

# **Banca Generali**

## **FY08 Results and 2009 Outlook**

**Giorgio Girelli, CEO**  
**Milan, March 12, 2009**

## Today's Agenda

➤ **Preliminary Comments**

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➤ **2008 Results**

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➤ **2009 Strategic Guidelines**

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➤ **2009 Commercial Guidelines**

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➤ **Closing Remarks**

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## A snapshot on 2008 results and on 2009 planned actions

**Dramatic financial markets ...**

- Extraordinary pressure on financial markets and on the mutual fund industry
- Clients are more and more looking for solidity and individual financial solutions

**... BG can properly face them through its business model and clients' investment portfolio...**

- The product platform may meet any clients' need
- A defensive asset allocation started in 2007 (representing 80% of total assets) but flexible so to catch any market recovery
- Clients and FAs satisfied with BG investment advice as confirmed by positive net inflows of €686 million in 2008, outperforming market average, and confirmed again at the start of 2009 (€74 million YTD)

**... even in an awful 2008, results are encouraging**

- The Bank is very solid and liquid
- Sticky revenues, being down only 9% yoy
- Very effective cost management is confirmed
- Net Profit almost stable excluding write-offs
- Dividend pay-out confirmed at > 80% of Net Profit

**The right strategic guidelines were set well in advance:**

**New initiatives set to enhance the medium-term strategy**

- Increasing business focus on private and affluent clients;
- Private Banking business enhanced by the Generali brand, with BSI becoming a separate division of Banca Generali;
- Gaining market shares, exploiting bank's solidity, brand reputation and FAs and clients willing to find a "safe harbour" .

➤ **Preliminary Comments**

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➤ **2008 Results**

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➤ **2009 Commercial Guidelines**

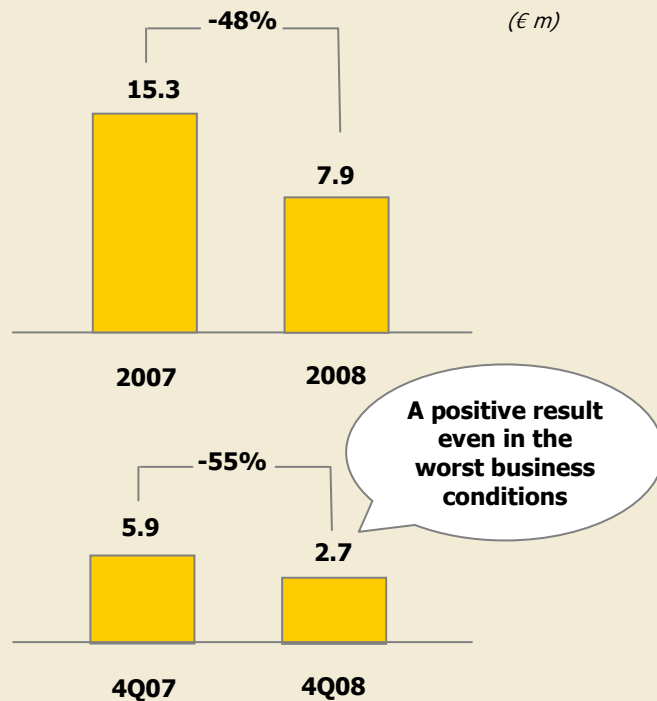
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➤ **Closing Remarks**

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## 2008 Banca Generali results at a glance

### NET PROFIT



- 2008 results incorporated 100% of Simgenia 2008 results (-€0.8 m) and Banca del Gottardo Italia 4Q08 results (+€0.6m)

### Several positive achievements ...

- Excellent net inflows
- Improving AUM profitability
- Effective ordinary cost control
- Tax-rate improvement

### ... notwithstanding financial market pressure and one-off items

- Falling AUM due to financial market performance
- One-off costs (consultancy expenses, IT costs, compliance) due to regulation requirements and Banca del Gottardo Italia integration
- €8.1 million write-offs already set in 3Q08 results

## Banca Generali solid balance sheet and comfortable liquidity positions led us to confirm a cash dividend payment for 2008

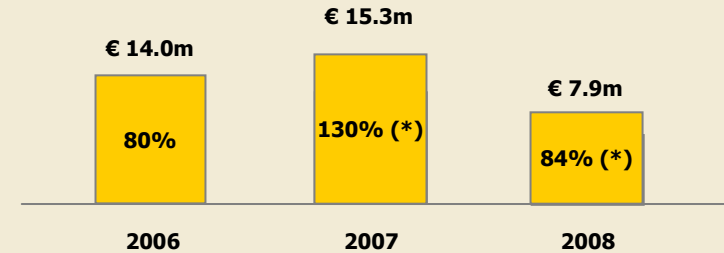
### Capital

- The company's balance sheet remains solid with a total capital ratio of 12.14% and a Tier 1 Capital Ratio of 9% even after Banca del Gottardo acquisition
- Some actions have been already undertaken to further increase Total Capital Ratio in 2009

### Liquidity

- Banca Generali is one of the major liquidity provider in the Italian interbank system (e-Mid)
- Banca Generali was one of the first participants of the newly established interbank collateralised market (Mic)

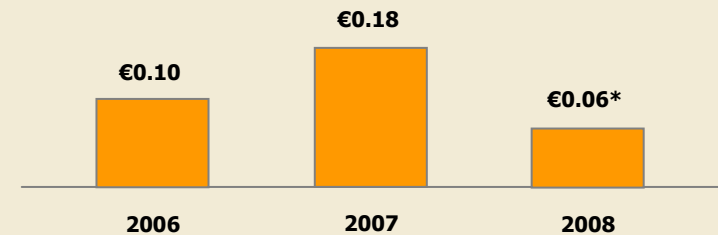
### NET PROFIT AND PAY-OUT



• 2007 dividend was paid on the base of c.80% pay-out calculated on the adjusted net profit, instead of on the reported

- Banca Generali confirmed its commitment to deliver a cash return to investors **in any market conditions, confirming a pay-out ratio of 80% over time**

