leverage potential

**REPORTED  
NET  
PROFIT**  
**€147.4m**  
**(+24%)**

## Record-high business expansion, 2017 net inflows target raised to €6.5bn

- ❑ Net inflows in managed products tripled yoy (€4.4bn, +188%)
- ❑ Total assets at €53.8bn, well on track to €70bn target for 2021
- ❑ FA network growing both by number (1,922, +7%) and quality (avg. portfolio per FA at €28m,+11%)

**TOTAL NET  
INFLOWS**  
**€5.2bn**  
**(+26%)**

# 9M 2017 RESULTS: KEY TAKEAWAYS

(€ m)	9iM 16	9M 17	% Chg
Net Interest Income	44.3	47.1	6.4%
Net income (loss) from trading activities and Dividends	30.6	14.1	-54.1%
<b>Net Financial Income</b>	<b>74.9</b>	<b>61.2</b>	<b>-18.3%</b>
Gross fees	446.4	554.2	24.2%
Fee expenses	-198.7	-231.1	16.3%
<b>Net Fees</b>	<b>247.7</b>	<b>323.2</b>	<b>30.5%</b>
<b>Total Banking Income</b>	<b>322.6</b>	<b>384.3</b>	<b>19.1%</b>
Staff expenses	-64.7	-63.3	-2.1%
Other general and administrative expense	-98.3	-106.5	8.3%
Other net operating income (expense)	28.0	36.5	30.5%
Depreciation and amortisation	-3.5	-5.8	64.5%
<b>Total operating costs</b>	<b>-138.6</b>	<b>-139.2</b>	<b>0.4%</b>
<i>Cost /Income Ratio</i>	<i>41.9%</i>	<i>34.7%</i>	<i>-7.2 p.p.</i>
<b>Operating Profit</b>	<b>184.0</b>	<b>245.2</b>	<b>33.3%</b>
Net adjustments for impair.loans and other assets	-0.8	-6.0	666.5%
Net provisions for liabilities and contingencies	-41.7	-64.0	53.5%
<b>Profit Before Taxation</b>	<b>141.5</b>	<b>175.0</b>	<b>23.7%</b>
Direct income taxes	-22.8	-27.7	21.2%
<i>Tax rate</i>	<i>16.1%</i>	<i>15.8%</i>	<i>-0.3 p.p.</i>
<b>Net Profit</b>	<b>118.6</b>	<b>147.4</b>	<b>24.2%</b>

## STRONG TOTAL BANKING INCOME (+19%)

Healthy business trend reflected in sharply higher recurring fees and solid margin trend

