

9M 2018 RESULTS

6 NOVEMBER 2018



**BANCA
GENERALI**

Preliminary remarks

9M 2018 results

Net Inflows, assets and recruiting

Business update

Growth path confirmed

- ❑ **Solid commercial trend:** net inflows at €4.1bn, despite market headwinds with a strong contribution from existing FAs
- ❑ **Steady asset expansion and sticky mix:** total assets at €58.5bn (+9%) o/w 76% in managed and insurance products. Assets u. Advisory tripled at €2.3bn (4% of total assets)
- ❑ **Growing network quality:** Total FA at 1,985 (+3%YoY), with both portfolios and productivity at top industry level

NET INFLOWS

€4.1bn
(-20% yoy)

TOTAL ASSETS

€58.5bn
(+9% yoy)

Sound earnings delivered

- ❑ **Improved profit quality:** net profit at €135.8m, of which €87.7 million (+38%) are recurring
- ❑ **Costs within guidance (+3%)** despite higher payments to bank-rescue funds. Cost ratios at best practice level
- ❑ **Stable and solid capital ratios:** CET1 ratio at 18.0% and TCR at 19.6%, both well above SREP requirements

REP. NET PROFIT

€135.8m (-8%)

ADJ. NET PROFIT

€87.7m (+38%)

9M 2018 RESULTS: KEY TAKEAWAYS

(€ m)	9M 17	9M 18	% Chg
Net Interest Income	47.1	44.2	-6.1%
Net income (loss) from trading activities and Dividends	14.1	22.1	56.8%
Net Financial Income	61.2	66.3	8.4%
Gross fees	554.2	566.7	2.2%
Fee expenses	-281.2	-301.1	7.1%
Net Fees	273.0	265.5	-2.7%
Total Banking Income	334.2	331.8	-0.7%
Staff expenses	-63.3	-62.8	-0.9%
Other general and administrative expense	-106.5	-113.5	6.6%
Depreciation and amortisation	-5.8	-6.3	7.3%
Other net operating income (expense)	36.5	39.2	7.4%
Total operating costs	-139.2	-143.3	3.0%
	<i>Cost /Income Ratio</i>	<i>41.3%</i>	<i>1.4 p.p.</i>
Operating Profit	195.0	188.5	-3.3%
Net adjustments for impair.loans and other assets	-6.0	-6.1	1.0%
Net provisions for liabilities and contingencies	-13.9	-14.6	5.1%
Gain (loss) from disposal of equity investments	-0.1	-0.2	72.9%
Profit Before Taxation	175.0	167.7	-4.2%
Direct income taxes	-27.7	-31.8	14.9%
	<i>Tax rate</i>	<i>19.0%</i>	<i>3.2 p.p.</i>
Net Profit	147.4	135.8	-7.8%

TOTAL BANKING INCOME (reported -1%, adjusted +15%)

Revenues in line with previous year despite a 39% drop in variable lines (performance fees and trading)

OPERATING COSTS (reported +3.0%, ex- payments to bank rescue funds +1.1%)

Cost within guidance despite a 57% increase in payments to bank-rescue funds

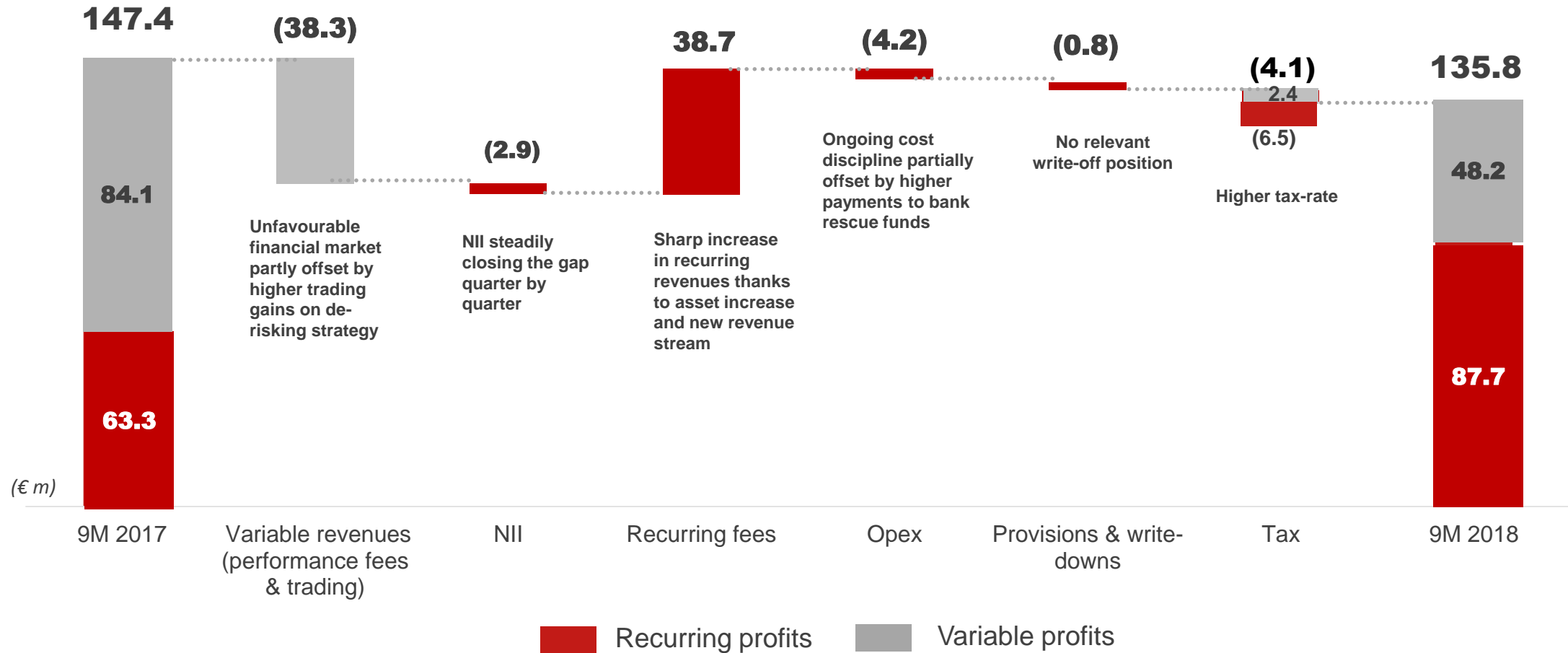
PROVISIONS and WRITE-OFFS barely changed yoy

HIGHER TAX-RATE on revenue mix

NET PROFIT

SIGNIFICANT INCREASE IN RECURRING PROFITS

NET PROFIT DEVELOPMENT



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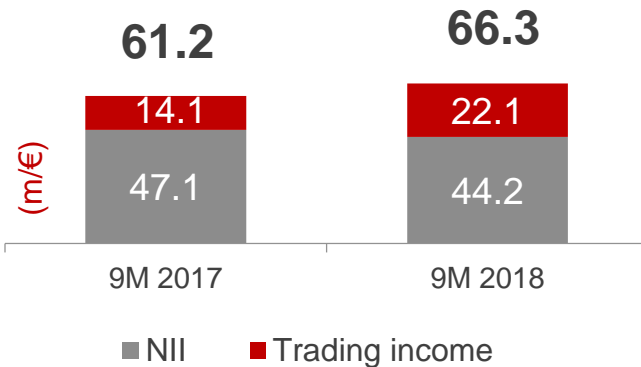
Net Inflows, assets and recruiting