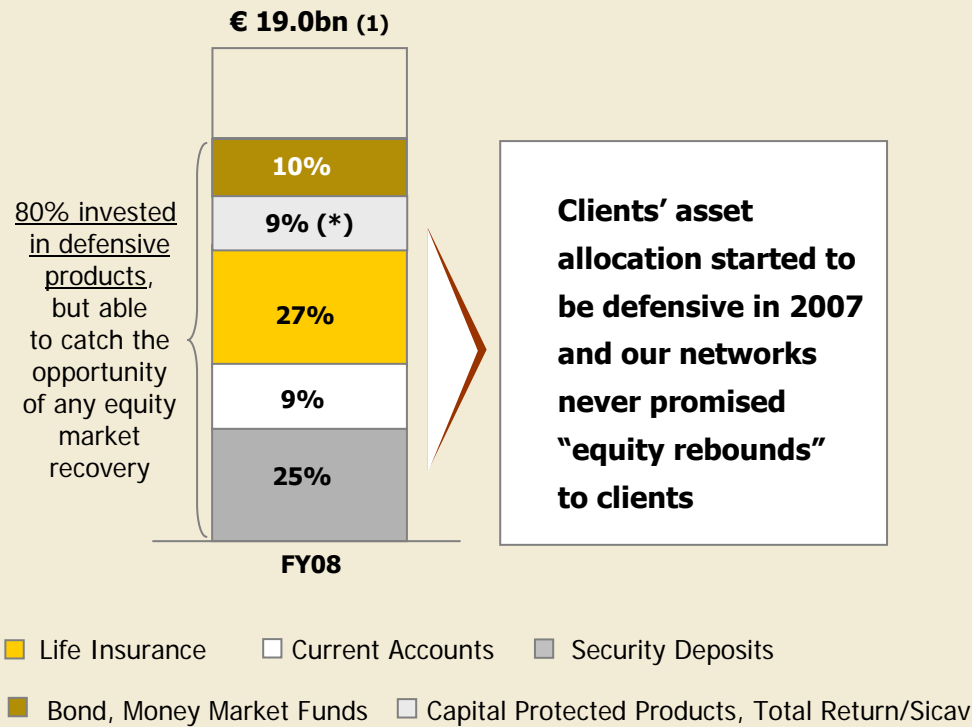
### DIVIDEND PER SHARE



(\*) Board of Directors proposal to AGM due April 22, 2009

## Clients' current asset allocation allows the bank to effectively weather the storm

### FY 2008 Banca Generali Assets Breakdown



(\*) excluding the equity portion of capital protected products and total return funds

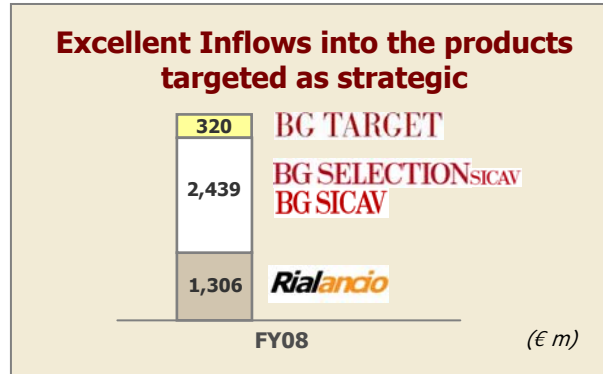
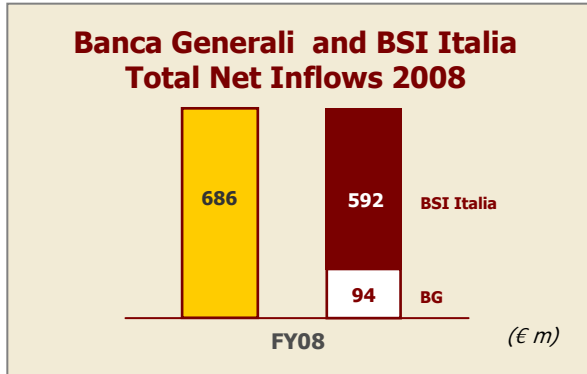
(1) excluding Simgenia (€3.1 bn), Corporate Assets (€1.2 bn) and including Banca del Gottardo Italia (€1.5 bn)

▪ FAs are well placed towards their clients

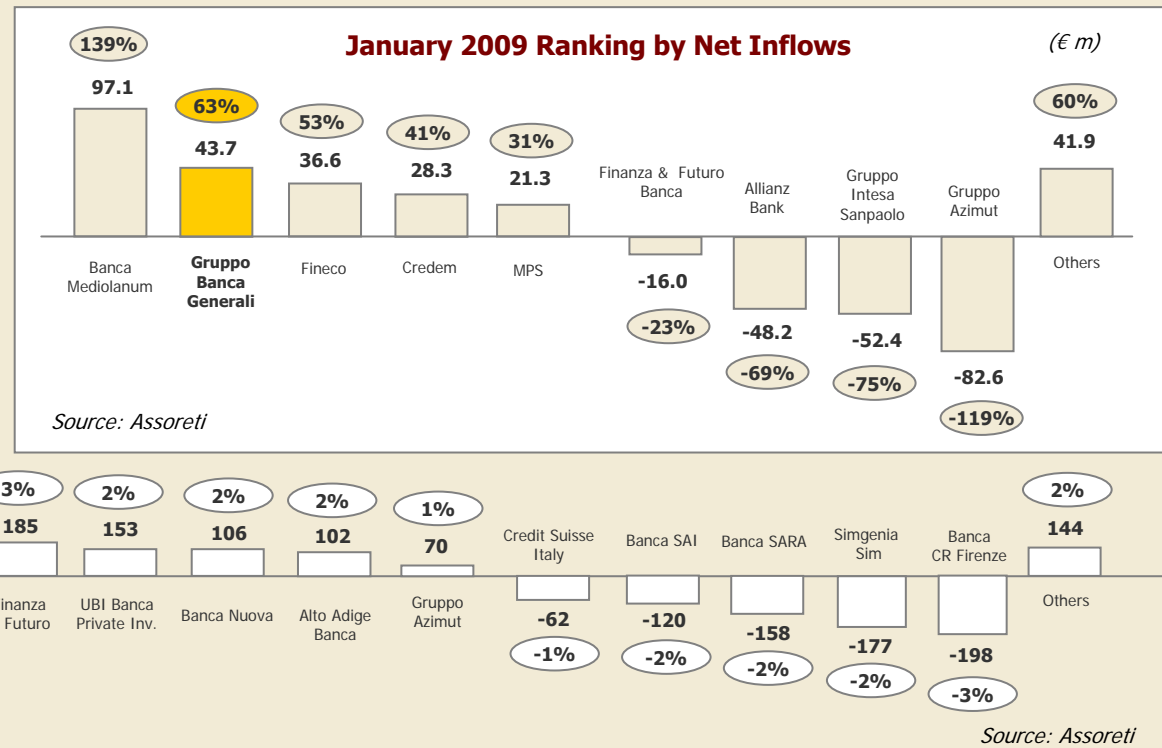
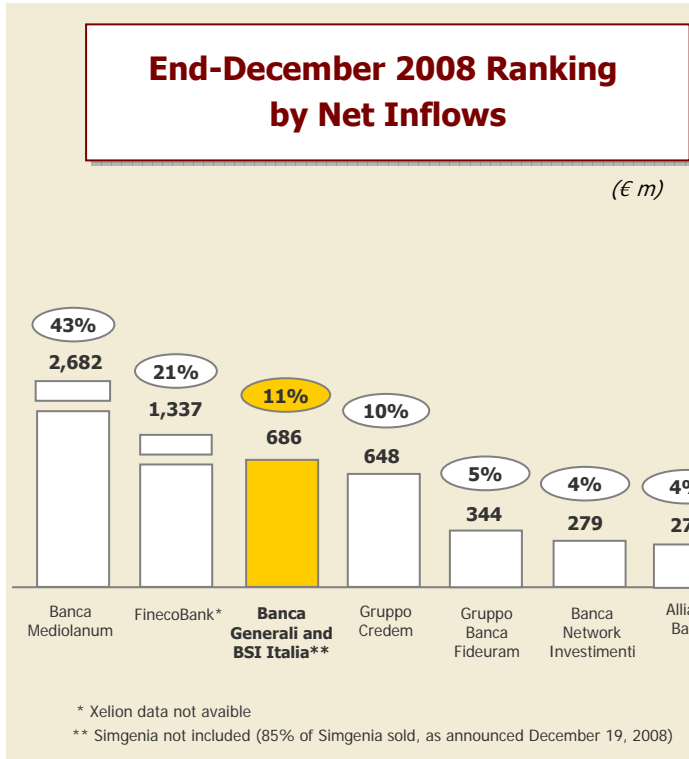
▪ It's possible to gain market share from existing clients