## OPERATING COSTS +0.4%

highlighting tight cost discipline and operating leverage potential

## ONE-OFF CHARGE OF €3.7M FOR BANK RESCUE FUNDS

accounted as write-offs

## HIGHER PROVISIONS LINKED TO RECORD-HIGH INFLOWS

Preliminary remarks

**9M 2017 results**

Net Inflows, assets and recruiting

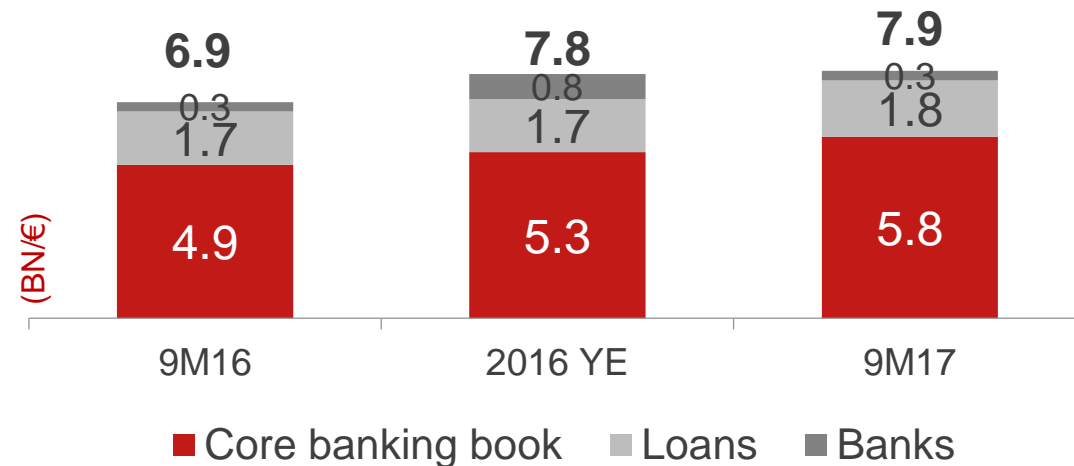
Business update

# REVENUES: NET FINANCIAL INCOME

## NET INTEREST INCOME + TRADING INCOME



## INTEREST-BEARING ASSETS



## DIVERGING TREND

Net Interest Income + 6% yoy  
Proprietary trading -54% yoy

## BANKING BOOK at €5.8bn (+18%)

93% government, 56% floating rate, 1.7 yrs duration, 3.9 yrs maturity

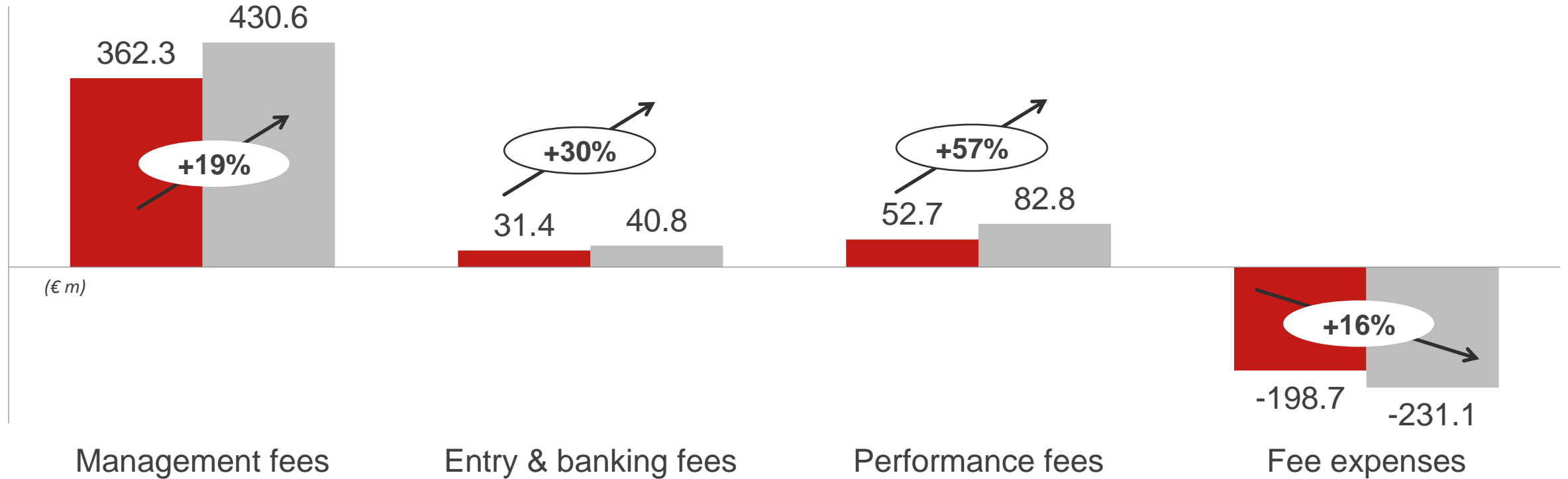
## GROWING LENDING ACTIVITY

Volumes up (€1.8bn, +4%) and spread broadly stable

# REVENUES: NET FEE INCOME (1/2)

GROWING RECURRING FEES

## FEE INCOME BREAKDOWN

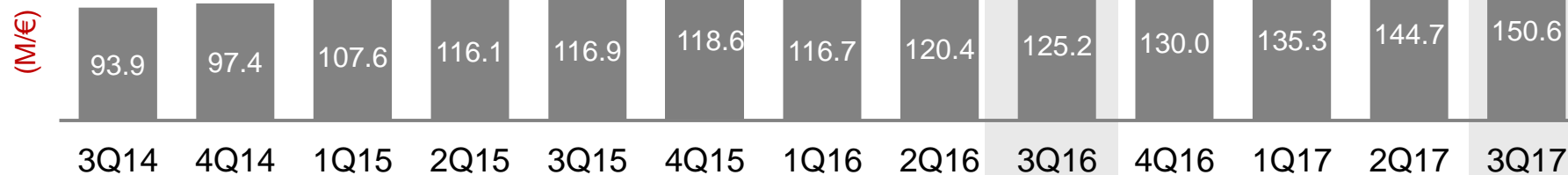