Business update

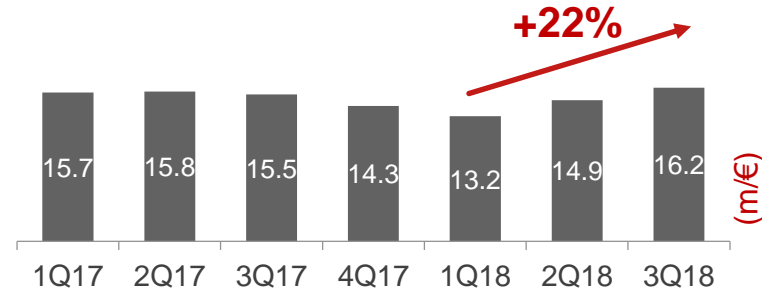
REVENUES: NET FINANCIAL INCOME

NII GROWTH ACCELERATING

NET FINANCIAL INCOME



NET INTEREST INCOME (NII)

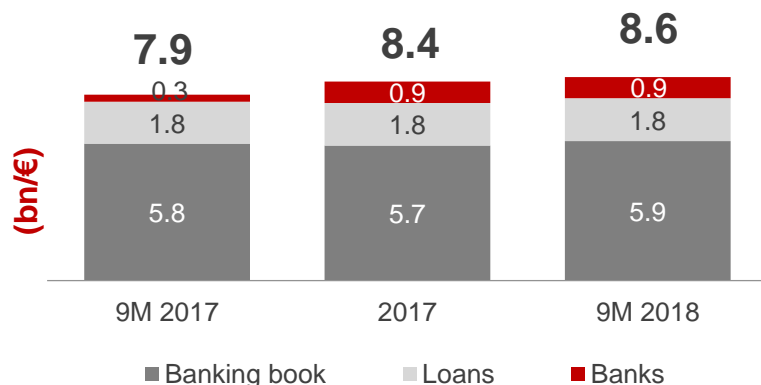


➤ **Best NII on quarterly basis since 2Q 2015.** Ongoing recovery led by the increase in volumes and the rise in investment yields started in 2Q18

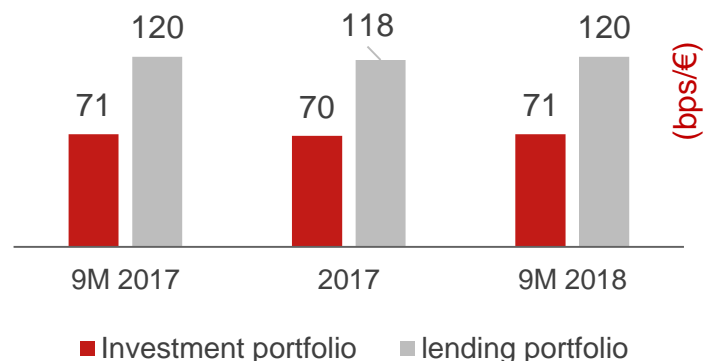
➤ **Interest-bearing assets at €8.6bn, +9% YoY.** Volumes driven by the increase in retail deposits. Investments as below:

- **Lending activity** at €1.8bn (+2%) growing in a steady way
- **Banking book** at €5.9bn (+2.2%) 99% invested in bonds (duration 2.0 yrs and maturity 3.4 yrs). Over €1.6bn are due to expire within 2019 year-end
- **Banks** at €0.9bn, still at a high level amid growing volatility in financial markets

INTEREST-BEARING ASSETS



INTEREST MARGIN

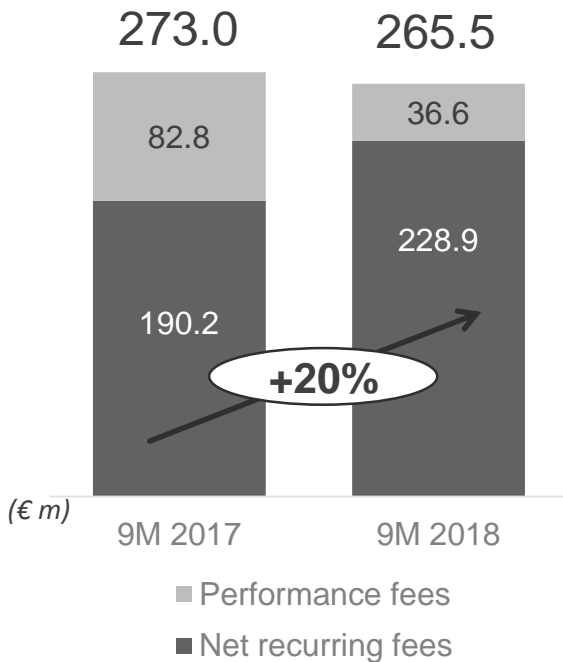


➤ **NII sensitivity to +100bps in interest rates' increase** equal to €28.9m

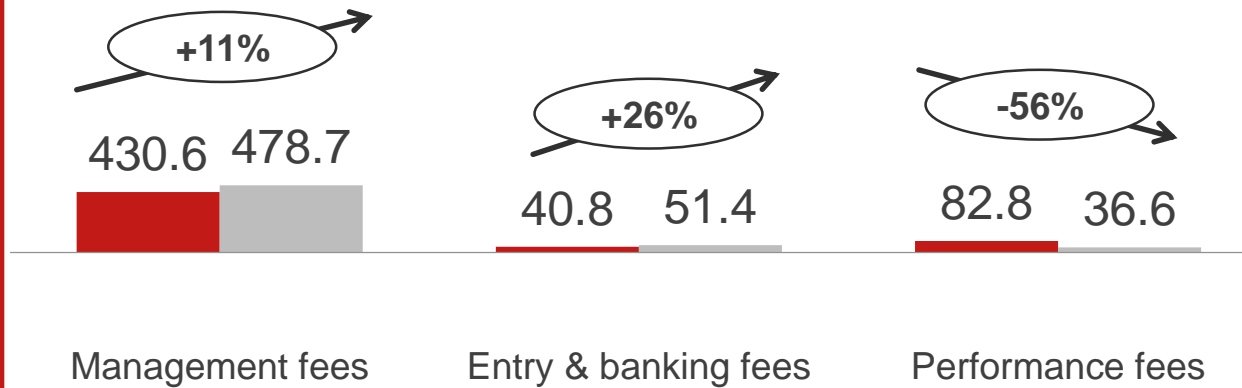
REVENUES: NET FEE INCOME

HIGHER NET RECURRING FEES (+20%)