▪ Many clients today managed by banks and FAs networks look at Banca Generali as a safe and protective provider

# Excellent 2008 net inflows, especially in the segment of networks focusing only on affluent and private clients



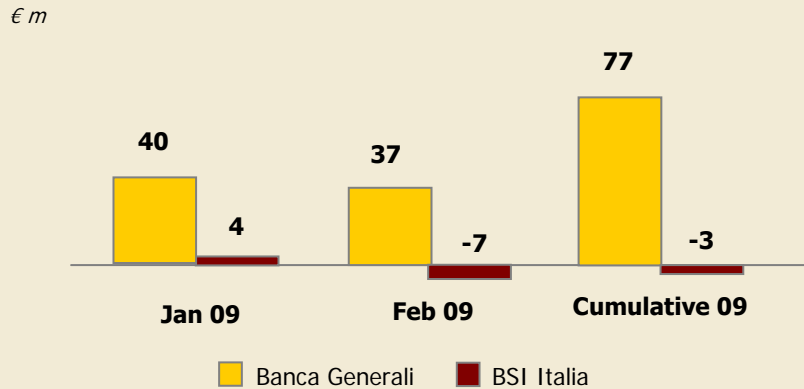
- Banca Generali ranked third in terms of net inflows in 2008
- Net Inflows were driven by BSI Italia, the private banking unit
- Inflows moved mainly into the targeted products, with higher profitability





## 2009YTD excellent Inflows highlighting a clear recovery in quality of sales

### 2009 YTD Net Inflows

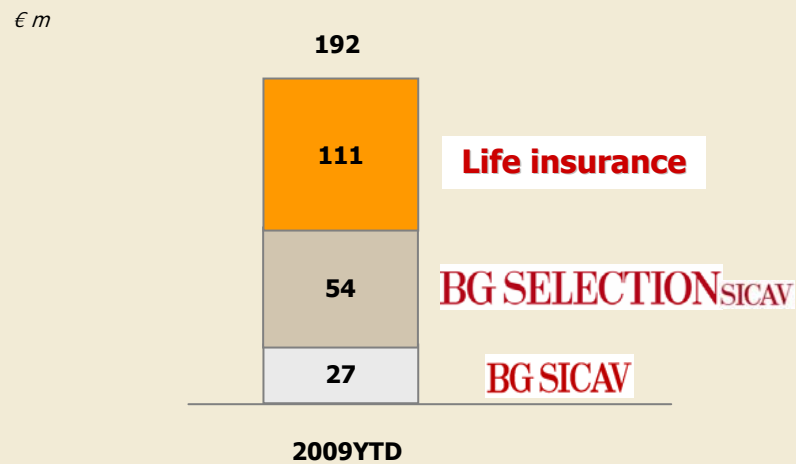


### Jan-Feb Banca Generali Net Inflows: 2008 vs. 2009

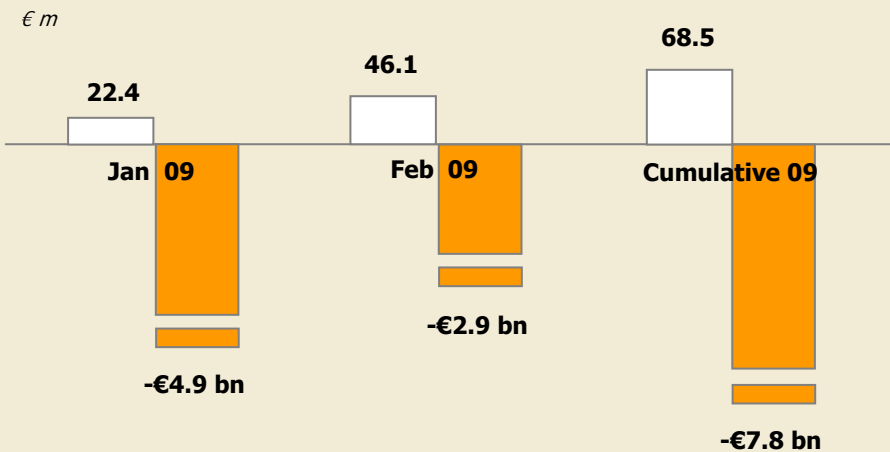
€ m

	Jan-Feb 2009	Jan-Feb 2008
Mutual Funds	62	-132
Asset Management	-26	-356
<b>Mutual Funds and Asset Management</b>	<b>36</b>	<b>-488</b>
Life Insurance	111	284
<b>Managed Assets</b>	<b>147</b>	<b>-204</b>
<b>Non Managed Assets</b>	<b>-73</b>	<b>323</b>
of which: Securities	-45	240
<b>Total</b>	<b>74</b>	<b>119</b>

### 2009 YTD Net Inflows in Strategic Products



### 2009 Net Inflows: Banca Generali vs. Assogestioni

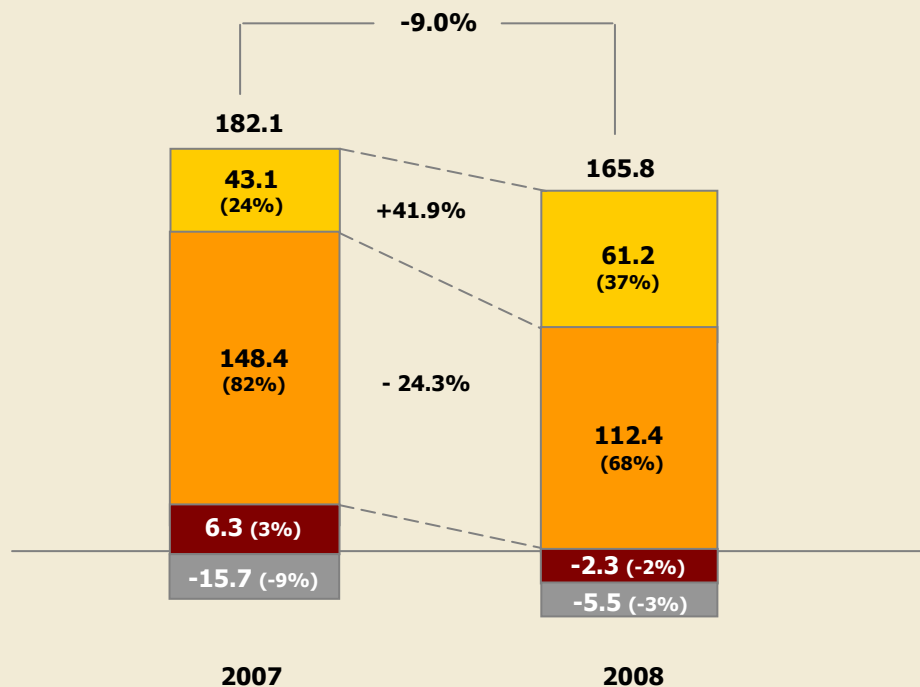


Legend: Banca Generali (White), Total Assogestioni Net Inflows (Orange)  
 Source Assogestioni

## Banca Generali business model provides a good resilience of revenues

### Breakdown of Net Banking Income (1)

(€ m)