**PAY-OUT RATIO STABLE AT 49.0% (vs. 50.5% in 9M16)**

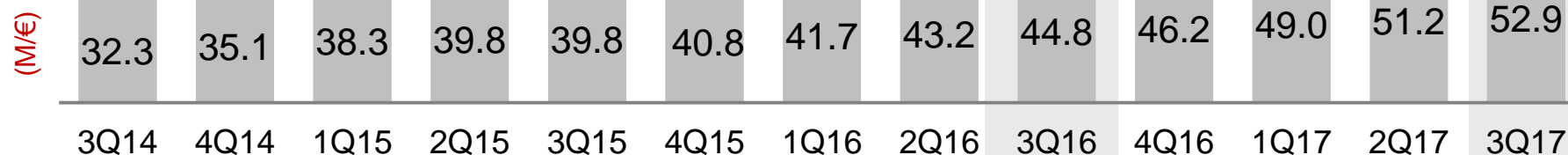
# REVENUES: MANAGEMENT FEES & MARGIN

## QUARTERLY TREND

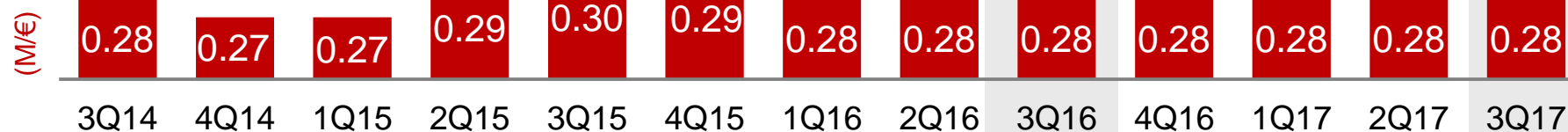
### MANAGEMENT FEES



### TOTAL AVG. MANAGED ASSETS



### MANAGEMENT FEES MARGINS

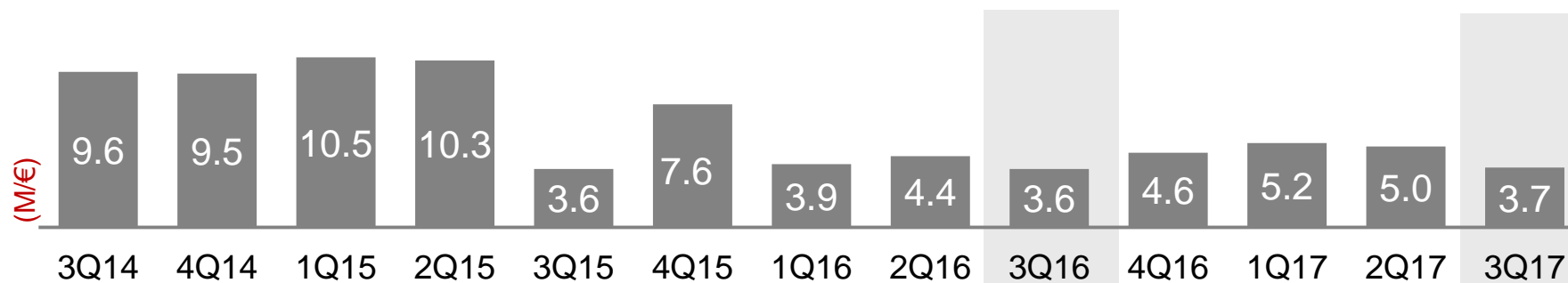




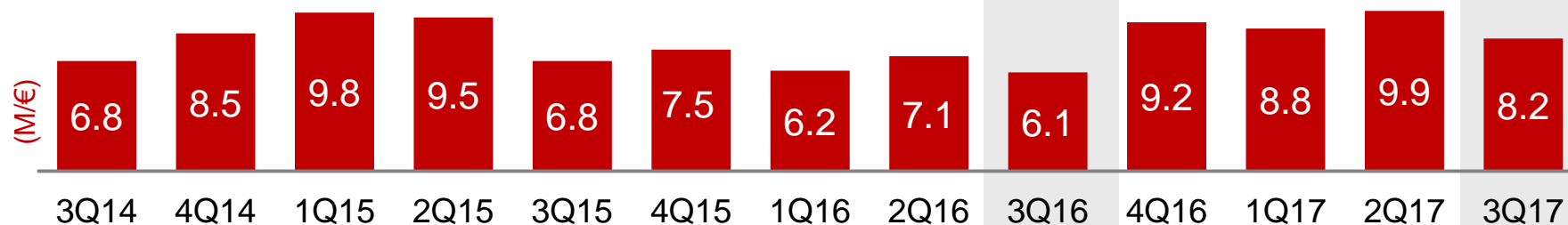
# REVENUES: OTHER FEES

## QUARTERLY TREND

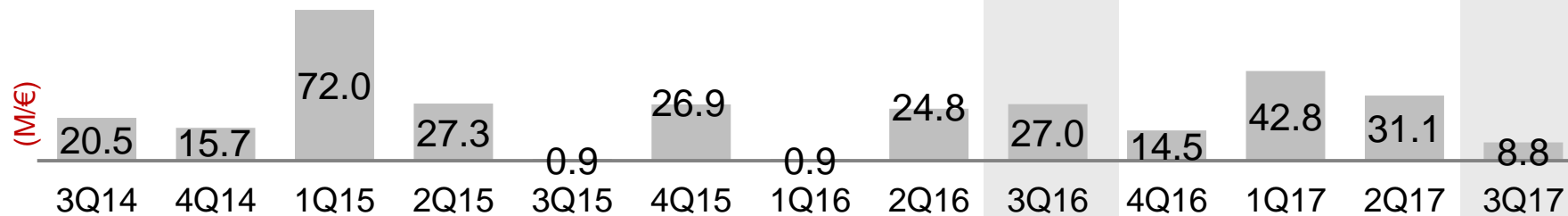
### FRONT FEES



### BANKING FEES



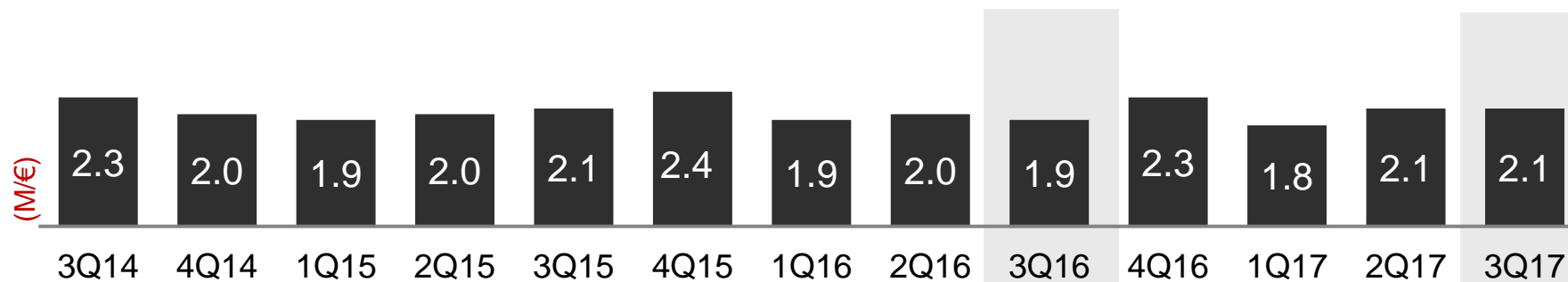
### PERFORMANCE FEES



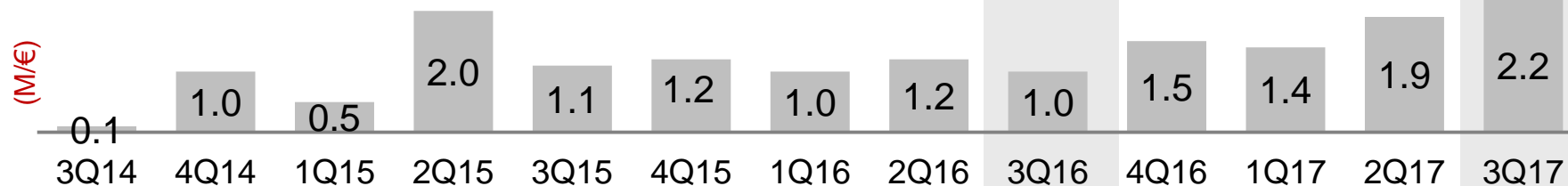
# REVENUES: BANKING FEES

## QUARTERLY TREND

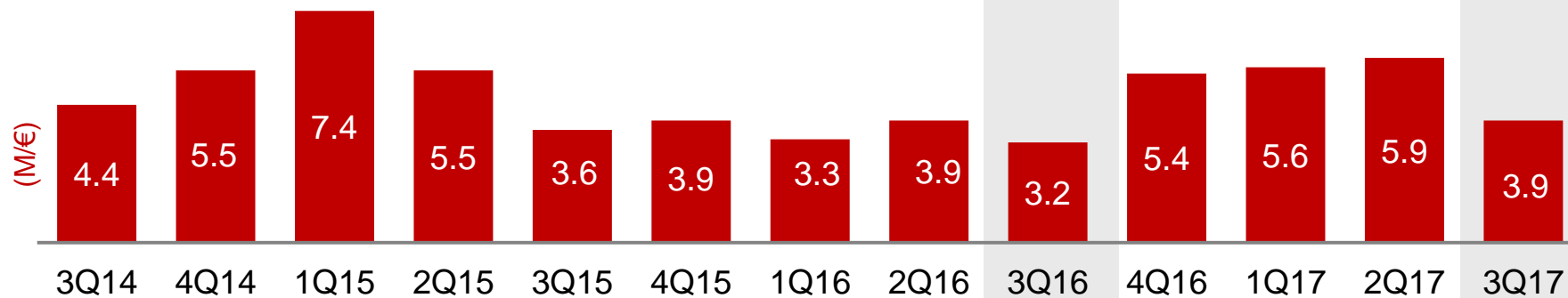
### TRANSACTIONAL BANKING FEES



### ADVISORY FEES

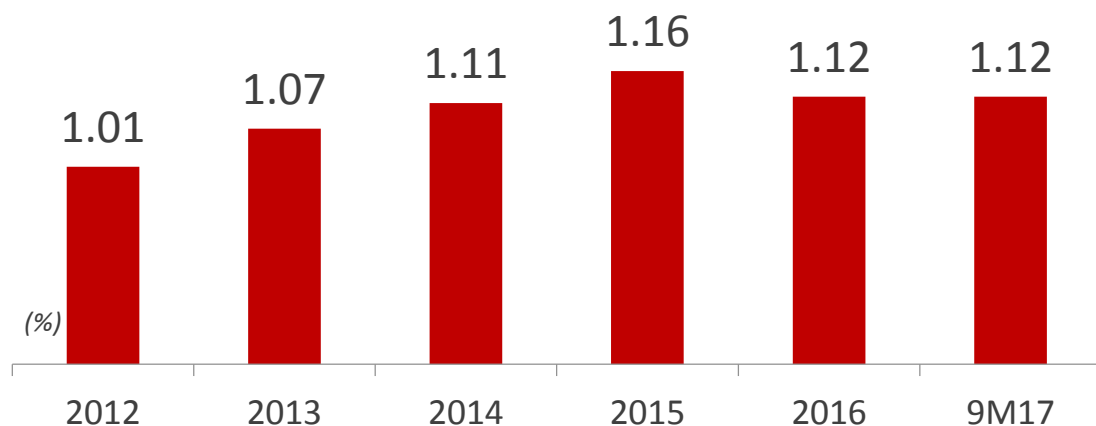


### TRADING FEES

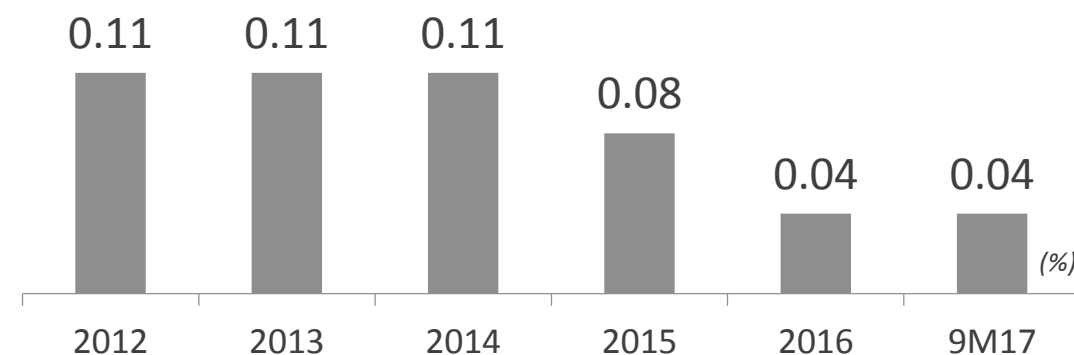