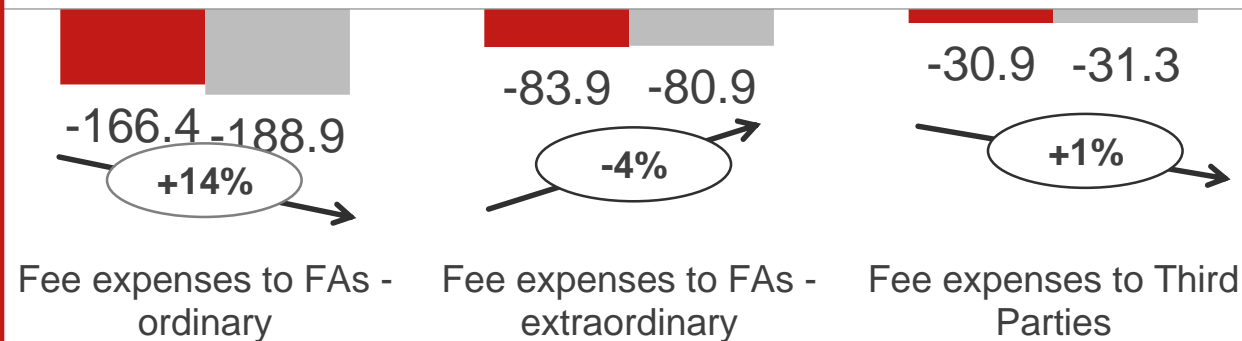
NET FEE INCOME



GROSS FEES



FEES EXPENSES



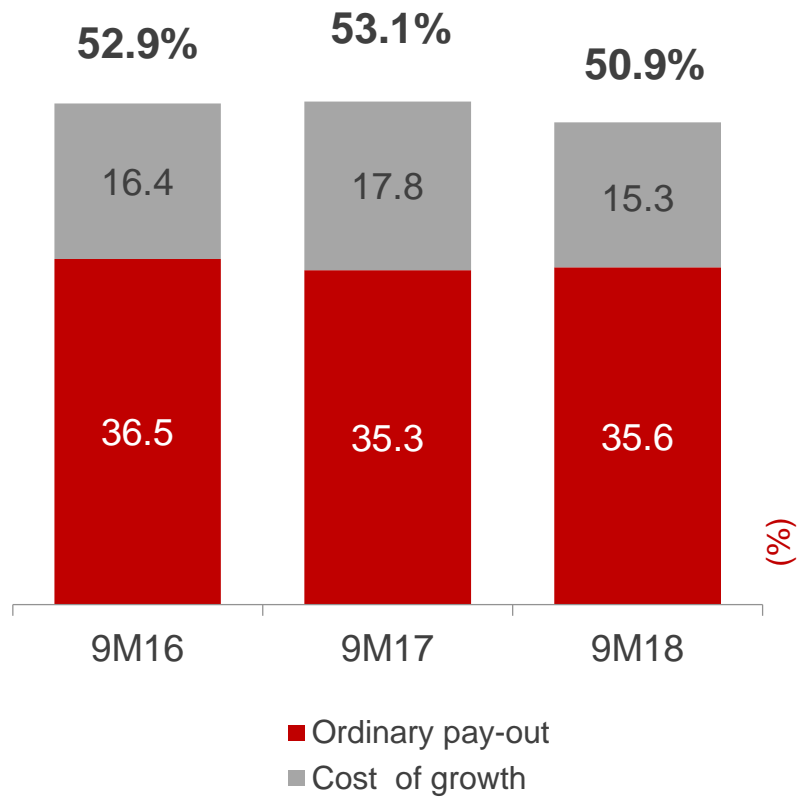
■ 9M 2017 ■ 9M 2018

- **Recurring fees** (management, entry & banking) **up by 12% gross, +20% net**
- **Solid management fees (+11%)** driven by higher assets
- **Entry & banking fees (+26%)** on new revenue stream
- **Lower cost for growth** reflecting the different net inflows mix in the quarter

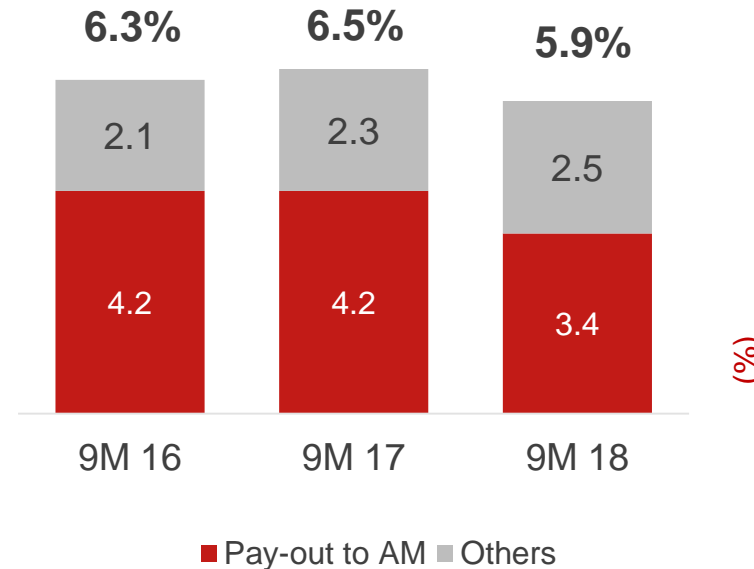
PAY-OUT RATIO

MOVING SHARPLY LOWER

PAY-OUT TO FAs



PAY-OUT TO THIRD-PARTIES



- **Lower pay-out ratio to FAs (-2.2 p.p.)** primarily thanks to a lower cost of growth (less recruitment, more defensive product mix)
- **Lower pay-out to third-parties (-0.6 p.p.)** following an in-depth review of existing agreements with third-party AMs