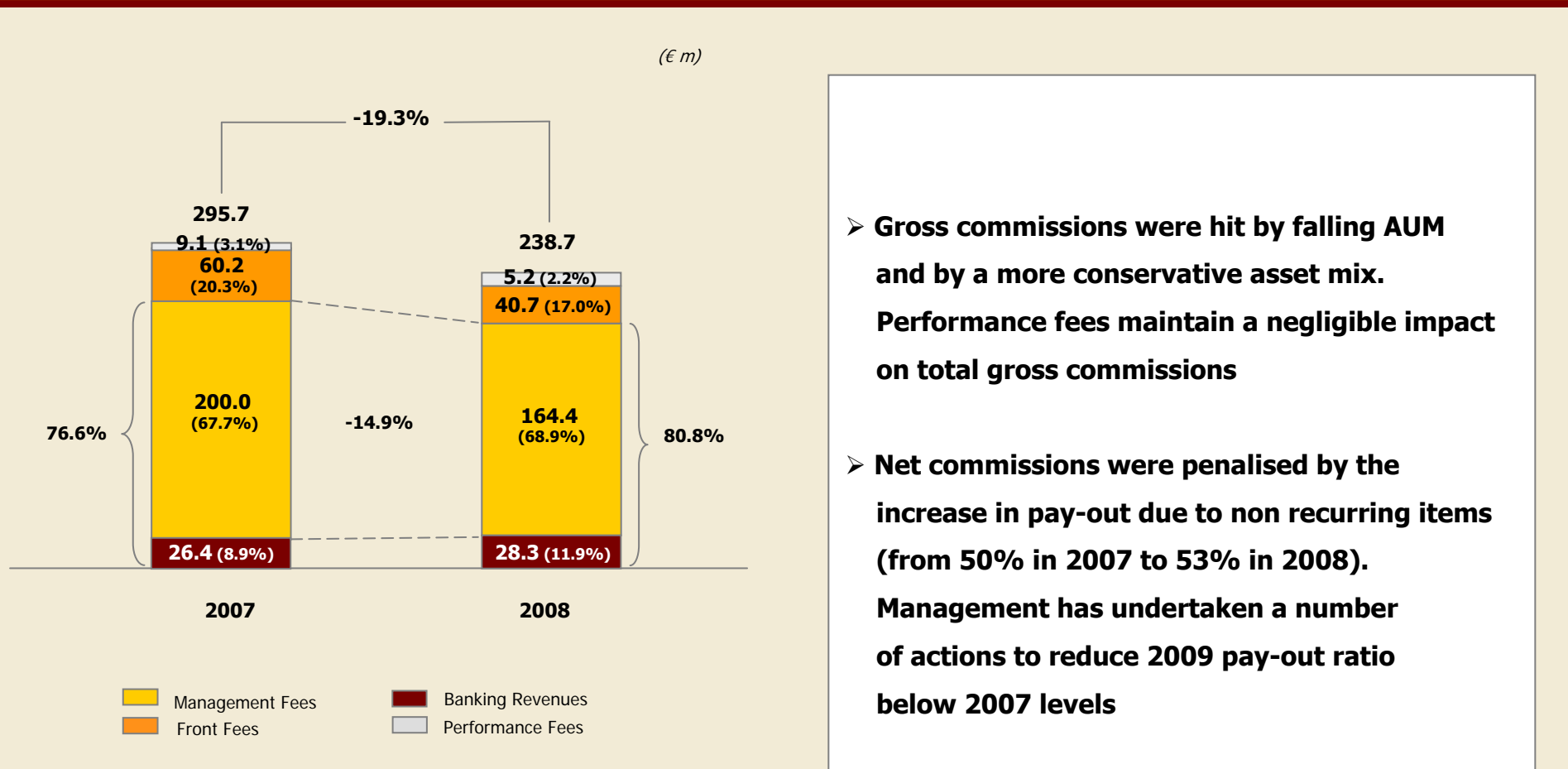
(1) Both 2007 and 2008 figures have been restated excluding Simgenia,  
2008 figures including 4Q08 Banca del Gottardo Italia



- A strong interest margin (+42% yoy), also supported by the contribution of Banca del Gottardo (€2.2 million) and by €3.3 million related to the application of the amortised costs accounting principle on the investment portfolio reclassified according to the IAS39 amendments
- Unrealised losses on the investment portfolio amounted to -€ 5.5m (vs. -€ 15.7m in 2007) thanks to the switch of corporate bonds expiring after 2009 from HFT to HTM and L&R
- Total 2007-08 cumulated unrealised losses at €24.9 million, to be recovered along bonds' maturity period (within 2013)

## Recurring fees increased to 81% of total gross commissions in 2008

**Breakdown of Gross Commissions (1)**

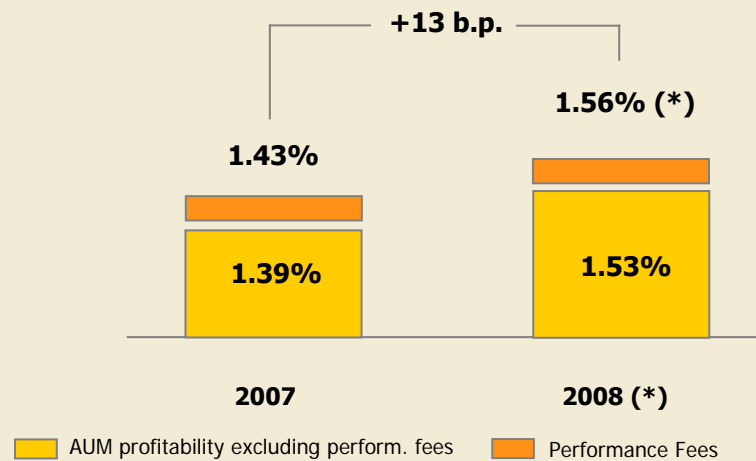


- **Gross commissions were hit by falling AUM and by a more conservative asset mix. Performance fees maintain a negligible impact on total gross commissions**
- **Net commissions were penalised by the increase in pay-out due to non recurring items (from 50% in 2007 to 53% in 2008). Management has undertaken a number of actions to reduce 2009 pay-out ratio below 2007 levels**

(1) Both 2007 and 2008 figures have been restated excluding Simgenia, 2008 figures including 4Q08 Banca del Gottardo Italia