# BREAKDOWN OF ANNUALISED FEE-MARGIN GROSS MARGINS

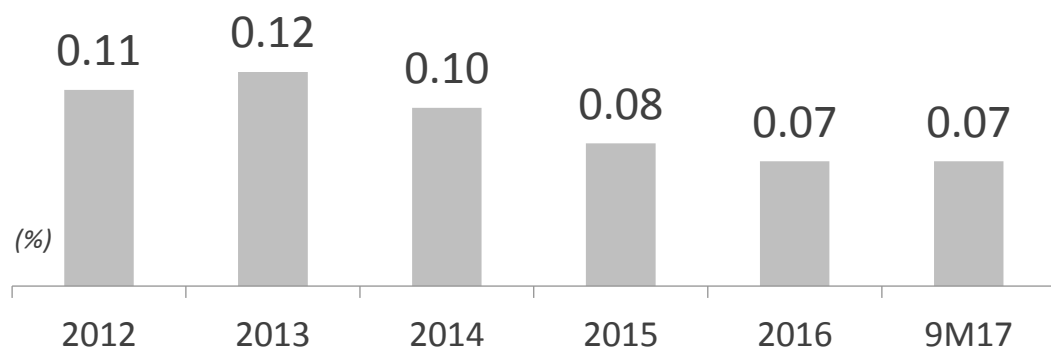
## MANAGEMENT FEE



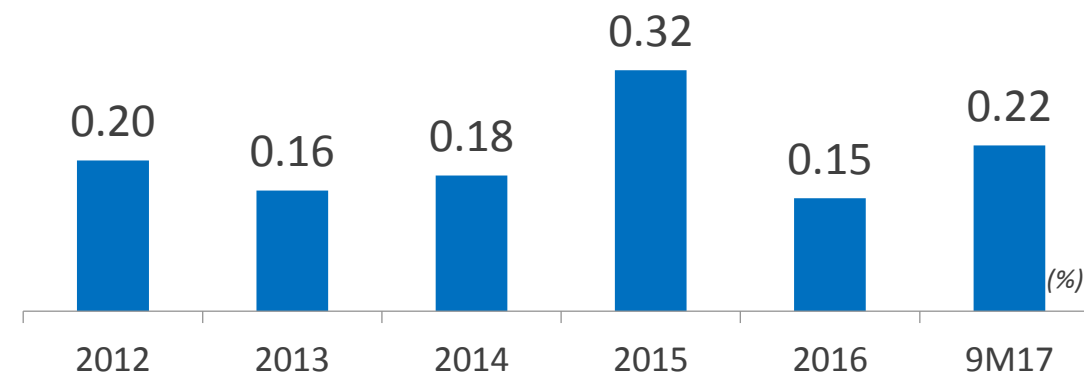
## ENTRY FEES



## BANKING FEE AND TRADING



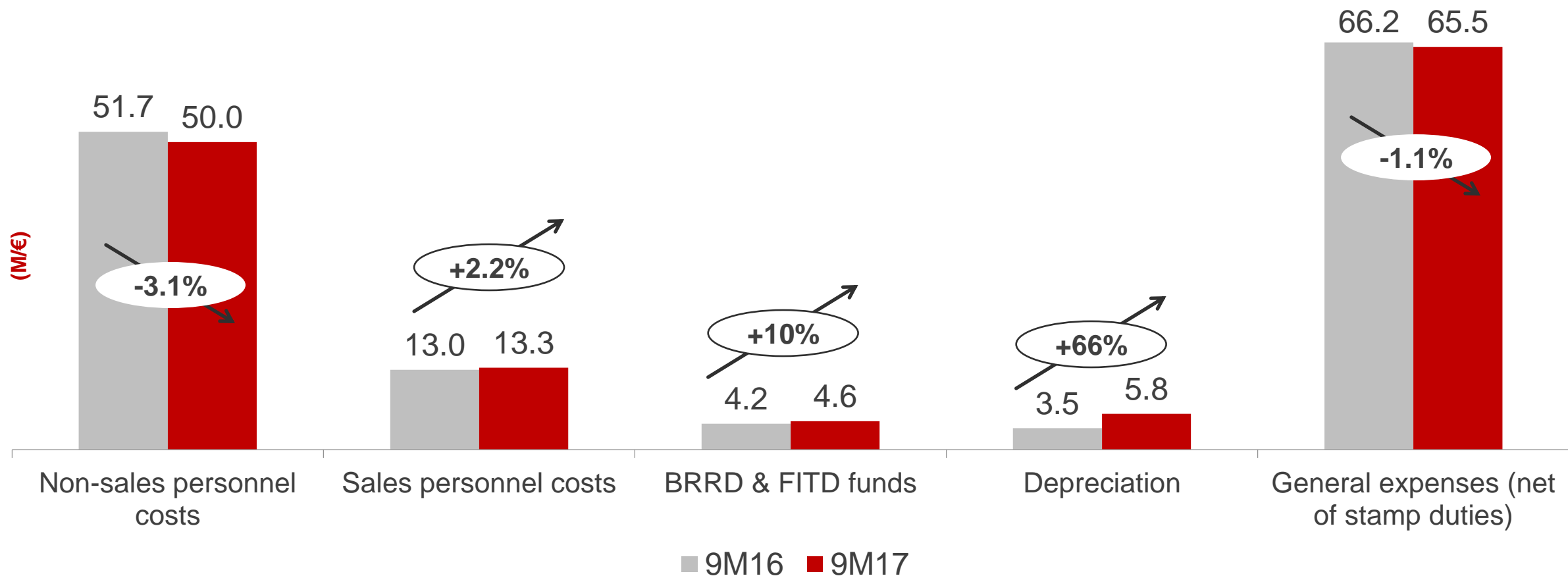
## PERFORMANCE FEES



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

# OPERATING COSTS BREAKDOWN

FLAT COSTS PROVING MUCH BETTER THAN GUIDANCE

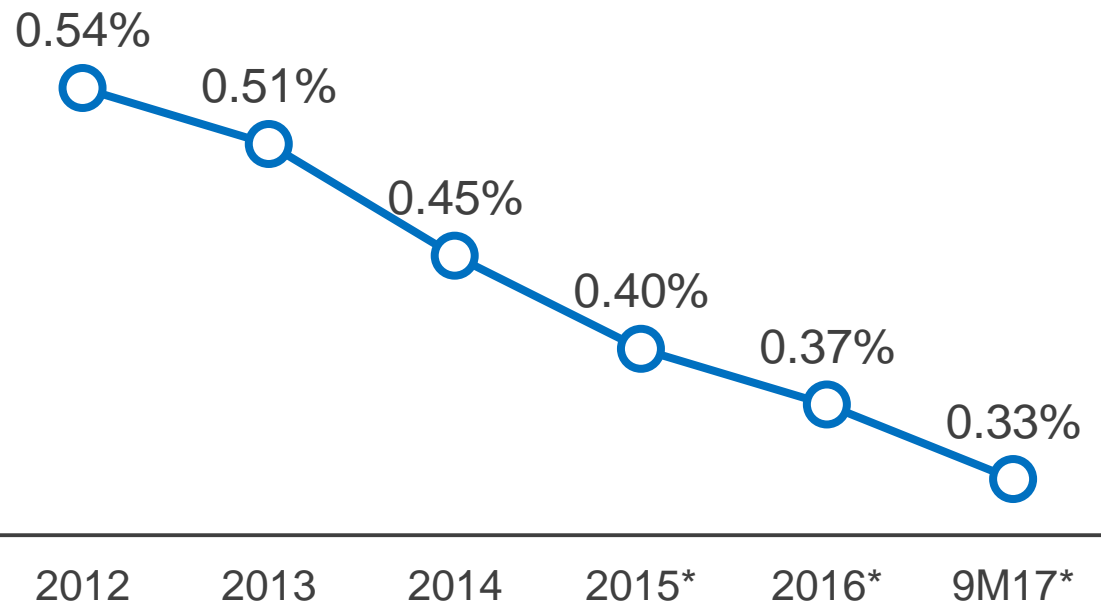


**TOTAL OPERATING COSTS +0.4% VS. GUIDANCE OF >+2%< +4%**

# COST RATIOS

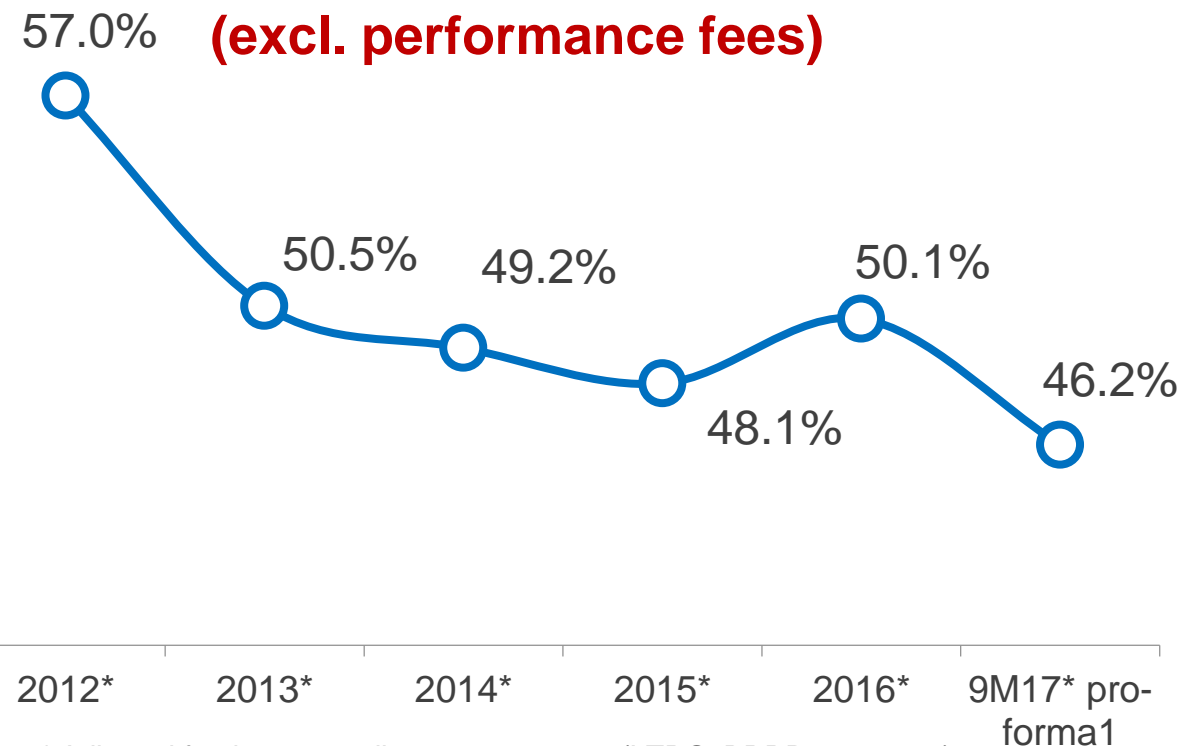
## OPERATING LEVERAGE

### OPERATING COSTS/TOTAL ASSETS



\* Adjusted for the extraordinary components (BRRD payments)

### COST-INCOME RATIO (excl. performance fees)



\* Adjusted for the extraordinary components (LTRO, BRRD payments)

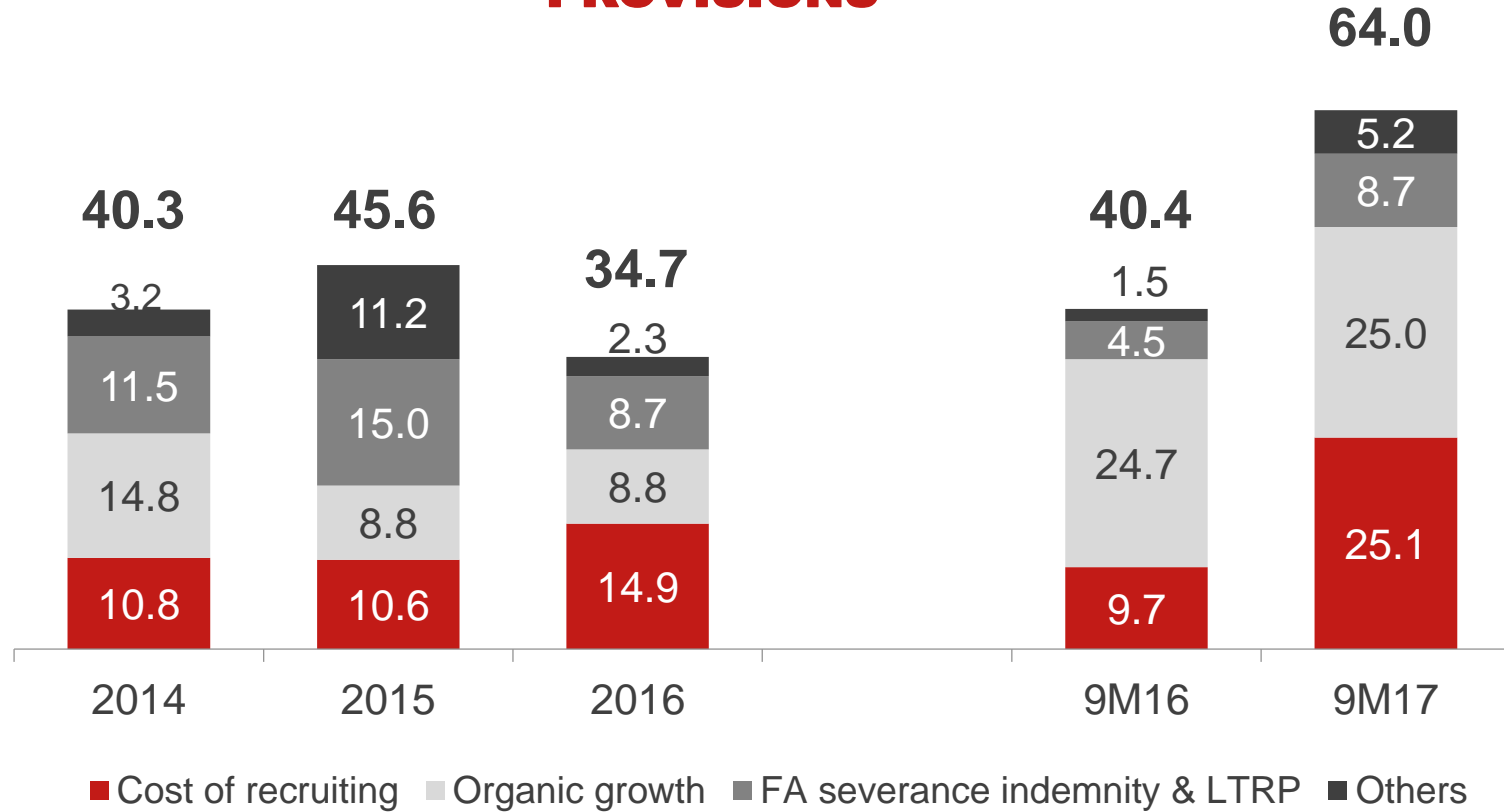
### REPORTED COST-INCOME RATIO AT 34.7% (VS. 41.9% in 9M16)