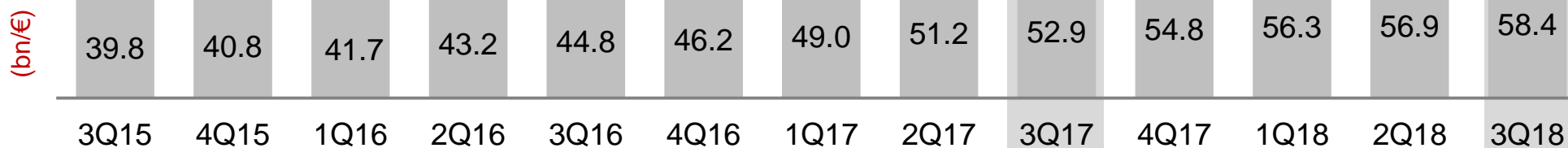
REVENUES: MANAGEMENT FEES & MARGIN

QUARTERLY TREND

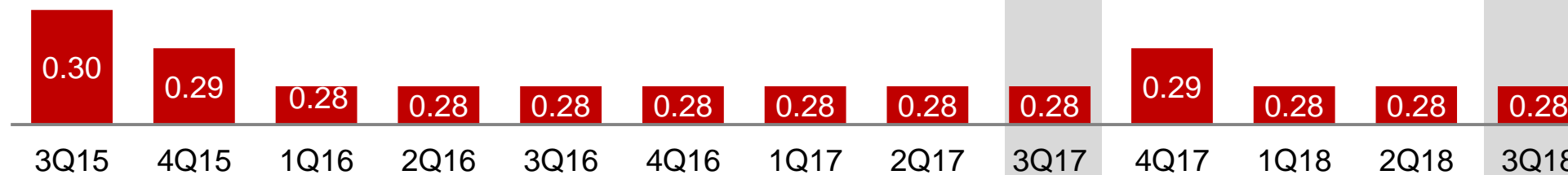
MANAGEMENT FEES



TOTAL AVG. MANAGED ASSETS



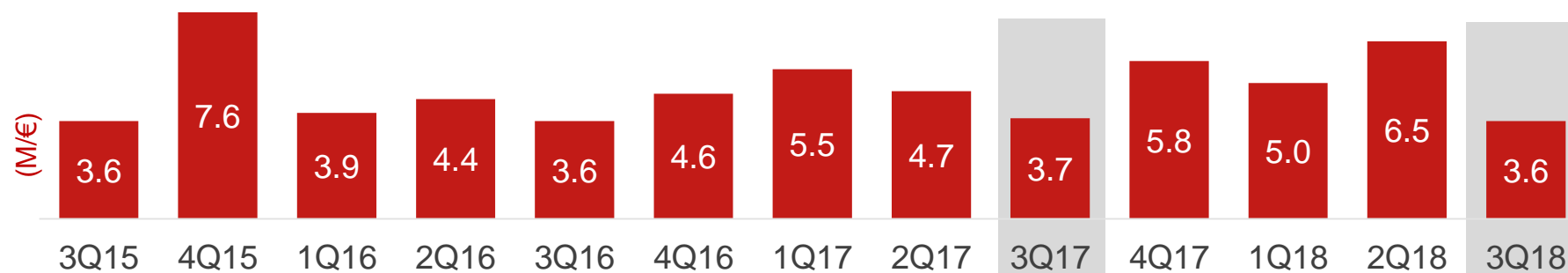
MANAGEMENT FEE MARGIN



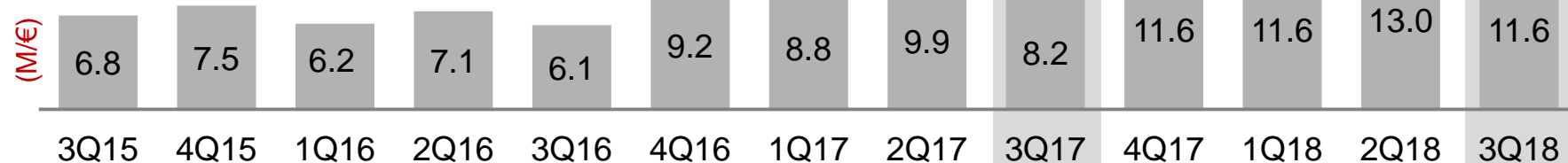
REVENUES: OTHER FEES

QUARTERLY TREND

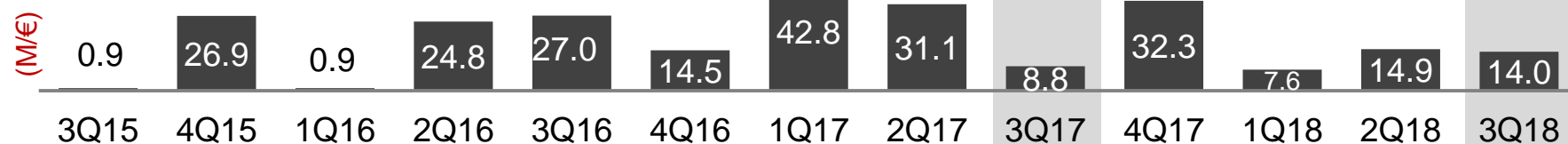
FRONT FEES



BANKING FEES



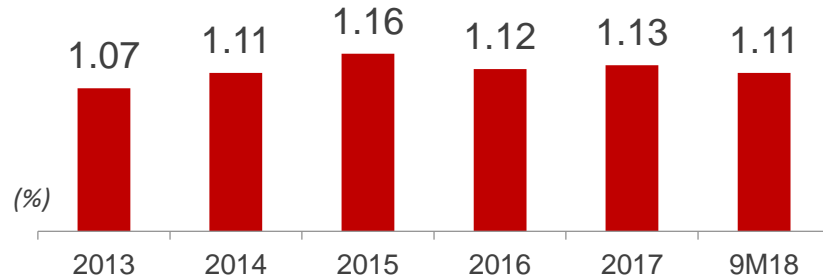
PERFORMANCE FEES



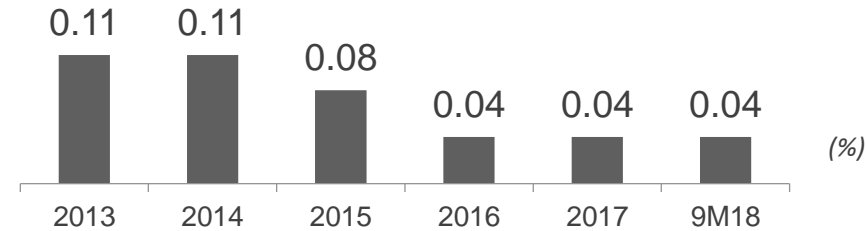
BREAKDOWN OF ANNUALISED GROSS FEE-MARGIN

MARGIN REBALANCING UNDERWAY

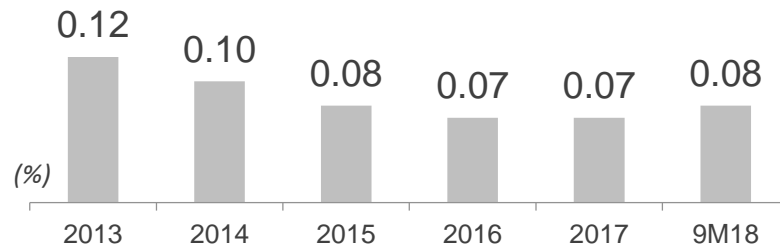
MANAGEMENT FEES



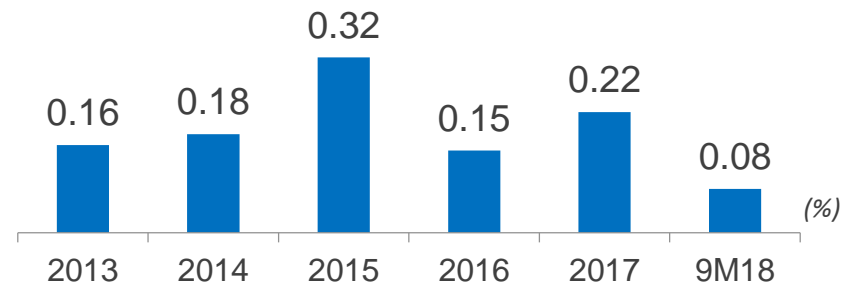
ENTRY FEES



BANKING FEES



PERFORMANCE FEES



- **Total recurring margin at 1.23% (-1bps YTD)** with new revenue stream (+1bps) offsetting lower management fees (-2bps)
- **Higher banking fee margin (+1bps YTD)** thanks to the new advanced advisory contract (BGPA)
- **Performance fee margin closed to record low levels**