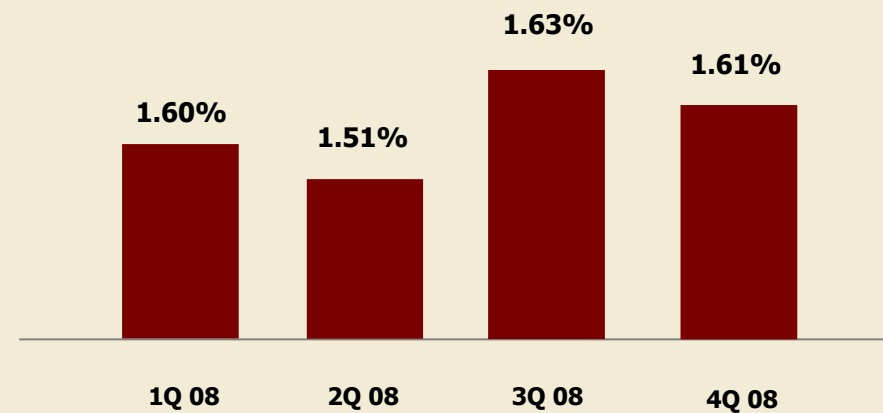
## AUM profitability improved

### AUM Profitability



\* excluding Simgenia and Corporate Assets, including Banca del Gottardo Italia

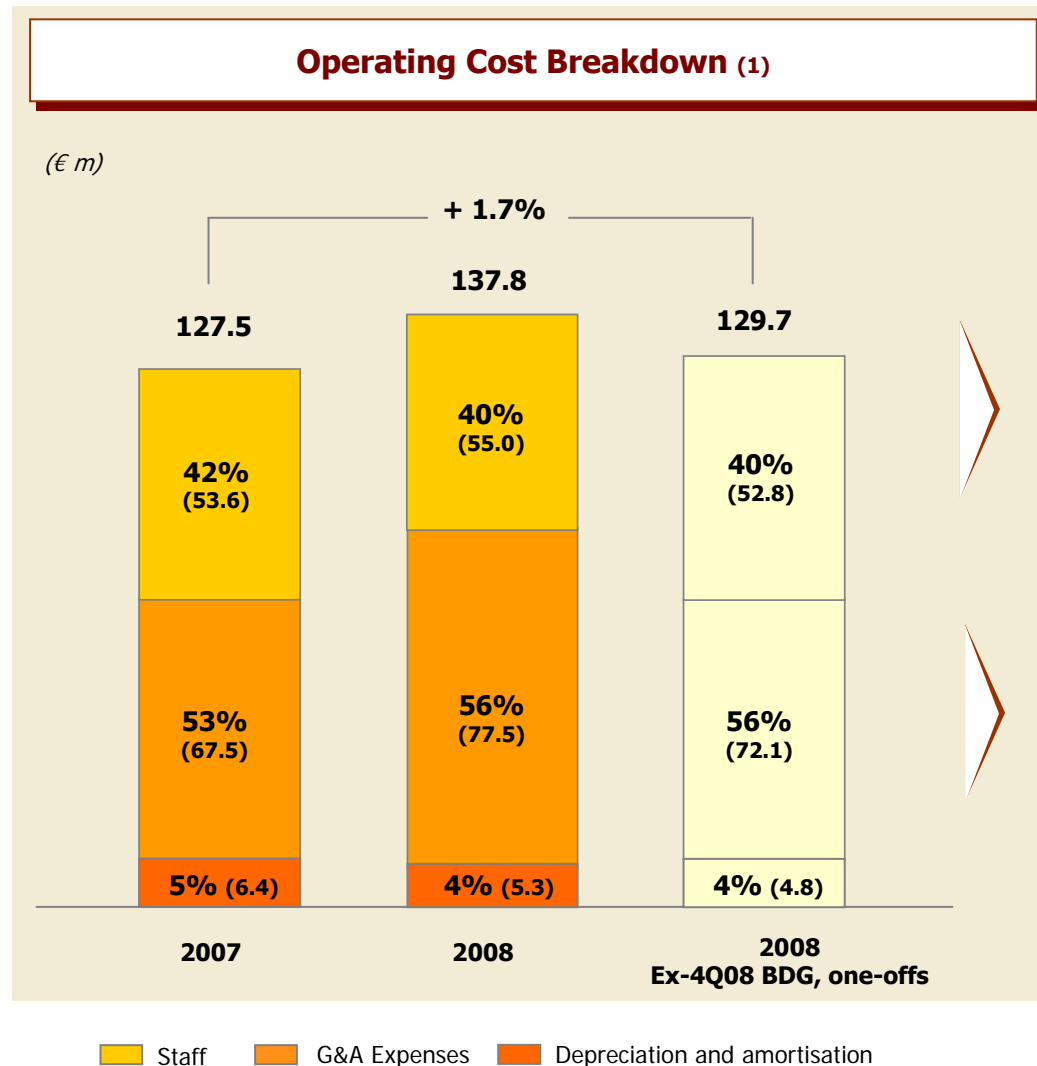
### 2008 AUM Profitability Trend (\*)



\* excluding Simgenia and Corporate assets, including Banca del Gottardo Italia in 4Q08

- **The increase in AUM profitability in 2008 (1.56% vs. 1.43% in 2007) is satisfactory also considering the bad market condition and the defensive asset allocation profile taken in 2008 in order to protect clients assets**
- **Management is committed to keep attention on asset profitability**

## Very effective management of operating costs continues



➤ **Staff costs** increased by 2.7% yoy, -1.5% stripping out Banca del Gottardo contribution

➤ The increase related to the new banking contract (+5% in 2008) was more than offset by a decrease in the number of employees

➤ **G&A expenses** increased by 15% yoy, +6.9% stripping out Banca del Gottardo and one-off costs

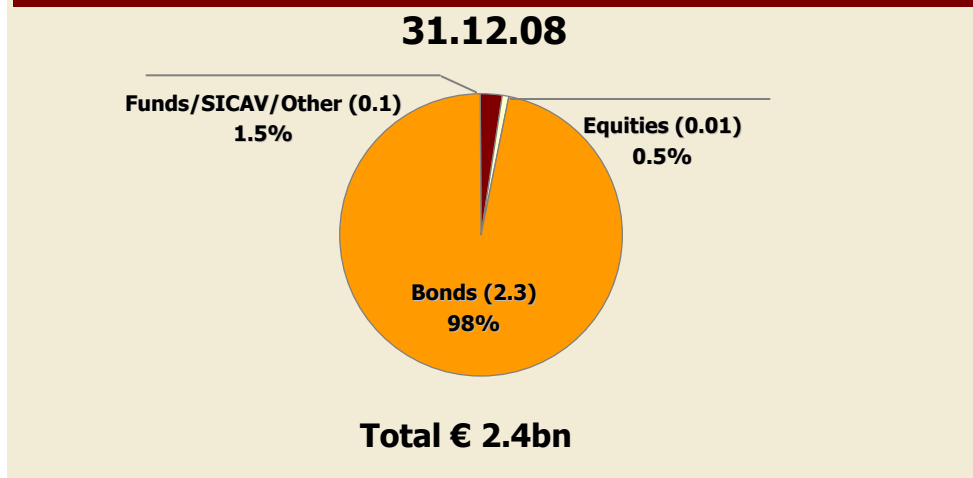
➤ 2008 one-off costs accounted for €4.5 million and were related to:

- ✓ consultancy for strategic projects
- ✓ IT upgrading
- ✓ new compliance requirements
- ✓ Banca del Gottardo integration

(1) Both 2007 and 2008 figures have been restated excluding Simgenia, 2008 figures including 4Q08 Banca del Gottardo Italia

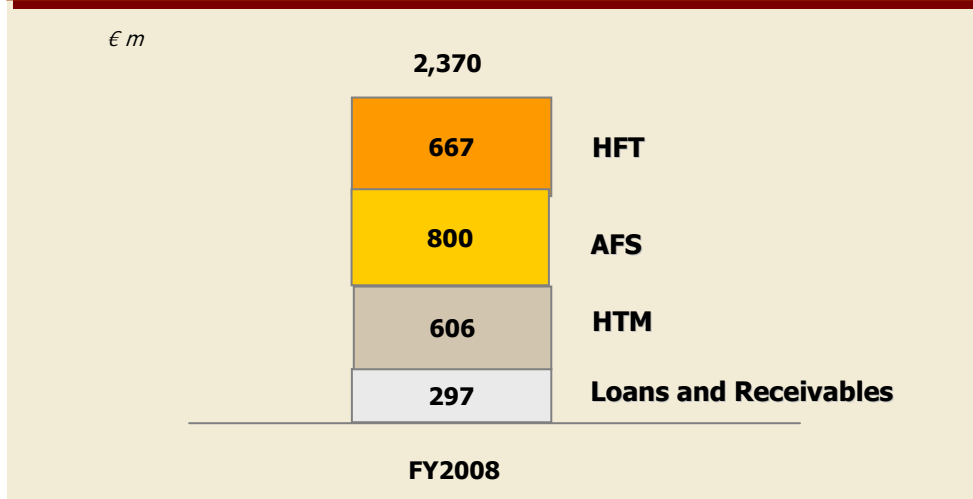
## Defensive Investment portfolio, neutralising the impact on P&L and Balance Sheet