(1) Based on pro-forma year-end revenues excluding performance fees and including expenses for organic growth currently accounted within provisions

# PROVISIONS

## DIFFERENT RECRUITING PATTERNS

### PROVISIONS



**INCREASE IN PROVISIONS LINKED TO A SPIKE IN RECRUITING ACTIVITY**

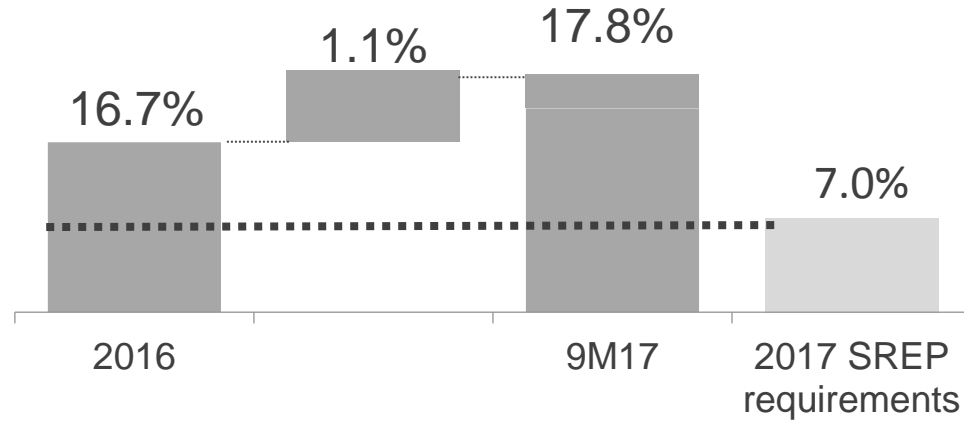
**RECRUITING ACTIVITY EXPECTED TO REVERT TO MEAN OVER NEXT FEW QUARTERS**

**MOST OF THE PROVISIONS FOR ORGANIC GROWTH WILL MOVE TO COMMISSION EXPENSES BY YEAR-END**

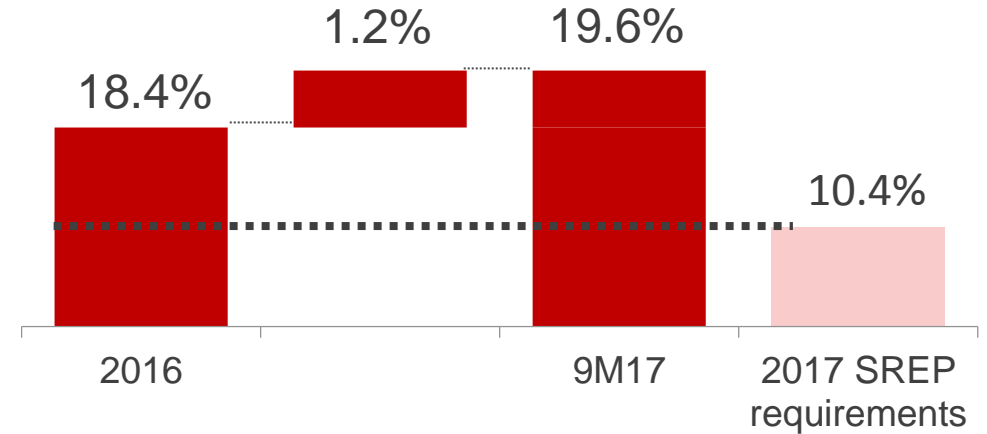
# SOLID CAPITAL POSITION

## CAPITAL RATIOS FURTHER IMPROVING

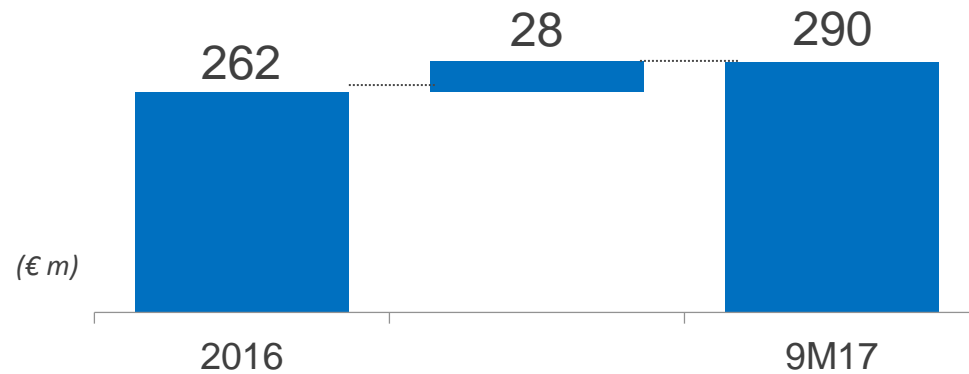
### CET1 RATIO



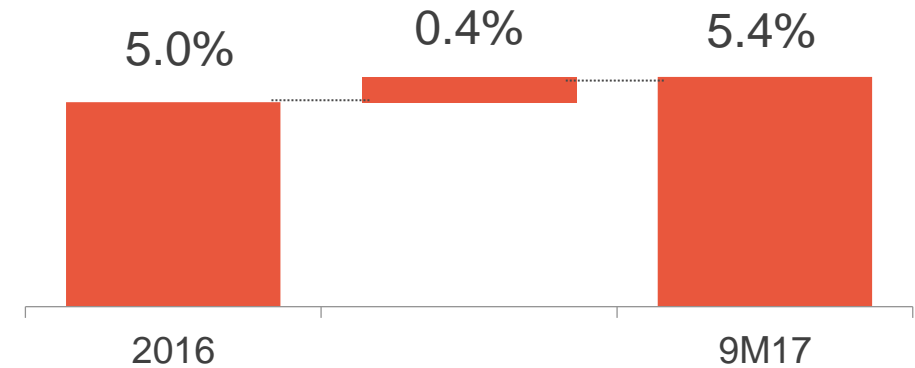
### TOTAL CAPITAL RATIO



### 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 18.2%, TCR at 19.9%

Preliminary remarks

9M 2017 results

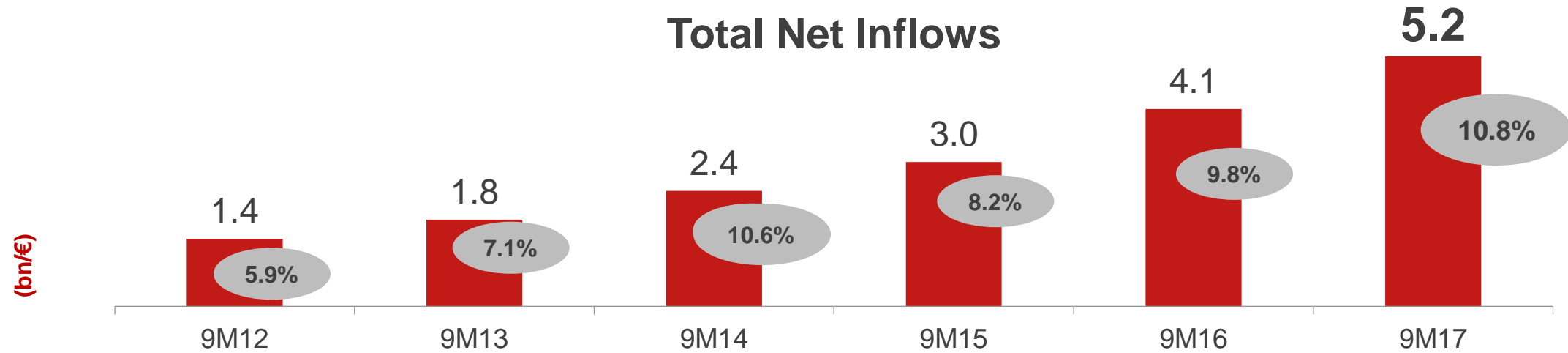
**Net Inflows, assets and recruiting**

Business update

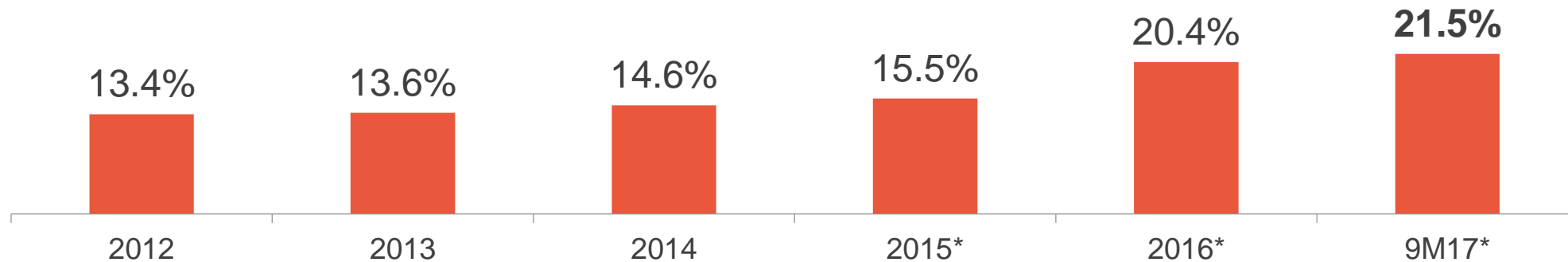


# COMMERCIAL RESULTS (1/3)

NET INFLOWS AT 10.8% OF STARTING ASSETS



### Banca Generali's share of Assoreti net inflows



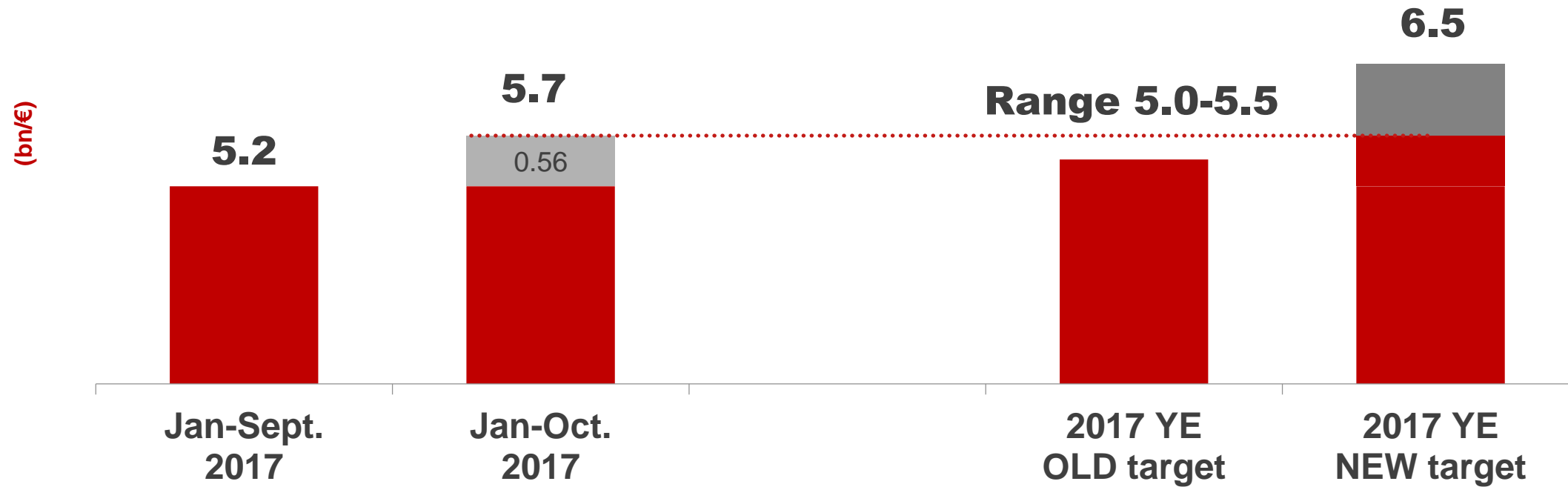
\* excl. ISPB on a like-for-like basis

Net inflows as % of assets at year-start

# COMMERCIAL RESULTS (2/3)

## UPGRADE IN YEAR-END NET INFLOWS TARGET

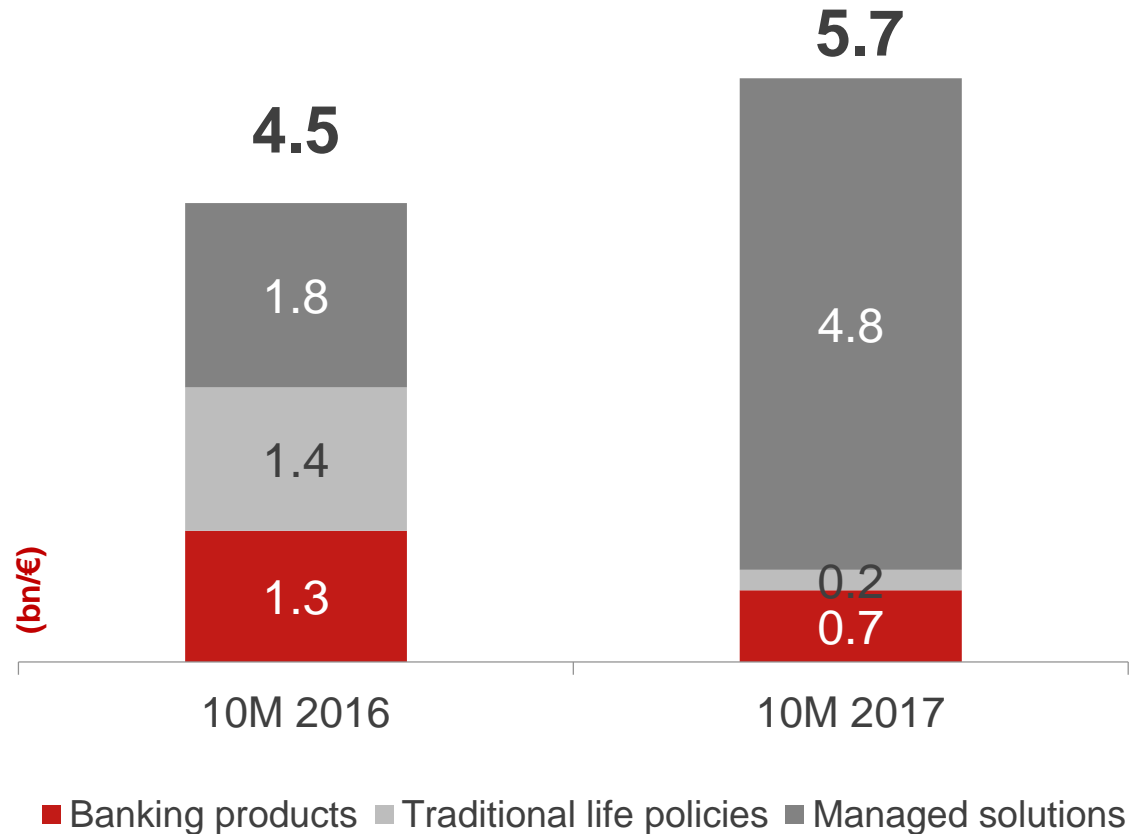
### NEW TARGET FOR 2017 NET INFLOWS



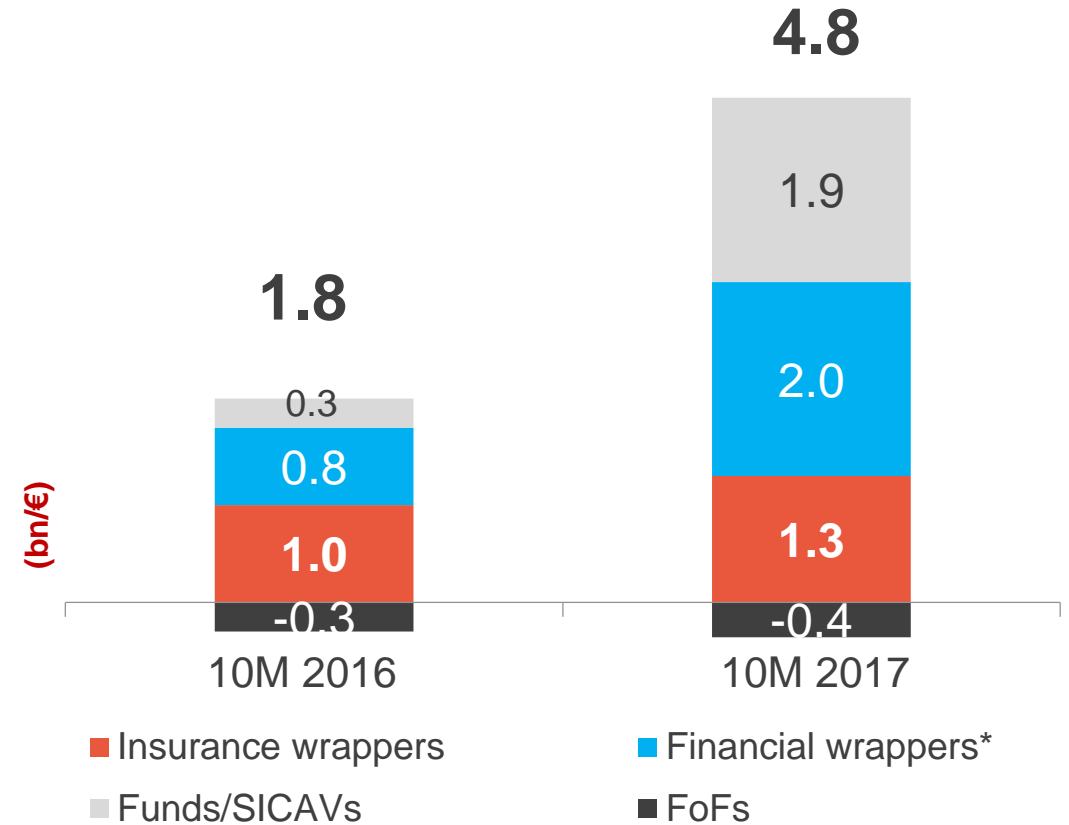
# COMMERCIAL RESULTS (3/3)