Fee margin based on average assets on an annualised basis

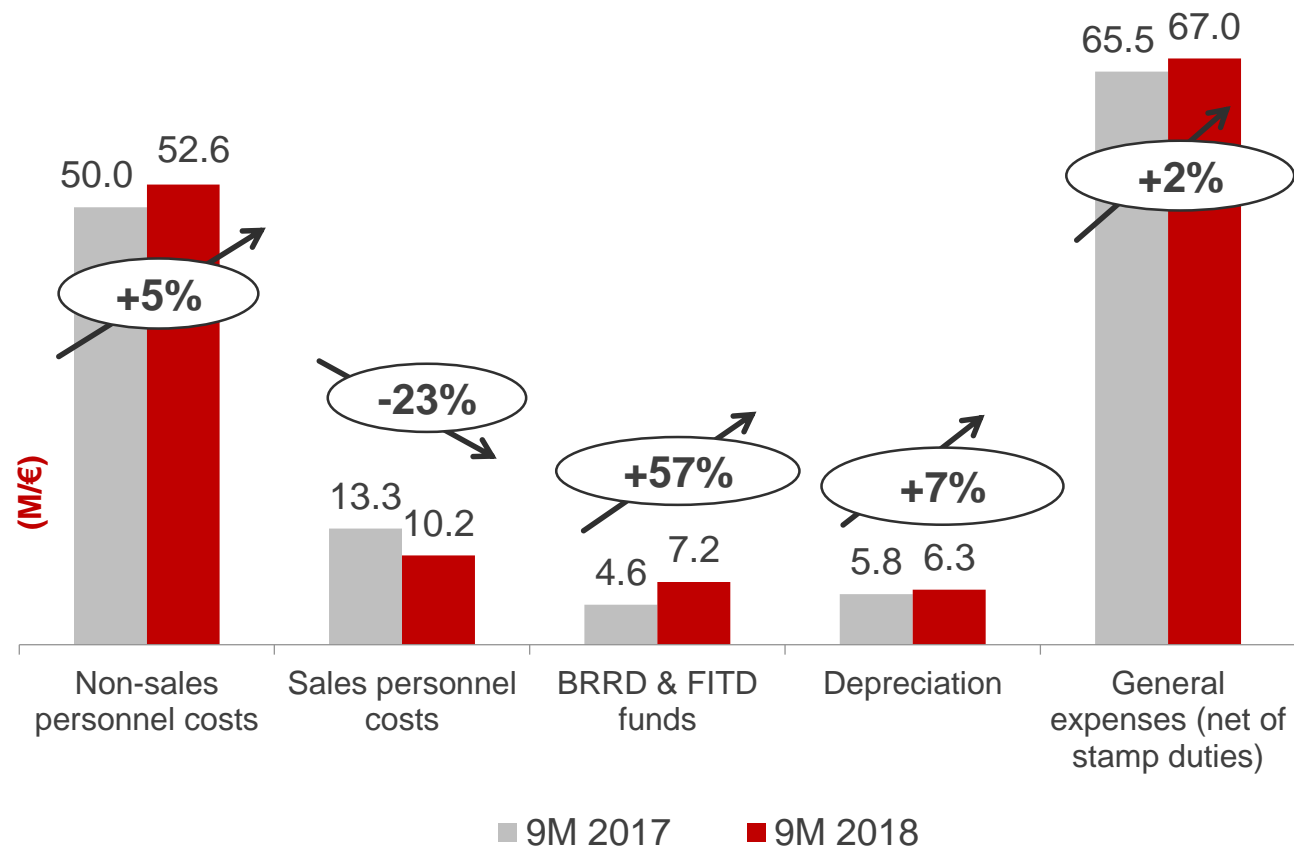
OPERATING COSTS BREAKDOWN

COST DISCIPLINE CONFIRMED

OPERATING COSTS



COST BREAKDOWN

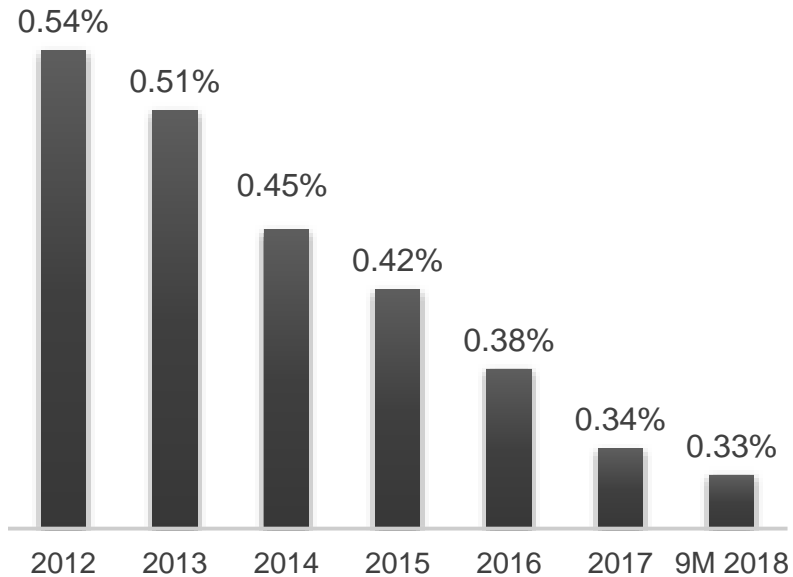


- **Operating costs up +3%** mostly on higher payments (+57%) to bank rescue funds (BRRD and FITD funds)
- **Lower total personnel costs (-1%)** on lower RMs recruiting packages offsetting the higher labour costs implied by the new National Banking Contract
- **G&A +2%** including initial impact from higher costs for moving to new premises and other costs (legal and consultants) for strategic initiatives

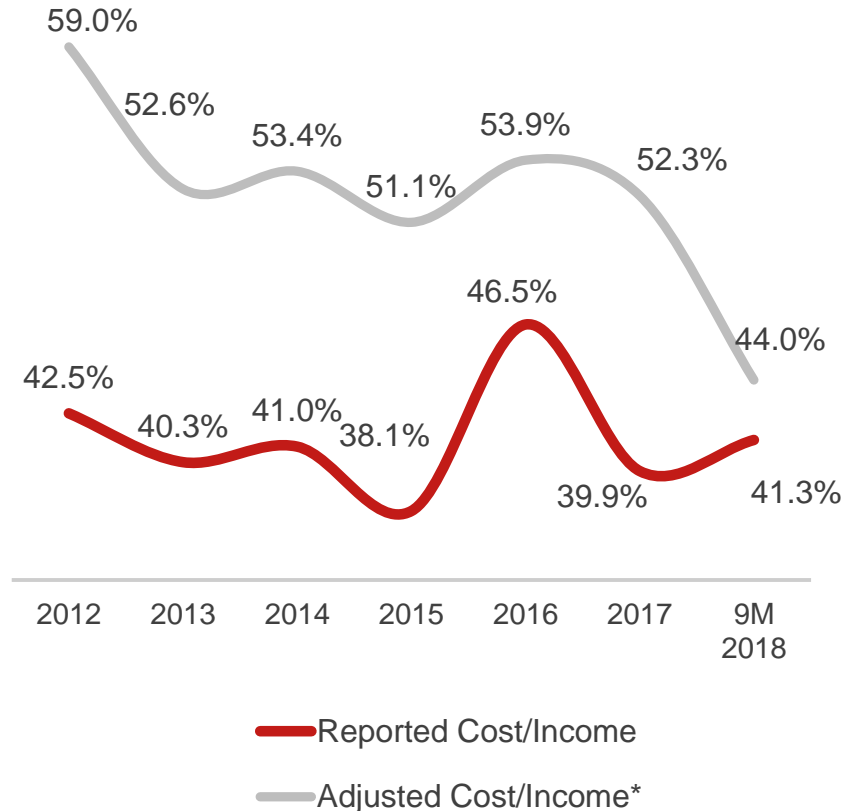
COST RATIOS

OPERATING LEVERAGE

OPERATING COSTS/TOTAL ASSETS



COST/INCOME RATIO



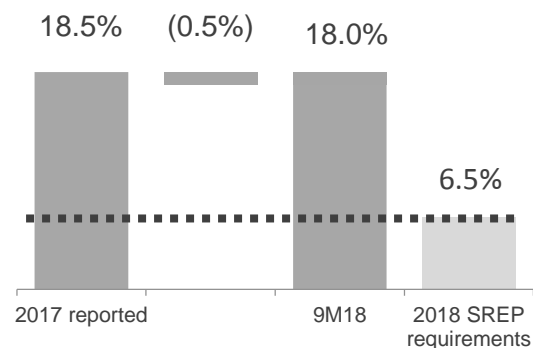
- **Operating costs/Total assets (-1bps YTD)** confirms operating efficiency
- **Cost/Income ratio at best practice levels** both on a reported and adjusted basis (i.e. stripping out volatile components)