### Investment Portfolio Breakdown



- Banca Generali investment portfolio further strengthened its defensive profile
- Portfolio quality also remains outstanding with 96% ≥ A-rated, average maturity at 2.5 years and average duration set at 0.46

### Investment Portfolio



- Asset reclassification following the application of the IAS39 amendments allows to neutralise the impact of market volatility on P&L and BS
- All maturities and new inflows are invested in interbanking market (e-Mid, Mic), government or corporate bonds with State guarantees

## Consolidated Profit and Loss FY08 Results <sup>(1)</sup>

(€ m)	FY07 (reported)	FY08 (reported)	% Chg
<b>Net Interest Income</b>	<b>43.1</b>	<b>61.2</b>	<b>41.9%</b>
Commission income	295.7	238.7	-19.3%
Commission expense	-147.3	-126.3	-14.2%
<b>Net Commission</b>	<b>148.4</b>	<b>112.4</b>	<b>-24.3%</b>
Net income (loss) from trading activities	-12.3	-43.0	n.m.
Dividends	2.8	35.2	n.m.
<b>Net Banking Income</b>	<b>182.1</b>	<b>165.8</b>	<b>-9.0%</b>
Staff expenses	-53.6	-55.0	2.7%
Other general and administrative expense	-67.5	-77.5	14.9%
	-121.0	-132.6	9.5%
Depreciation and amortisation	-6.4	-5.3	-17.0%
Other net operating income (expense)	7.6	8.8	15.4%
<b>Net Operating Expenses</b>	<b>-119.9</b>	<b>-129.1</b>	<b>7.7%</b>
<b>Operating Profit</b>	<b>62.3</b>	<b>36.6</b>	<b>-41.2%</b>
Net adjustments for impair.loans and other assets	-0.6	-9.1	n.m.
Net provisions for liabilities and contingencies	-20.5	-13.4	-34.7%
Gain (loss) from disposal of equity investments	0.0	0.0	
<b>Profit Before Taxation</b>	<b>41.3</b>	<b>14.1</b>	<b>-65.8%</b>
Direct income taxes	-20.8	-2.3	-89.0%
Income/(losses) after tax on assets held for sales	-5.1	-3.9	-24.7%
<b>Net Profit</b>	<b>15.3</b>	<b>7.9</b>	<b>-48.1%</b>
<b>Cost /Income Ratio</b>	<b>62.3%</b>	<b>74.7%</b>	<b>12,4 p.p.</b>
<b>EBITDA</b>	<b>68.7</b>	<b>42.0</b>	<b>-38.9%</b>
<b>Tax rate</b>	<b>50.5%</b>	<b>16.3%</b>	<b>-34,2 p.p.</b>

### 2008 Results: Other Items

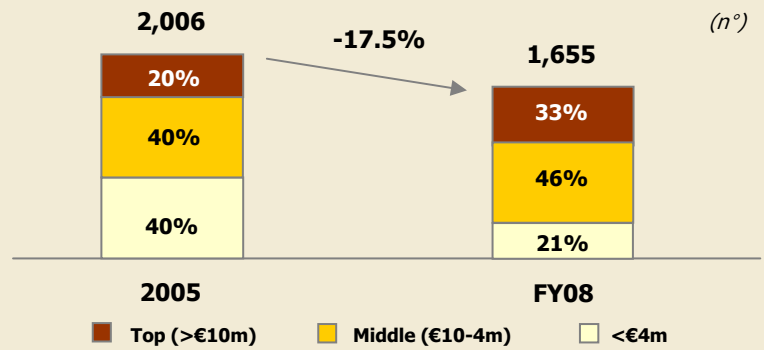
- **Impact of market volatility on P&L** has been reduced through the adoption of the IAS39 amendments. Major fluctuations are no longer in P/L and B/S expected following the review in asset reclassification. The contribution from amortized costs accounting already reported in net interest income
- **Write-offs** mainly related to impairment set in 3Q08 results
- **Recruiting provisions** fell as maturing incentives led to an increase in commission expenses
- **Tax-rate optimization is going on**
- **Loss after tax on assets held for sales** reflect the impact of Simgenia on Group P&L based on the application of the IFRS 5 principle

(1) Both 2007 and 2008 figures have been restated excluding Simgenia line by line consolidation

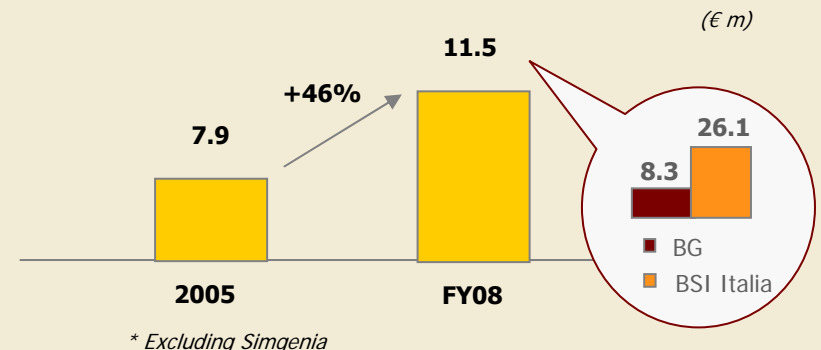
# Banca Generali remains committed to the strategy started several years ago in terms of network development

**"We don't need numbers of FAs, but quality of them"**

**Number of Financial Advisors of Banca Generali and BSI Italia**

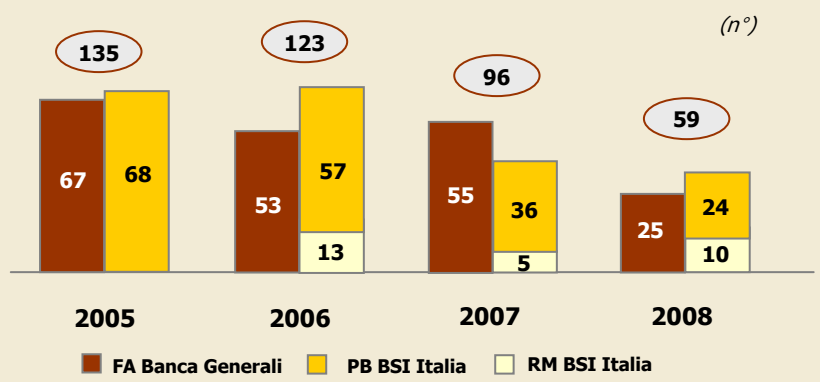


**AUM/Financial Advisor (\*)**

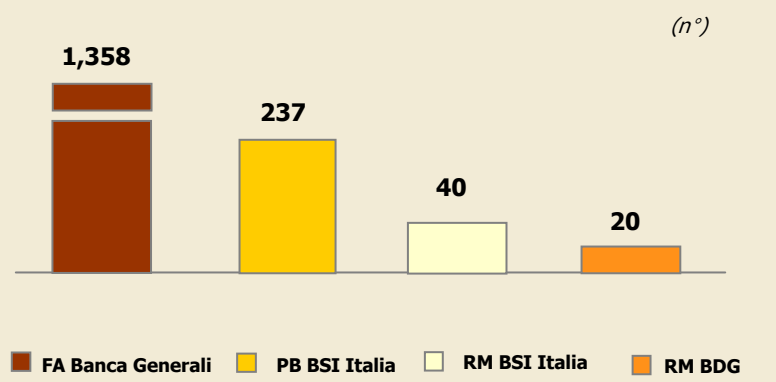


**Excellent recruiting opportunities are arising both from competitors and banks**

**Number of new Recruiting (2005-08)**



**Network Split (2008YE)**





➤ **Preliminary Comments**

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➤ **Closing Remarks**

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## New strategic projects to reinforce the Bank