## MANAGED SOLUTIONS TRIPLED YOY

### TOTAL NET INFLOWS



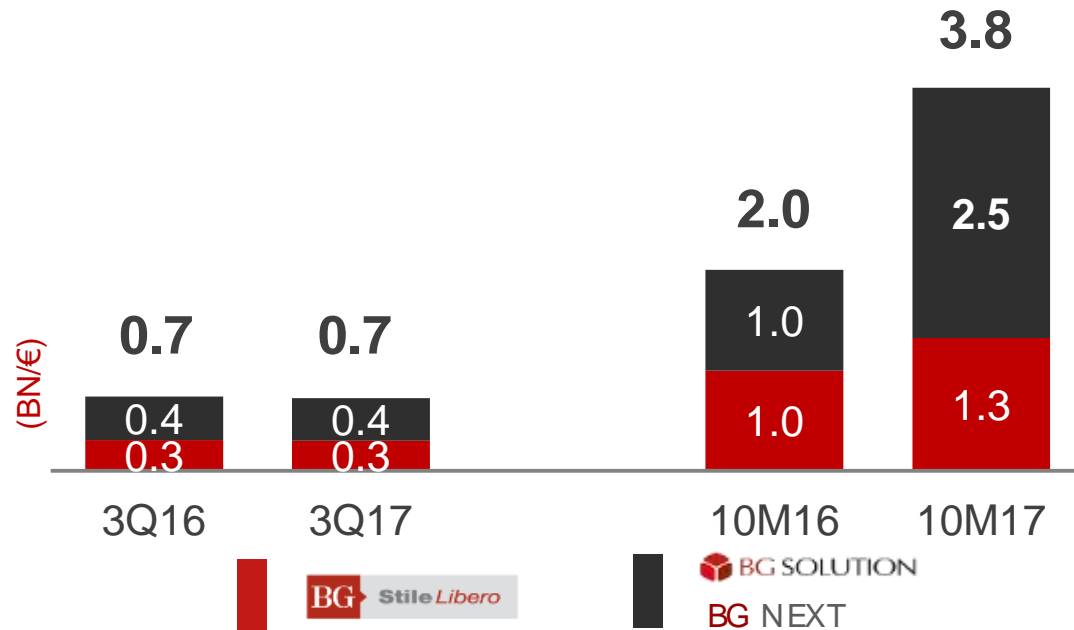
### NET INFLOWS IN MANAGED SOLUTIONS



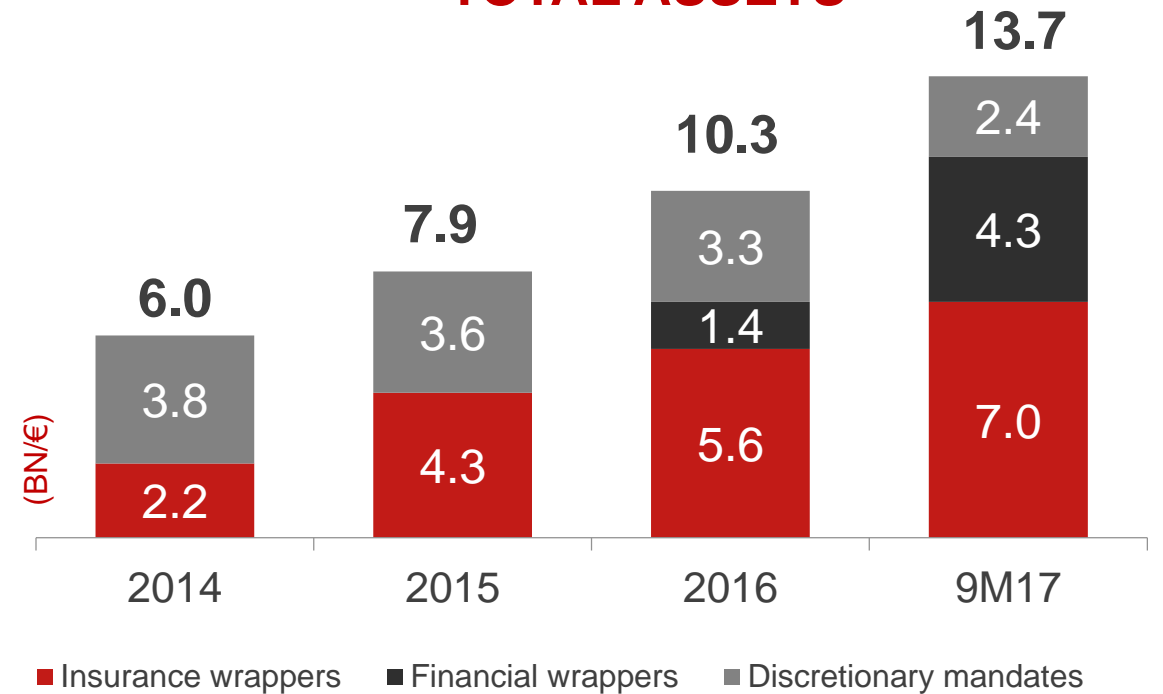
(\* ) including discretionary mandates

# WRAPPER SOLUTIONS FASTER TOWARDS TARGETS

## WRAPPERS NET INFLOWS



## WRAPPERS + DM TOTAL ASSETS

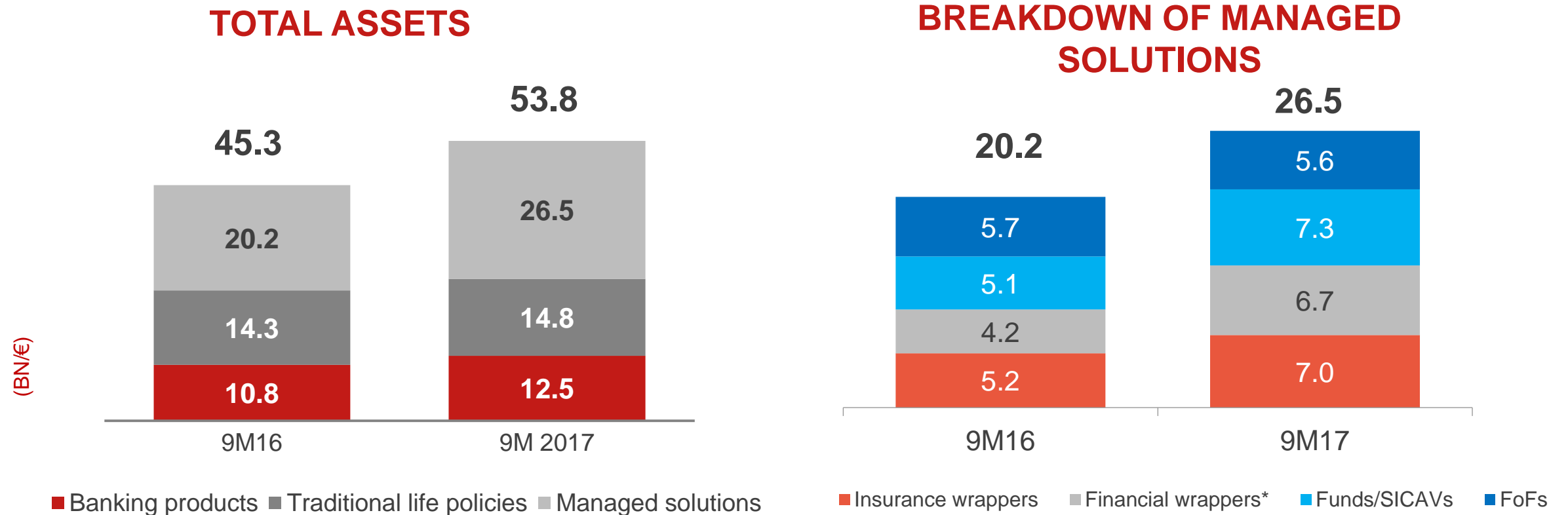


## ASSETS IN WRAPPERS AND DISCRETIONARY MANDATES AT 25% OF TOTAL ASSETS

Traditional discretionary mandates to be transformed into wrappers by year-end on MIFID II

# TOTAL ASSETS BY PRODUCT CATEGORY

## RECORD GROWTH OF MANAGED SOLUTIONS



Strong growth of **FINANCIAL WRAPPERS** (+73%) and **FUNDS/SICAVS** (+45%)

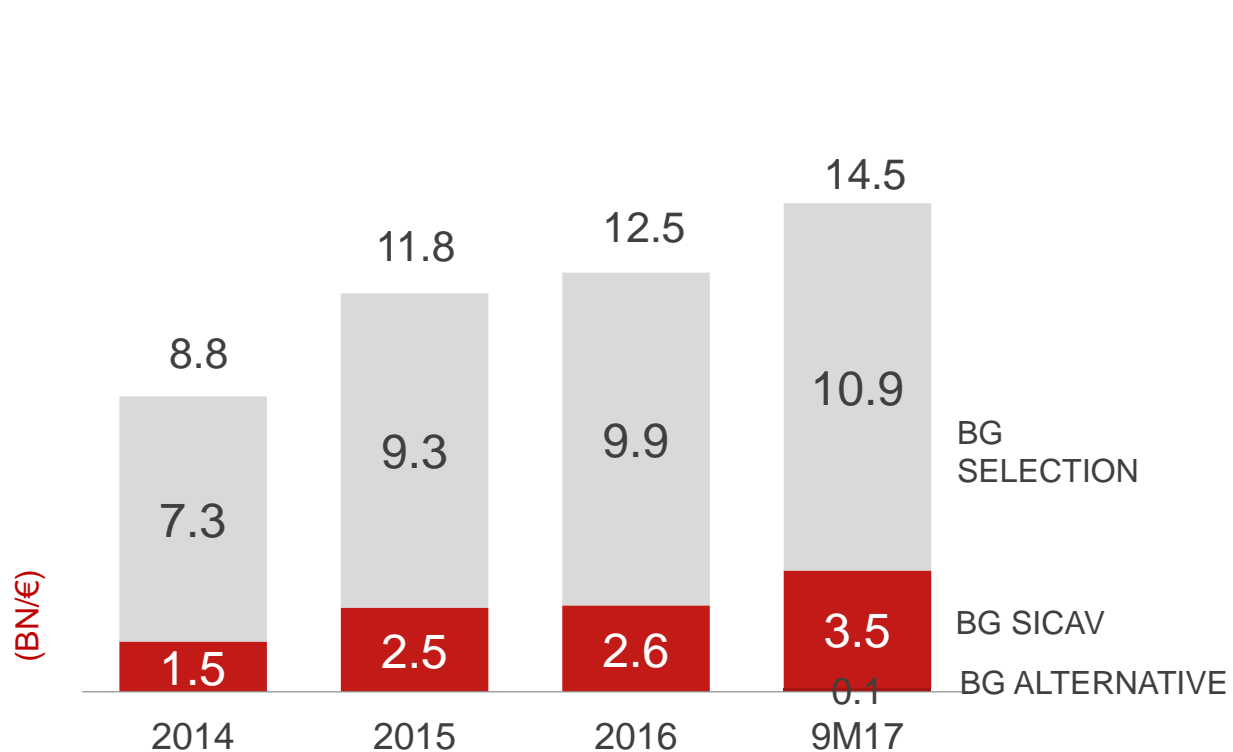
**DECREASING EXPOSURE TO FOF (BG SELECTION)**