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

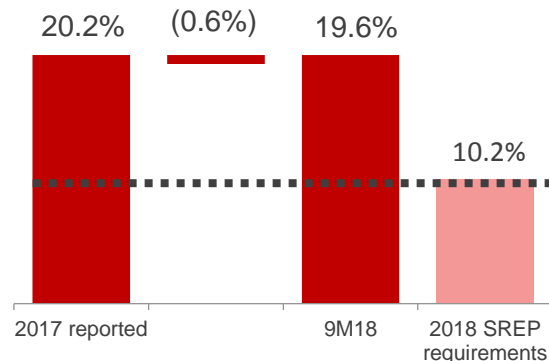
CAPITAL POSITION

SOLID CAPITAL AND HIGH LIQUIDITY POSITION REAFFIRMED

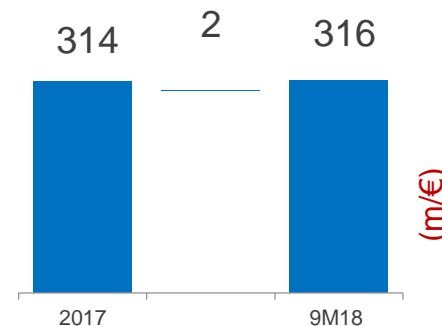
CET1 RATIO



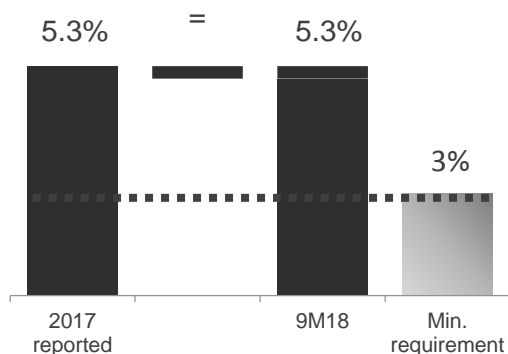
TOTAL CAPITAL RATIO



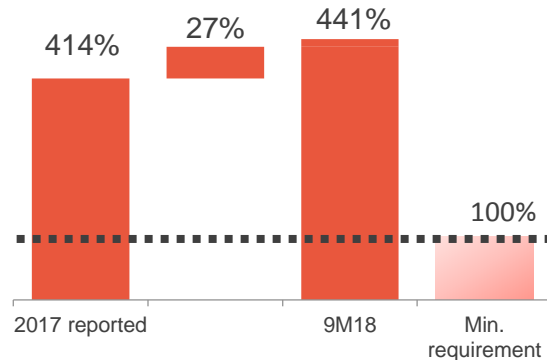
EXCESS CAPITAL



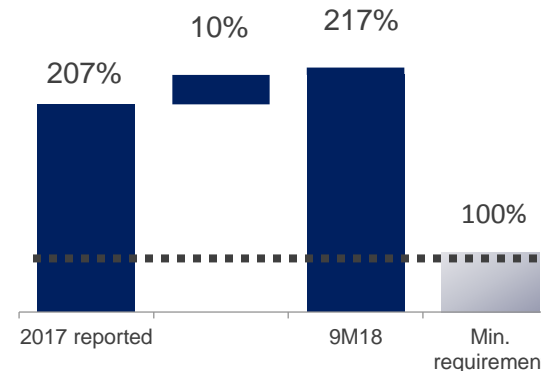
LEVERAGE RATIO



LCR



NSFR



- **Solid capital ratios both on a YTD and QoQ basis** despite market volatility
- **CET1 at 18.0%** about 3X min. SREP requirements
- **TCR at 19.6%** about 2x min SREP requirement
- **Leverage ratio at 5.3%** well above min. requirement
- **High liquidity position**

Preliminary remarks

9M 2018 results

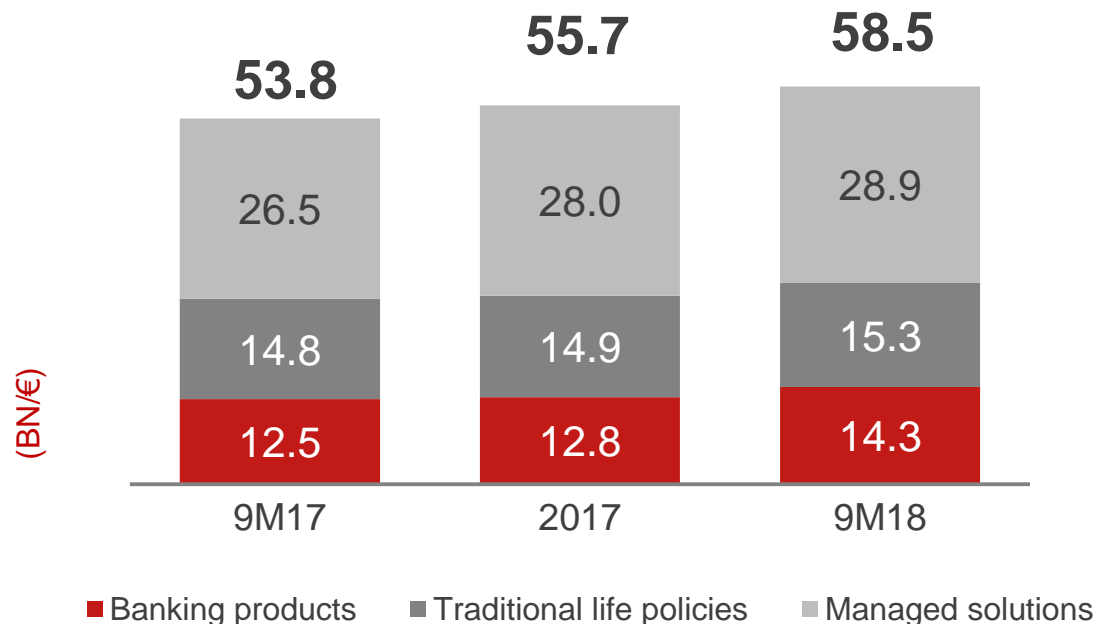
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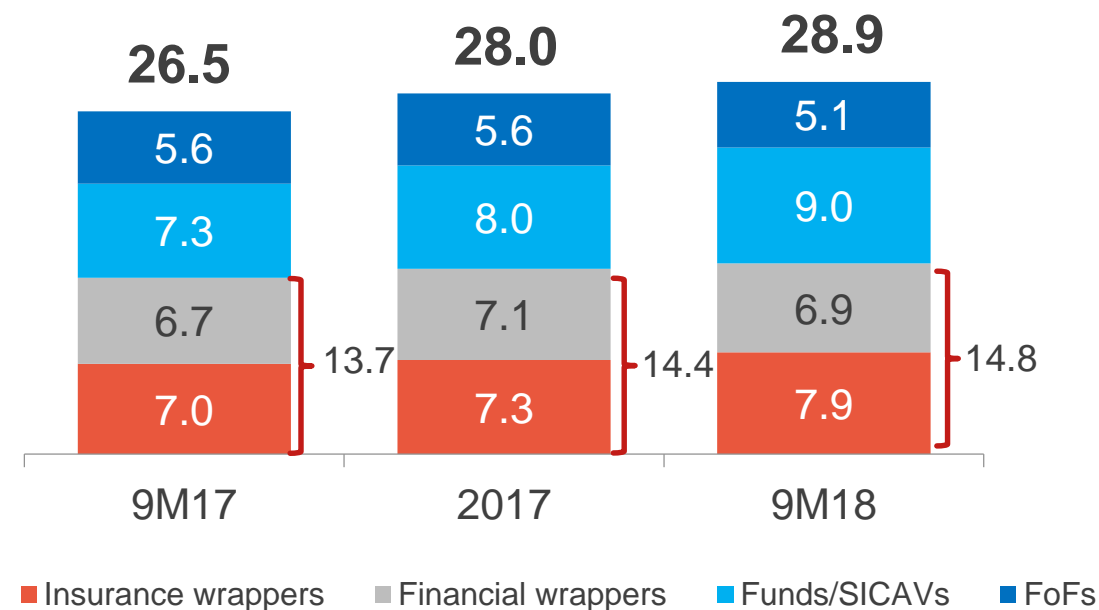
TOTAL ASSETS