**The strategic guidelines set in 2007/08 should allow Banca Generali to effectively face current bad landscape**

**To further strengthen the bank's profile, two important strategic projects have been launched:**

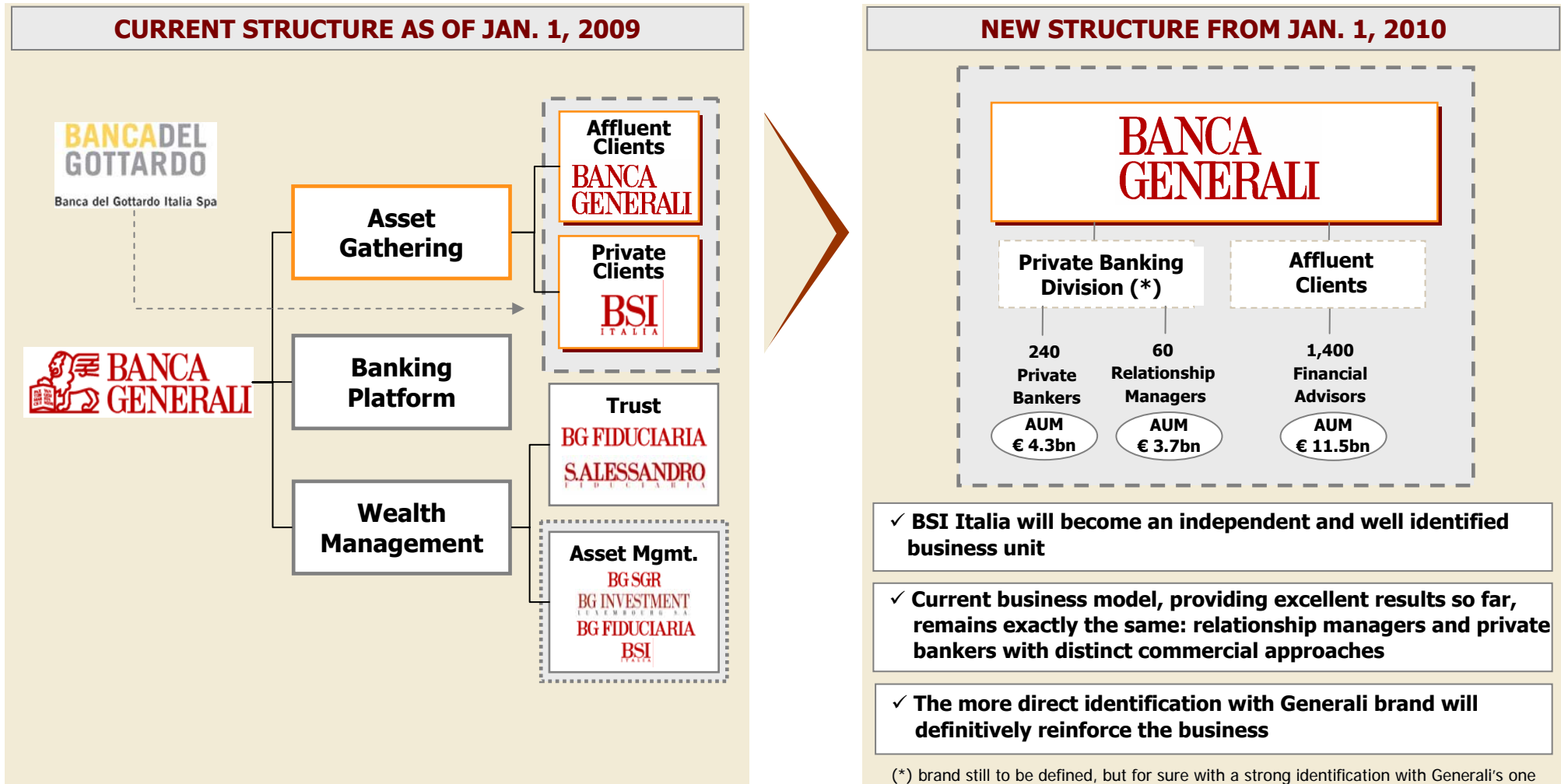
### **Strengthening of the Private Banking Business**

- **Leveraging on Generali brand in the Italian Private Banking business by integrating BSI Italia into Banca Generali and creating an independent division with its own brand that will reinforce its strong identity**

### **Continuous Cost Efficiency**

- **Overheads and staff cost reduction, also exploiting the integration of the two banks**
- **Cost optimization, through process streamlining and new tech solutions**

## Enhancement of Private Banking business through Generali brand leveraging



➤ **BSI Italia and Banca Generali integration is expected to deliver relevant cost savings in terms of central functions, IT upgrading and back-office procedures**

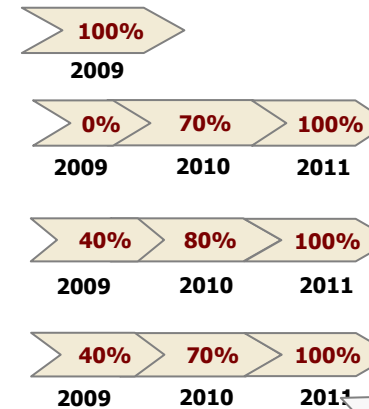
## Very comprehensive action plan aimed at improving cost efficiency

**Overhead and staff cost reduction**

### Main Actions

- Integration of Banca del Gottardo Italia
- Integration of BSI Italia into Banca Generali
- Rationalization of the distribution network
- IT and back-office cost reduction, through process optimization and new tech solutions

### Delivery of cost efficiency



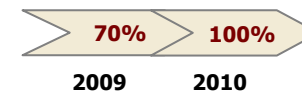
**Actions have already started with most benefits expected by 2010**

**Commercial cost optimisation**

### Main Actions

- Incentivation schemes for FAs, RMs and PBs more focused on the development of both existing clients and new ones

### Delivery of benefits



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## Two main commercial guidelines driving 2009 business actions