(\*) including discretionary mandates

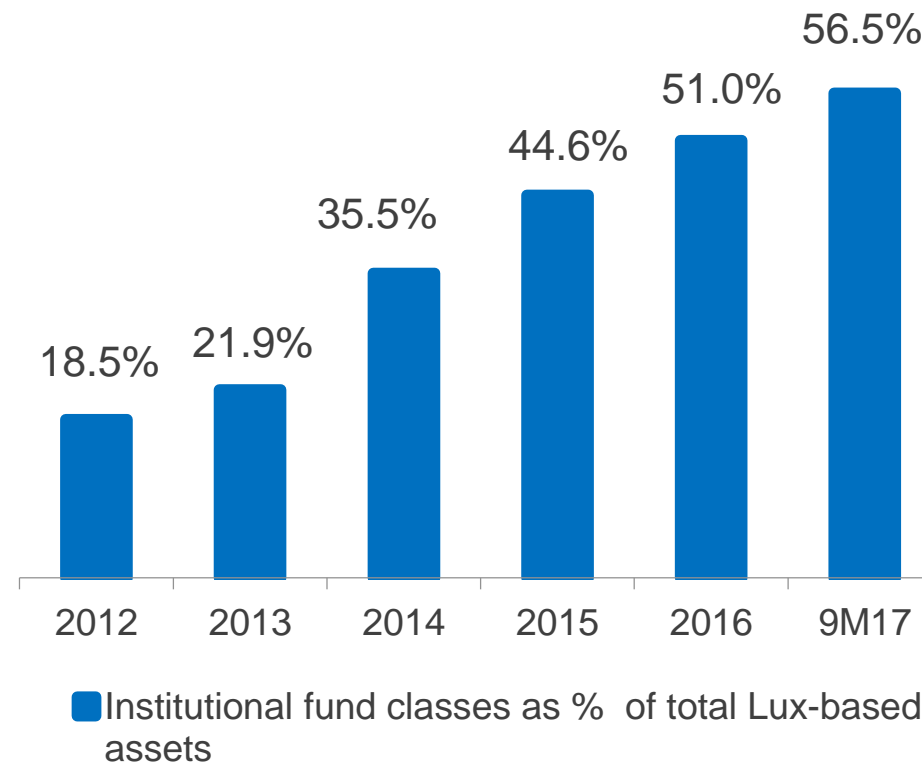
# BG FUND MANAGEMENT

GROWTH DRIVEN BY THE INSTITUTIONAL COMPONENT

## LUX-BASED ASSETS



## SHARE OF INSTITUTIONAL FUND CLASSES

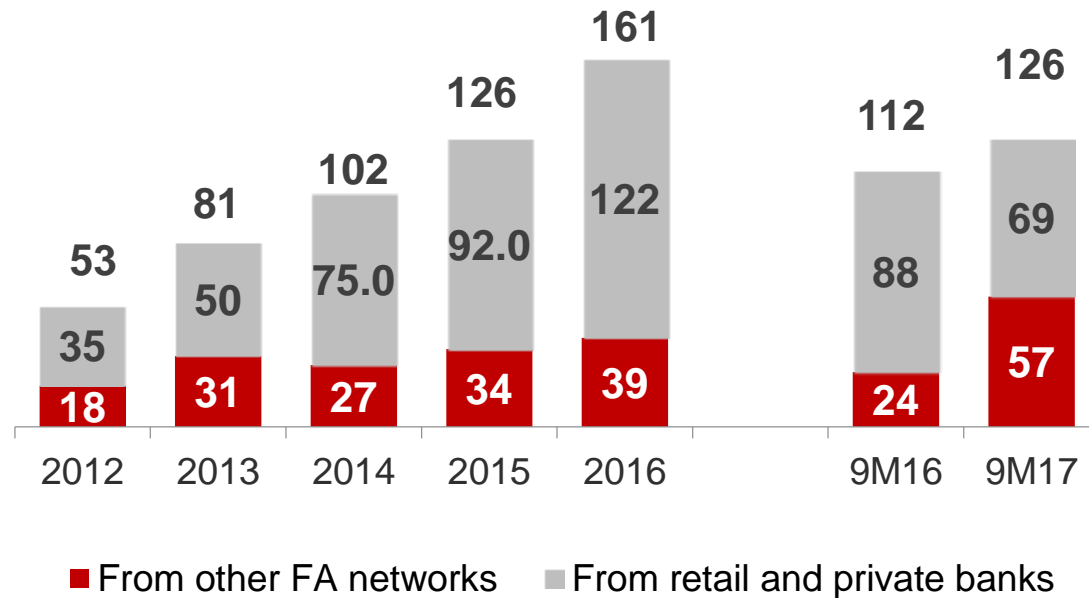


**ASSETS REBALANCING** in favour of institutional fund classes (57% of total vs. 19% in 2012)

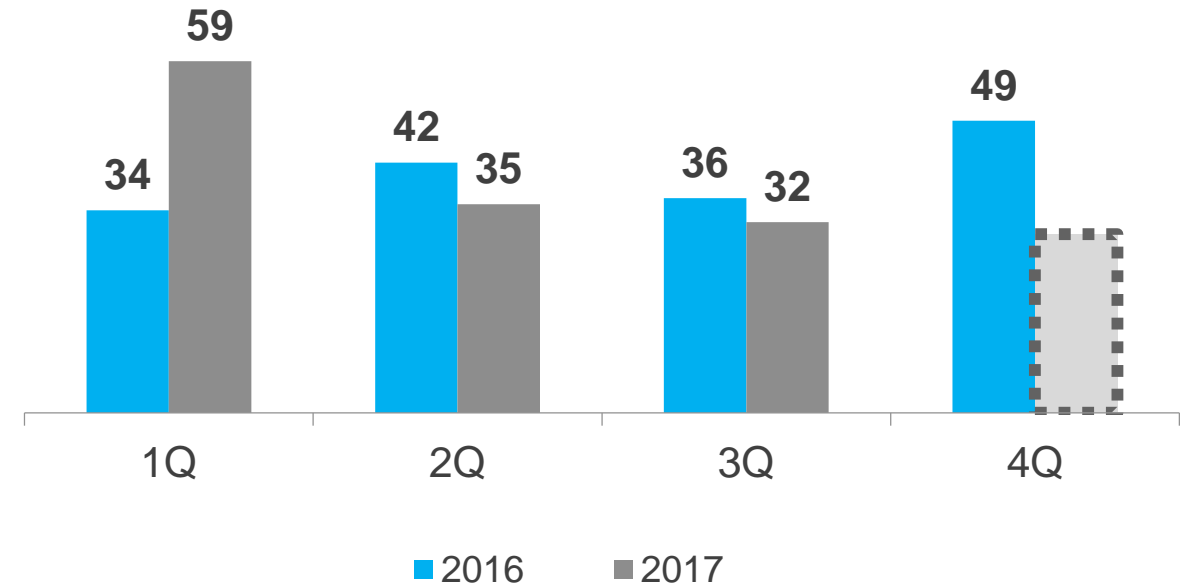
# RECRUITING ACTIVITY

## SLOWDOWN IN SIGHT

### No. OF NEW RECRUITS



### No. OF NEW RECRUITS BY QUARTER



**Cost of recruitment at 2.35% (ex ante), 60% of which charged in the first 12 months rolling**  
**Pay back period: 3Y 3M and IRR (net of tax) at 30% well above cost of capital**

Preliminary remarks

9M 2017 results

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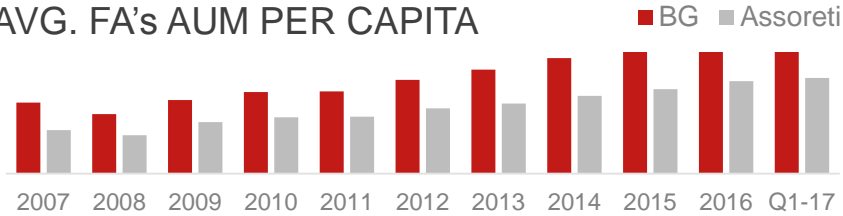
**Business update**



# BUSINESS MODEL

## STRATEGIC PILLARS

AVG. FA's AUM PER CAPITA



### Quality of FA network

**QUALITY** – Profile moving private

**PRODUCTIVITY** – Holistic approach

**TARGET** – Clear private banking upswing

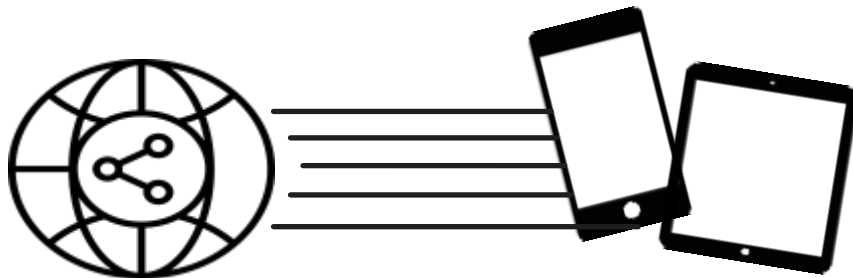


### Wealth Management Approach

**WEALTH MANAGEMENT** – New offering taking ground

**ADVISORY** – Seizing growth potential

**PRODUCTS** – Ongoing evolution



### Digital Mindset

**FAs** – Comprehensive set of digital tools

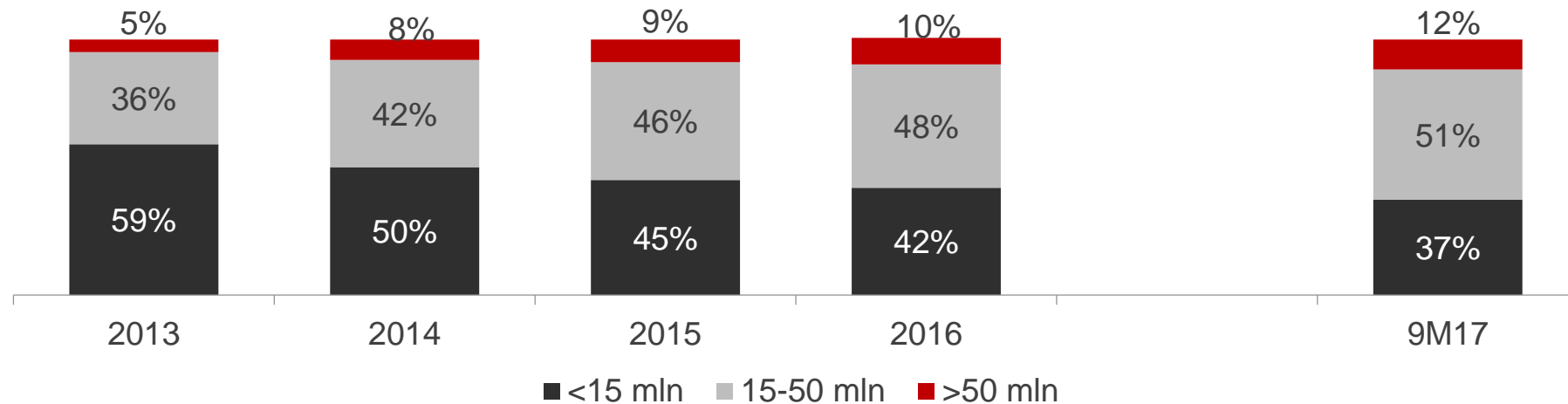
**BANK** – New approach to banking processes