ASSET MIX AFFECTED BY MARKET VOLATILITY

TOTAL ASSETS



BREAKDOWN OF MANAGED SOLUTIONS



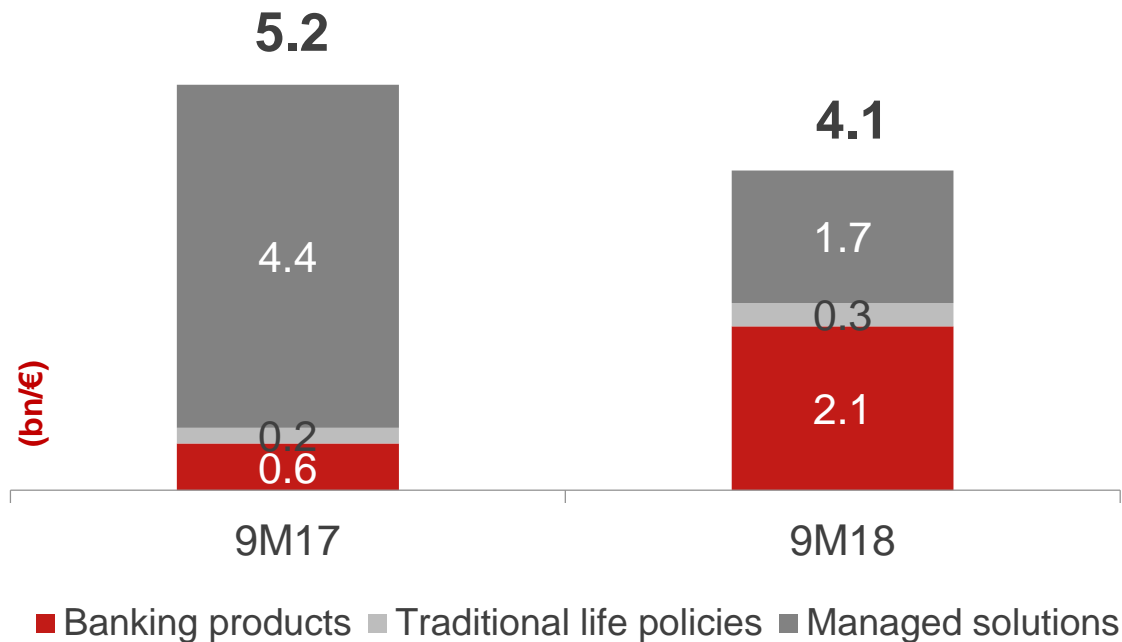
Temporary shift (+1p.p.) towards banking assets linked to financial markets' volatility

Assets under advisory more than tripled to €2.3bn (4% of tot. Assets)

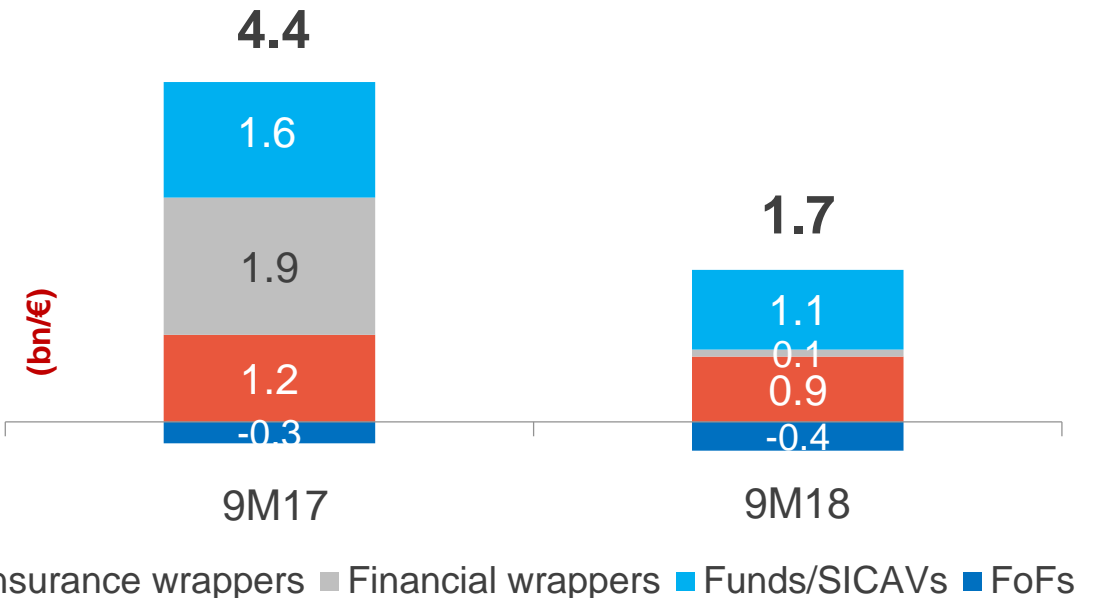
NET INFLOWS

PRODUCT MIX DRIVEN BY HIGHER RISK AVERSION

TOTAL NET INFLOWS



NET INFLOWS IN MANAGED SOLUTIONS



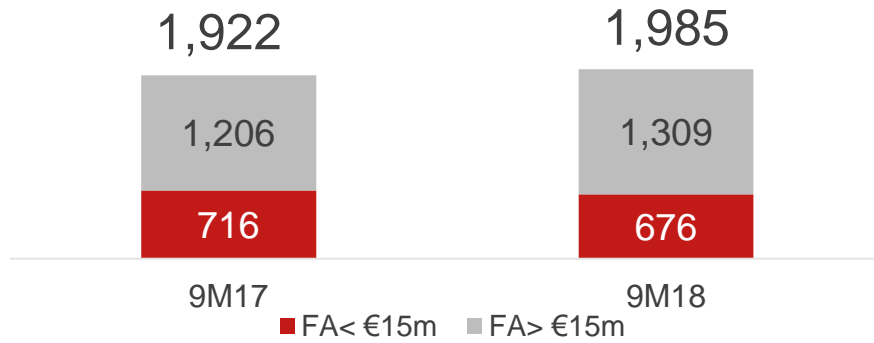
Strong inflows in absolute value at 7% of starting assets