**CLIENTS** – Dedicated banking solutions

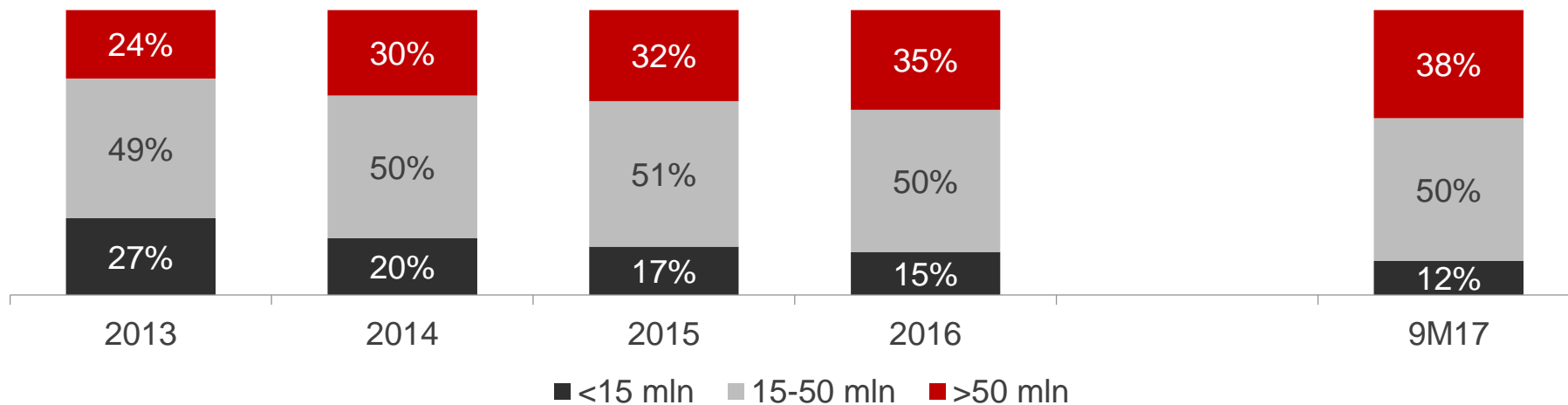
# QUALITY OF THE NETWORK - PROFILE MOVING PRIVATE

## FAs GROWING BY QUALITY

### No. of FAs by clusters



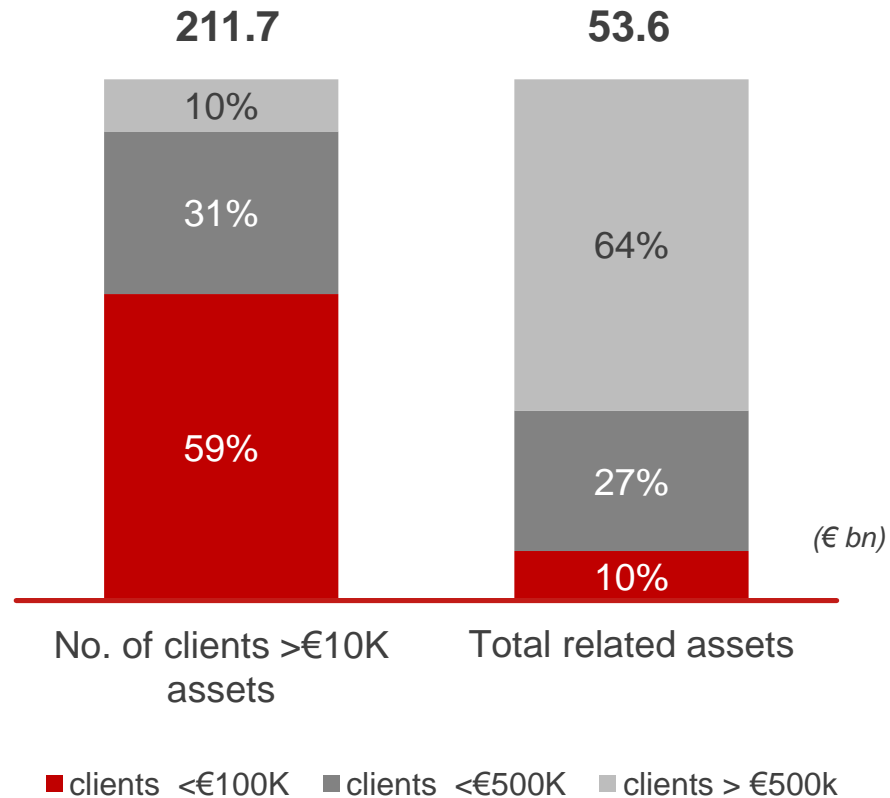
### ASSETS by cluster of FAs



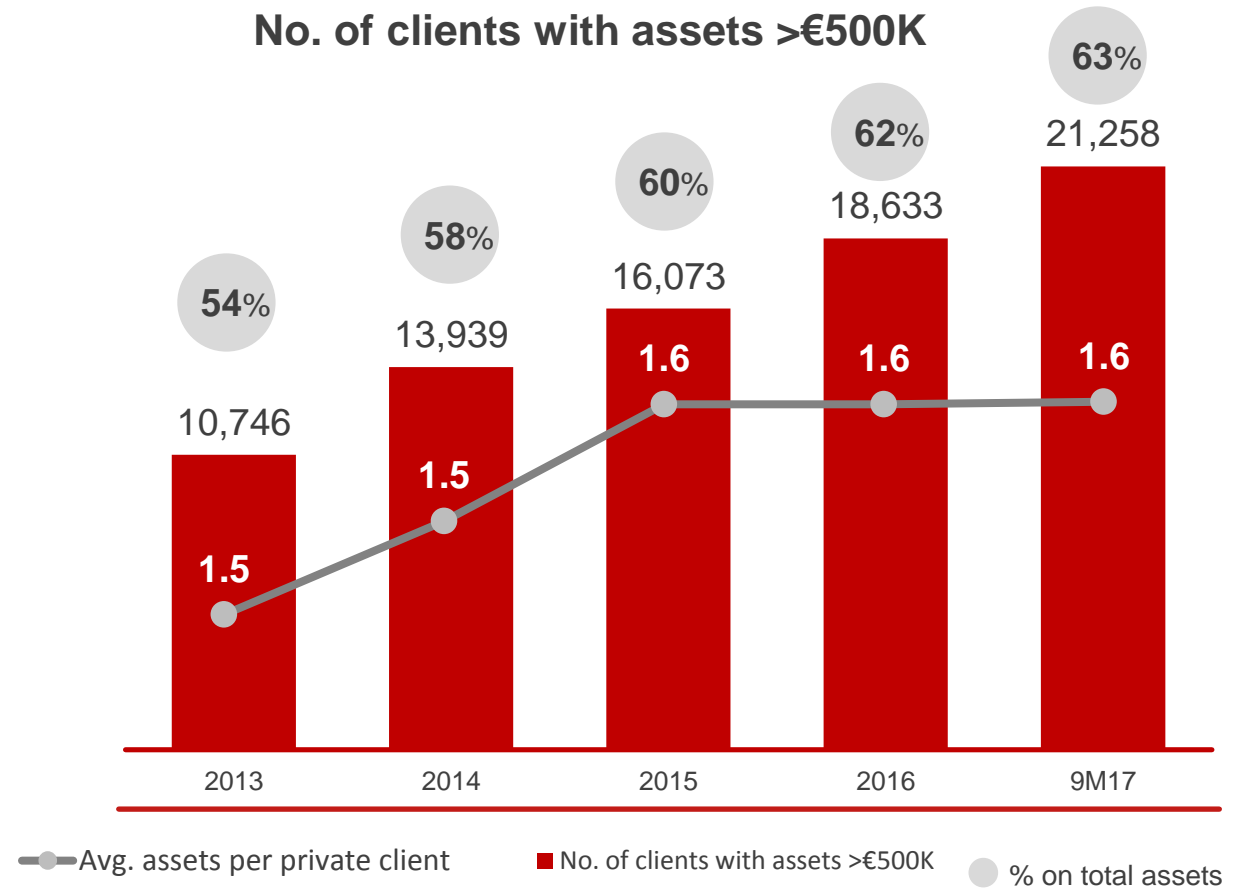
# QUALITY OF THE NETWORK - PROFILE MOVING PRIVATE

## CUSTOMER BASE FOLLOWING

No. of clients (>€10K) and related assets



No. of clients with assets >€500K



Data as of 30.09.2017

# WM APPROACH – PRODUCTS - ONGOING INNOVATION

## DISTINCTIVE PRODUCT OFFER FOR HNW CLIENTS

### DEDICATED INVESTMENT VEHICLES FOR INSTITUTIONAL/PROFESSIONAL CLIENTS

#### **BG NEXT** (AUM €255m)

##### ASSET CLASSES

Private debt - Loans -  
NPL - CMBS

##### CONTRACT

Multiline discretionary  
mandates

#### **BG ALTERNATIVE SICAV** (AUM €140m)

##### ASSET CLASSES

Bank loans - CMBS  
Real-estate (Debt & Equity)

##### CONTRACT

Advanced advisory

### NEW LUX-BASED SICAV

#### RATIONALE

PRODUCT OFFER REVIEW - new macro themes/client needs

PRODUCT SUSTAINABILITY - MIFID II

PRICING SUSTAINABILITY - cap on ongoing charges (OCG)

LAUNCH DATE - 1Q 2018

#### ROADMAP

1st wave – 1Q18 - 10/20 new strategies

2nd wave - 2Q18 – 10/15 new strategies

3rd wave – 2H18 – 15/20 new strategies

**Focus of next confcall**

# PARTNERSHIP WITH SAXO (1/3)

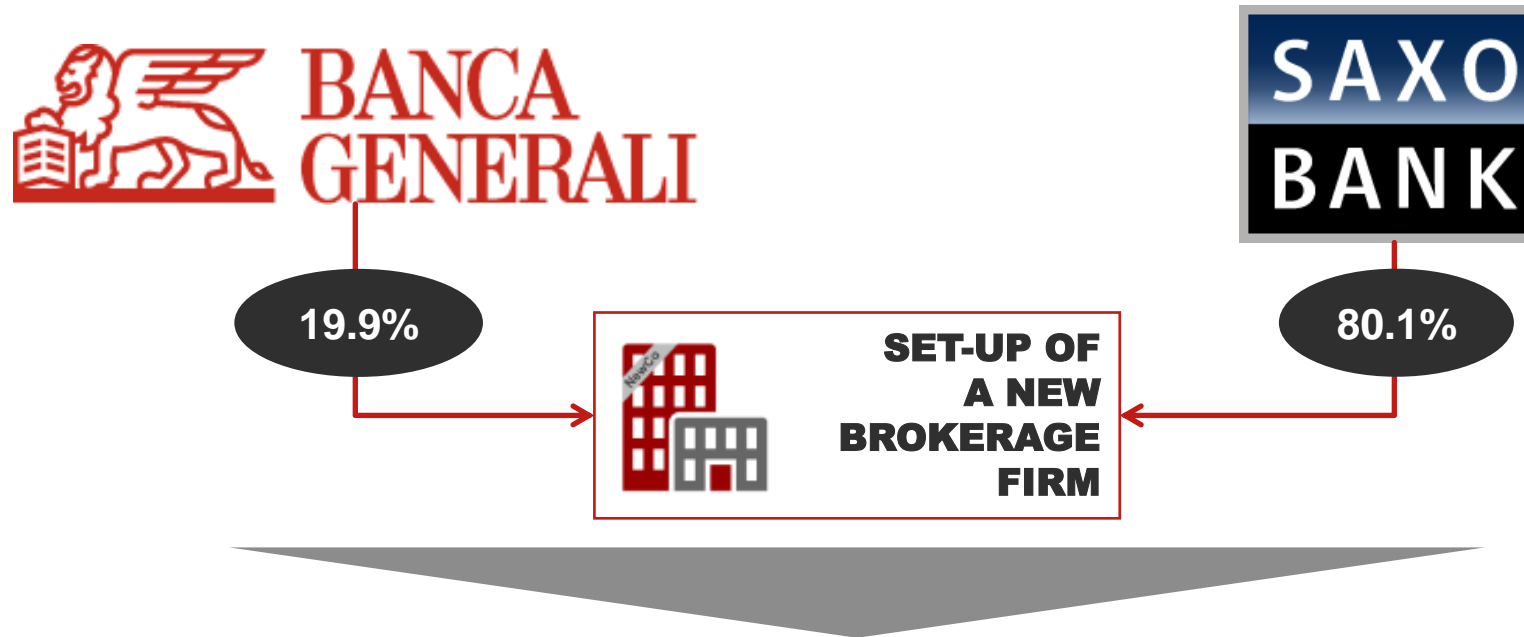
## THE REASON WHY



- A. PRESENCE IN **180 COUNTRIES**,  
**USD12.0BN DAILY TRADED VOLUMES**
  
- B. **STATE OF THE ART MULTI-ASSET TRADING PLATFORM** WITH ONGOING INVESTMENTS IN IT INFRASTRUCTURE
  
- C. **WELL-KNOWN BRAND** WORLDWIDE BOTH IN THE B2C AND B2B2C (WHITE LABEL BUSINESS)

# PARTNERSHIP WITH SAXO (2/3)

## NEW PARTNERSHIP SAXO-BANCA GENERALI



- A. EXCLUSIVE AGREEMENT FOR THE ITALIAN MARKET** - Banca Generali as reference bank
- B. SET-UP OF NEW BROKERAGE FIRM** – 80.1% controlled by Saxo and 19.9% by Banca Generali
- C. SHARED GOVERNANCE** - veto rights in favour of Banca Generali on selected relevant subjects
- D. REVENUE SHARING AGREEMENT** - based on customer ownership and customer origination

### AS IS

#### **BG customers (B2B) with a security account**

- 25K (10% of total customer base)
- Total security rotation: 90% (vs. peers 142% to 572%)
- Online rotation at 31% (vs. peers 100% to 536%)

### 4Y TARGET

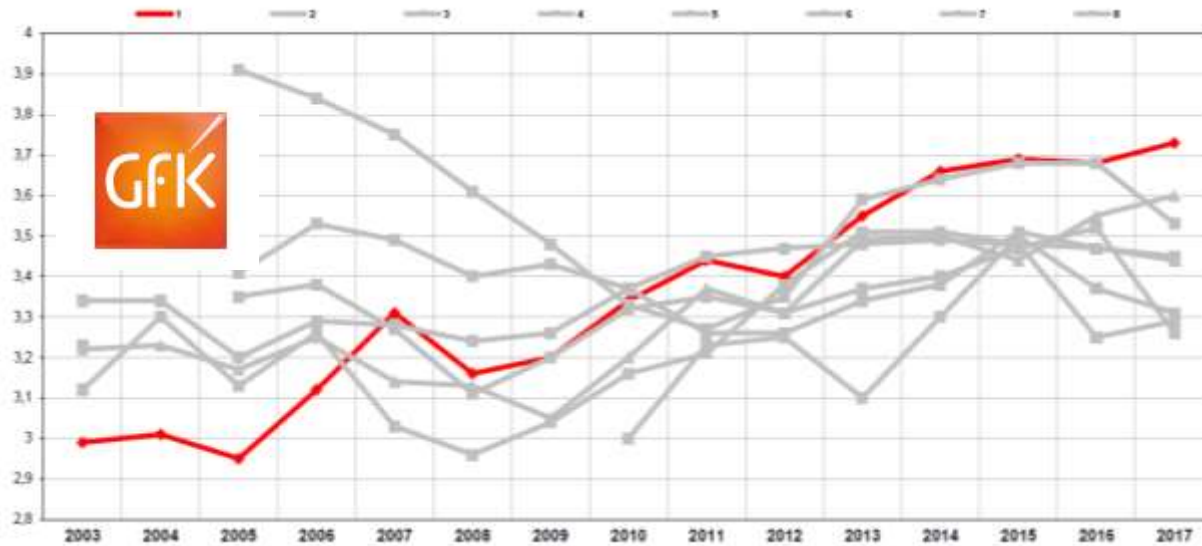
#### **Est. customers of the Newco**

- 40K (+15K in four years)
- Launch of hedging strategies for SMEs
- Additional trading fees in 4 years at €10-15m

**NEW PARTNERSHIP TO START  
IN 2H 2018**

# BUSINESS RECOGNITION

## QUALITY REWARDED



PF Monitor - GfK Eurisko



Banca Generali was also ranked **No. 2 by brand equity in private banking (vs. No. 4 in 2016 and No. 5 in 2015)** - in the 'Private Banker Monitor' of GfK Eurisko in association with AIPB



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*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.

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