Short-term conservative product mix linked to financial market conditions and expected to be temporary

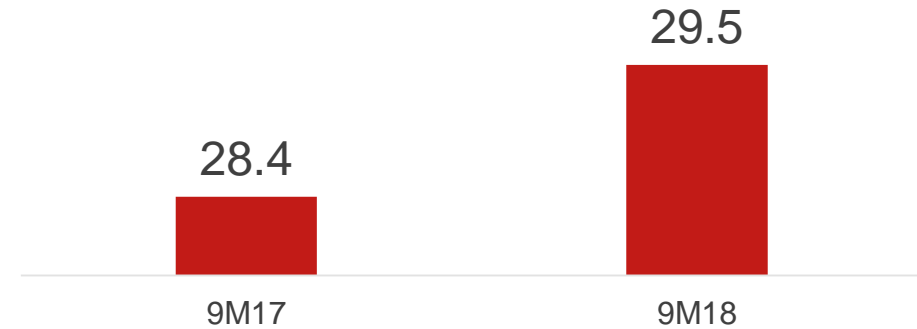
ADVISORY NETWORK

STEADY QUALITY GROWTH

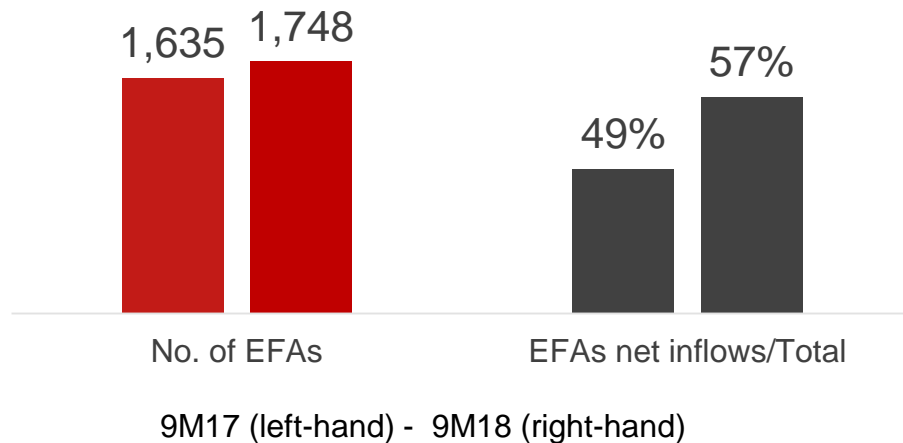
TOTAL No. OF FAS



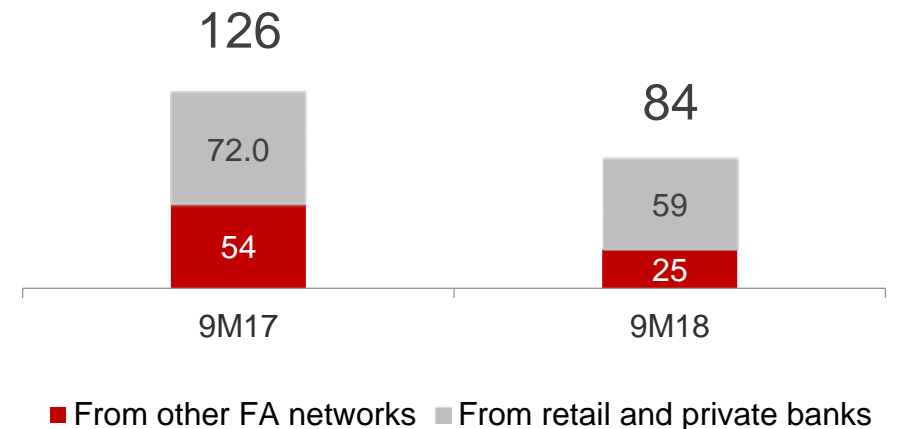
AVG. ASSETS per FA



EXISTING¹ FAs (EFAs)



No. OF NEW RECRUITS



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Business update

NEXTAM PARTNERS (1/2)

ACQUISITION OF AN ADVISORY BOUTIQUE IN ITALY

Strategic rationale

- I **Accelerating pace of growth in the private banking space** by gaining access to a large base of private clients on which to explore cross-selling and up-selling opportunities
- II **Strengthening in-house asset management capabilities** leveraging on a player with distinctive skills in investment management
 - # 1 – acquiring expertise in security picking for individual mandates
 - # 2 – strengthening in-house expertise in fund management
- III Acquiring **expertise in financial advisory to institutions** and HNWIs

Target

NEXTAM PARTNERS

-  Independent advisory boutique with **2,500+ clients, 99% of which are private individuals** (top 10 with €40m/avg)
-  Two core and one ancillary lines of business
 - **Asset Management (AuM €1.3bn)**: funds and discretionary mandates
 - **Advisory (AuA €5.5bn)**: financial advisory to institutional and HNWIs
 - **Trading (Vol. €1.2bn/year)**: order transmission, execution, stock negotiation
-  **2017 financials**
 - Total revenues: €13.3m
 - Net profit: €2.6m
 - Net equity of €7m

NEXTAM PARTNERS (2/2)

ACQUISITION OF AN ADVISORY BOUTIQUE IN ITALY

Terms of the deal

- **Acquisition of 100%** of Nextam Partners group
- **Total max purchase price €25.5m**,
 - o/w €6.5m subject to earn-out and clawback clauses linked to net commissions targets
- Implied multiple **Goodwill/AuM at 1.4%**
 - 1.2% excluding value (€3m) for advisory business
- Deal signing by end/November 2018 and **deal closing** by end/February 2019
- Deal **entirely financed with own resources**
- Deal subject to **regulatory approval**

P&L impact and synergies



Merger and integration of Nextam Holding and SGR within Banca Generali



Upselling and cross-selling to existing clients on individual discretionary mandates



G&A costs savings already envisaged in the range of 20%-25% of the cost base



INVESTOR DAY 2018

10:00 am - end by 3:00 pm
Registration from 9:30 am

Monday, December 3rd 2018

Corinthia Hotel London

- 2019-21 Strategic outlook and business initiatives
- Introducing new strategic partners
- The FA profession in the new environment
- P&L sustainability

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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2018 UPCOMING EVENTS

DECEMBER						
Su	Mo	Tu	We	Th	Fr	Sa
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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					

INVESTOR DAY

*3 December 2018
London*

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Banca Generali Investor App