### 1. Steadily Growing Net Inflows

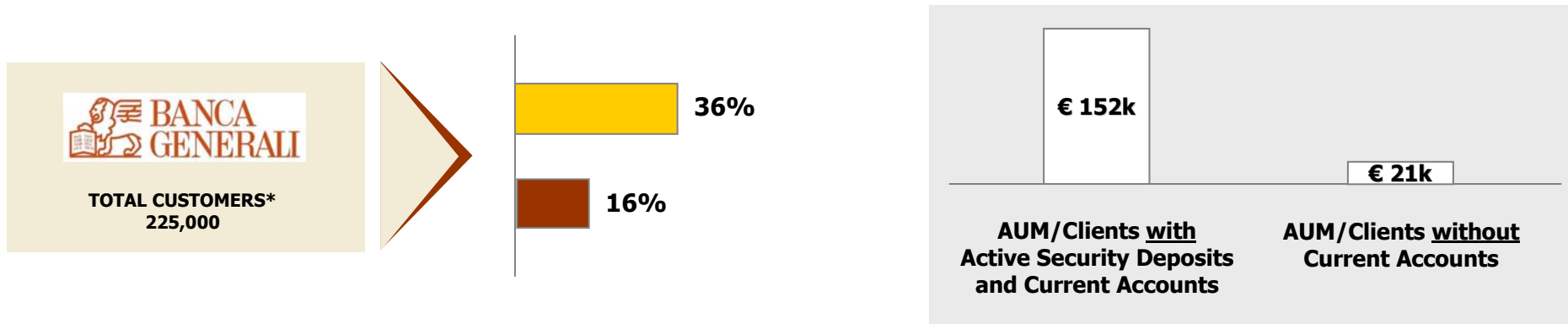
- Increasing the share of wallet of existing clients
- Revamping sales of "small" clients with high potential
- Acquiring new clients
- Recruiting top FAs and RMs

### 2. Enhancing Profitability Levels

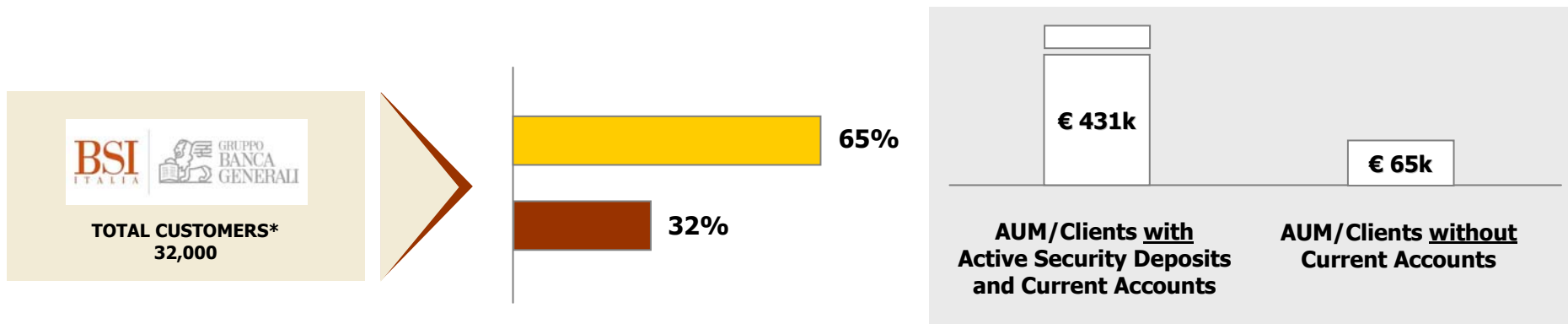
- Further expansion of Lux-based FoFs
- New range of insurance products
- Asset Transformation

## Steadily Growing Net Inflows (1/3): Pushing banking product penetration to gather new assets from existing clients

Penetration of banking products within Banca Generali customers is largely unexploited



Penetration of banking products within BSI Italia is above average, although target is approaching 100%

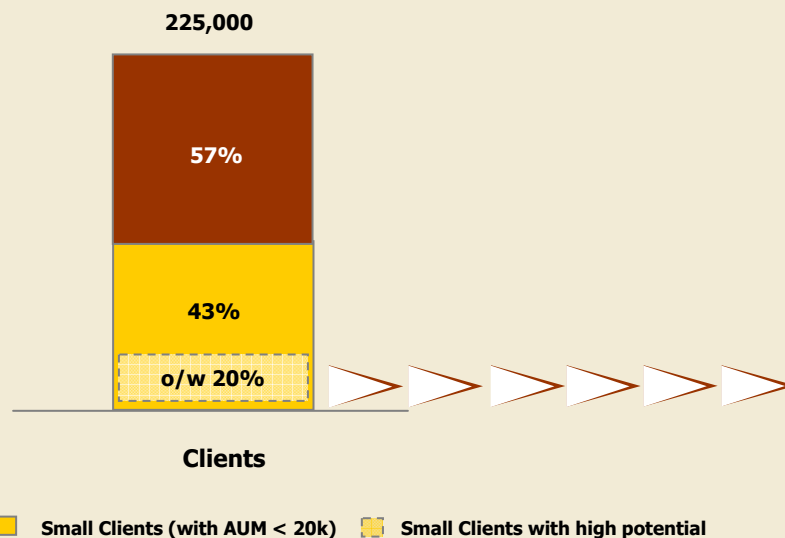


\* Primary retail accounts, only. Banca del Gottardo excluded

■ Share of customers holding current accounts    
 ■ Share of customers holding active security deposits

## Steadily Growing Net Inflows (2/3): A new project to revamp sales of “small” clients with high potential

- A strategic project developed with the support of Boston Consulting Group highlighted that a significant number of our small clients (i.e. with AUM < €20K) are “high potential” by defined categories such as personal income, job title, permanent address and others
- A specific project on these targeted clients has been developed involving both financial advisors and a new dedicated service center
- A pilot project in selected geographical areas is in place



The dedicated marketing action is supported by a wide range of promo-products:

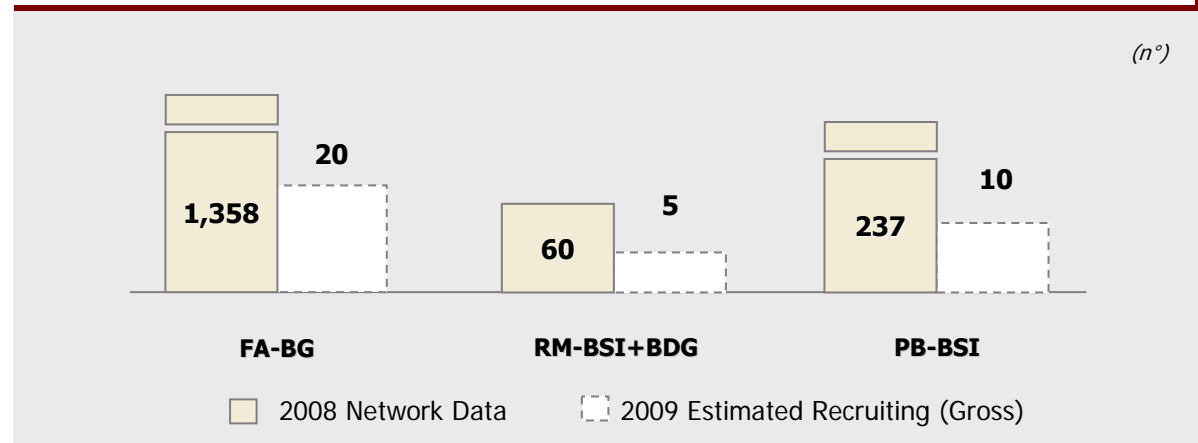
- ✓ Bank account at zero costs
- ✓ Free trading bonus
- ✓ Top Repo's conditions
- ✓ Life policy with a guaranteed return



## Steadily Growing Net Inflows (3/3): Acquiring new clients and Recruiting top financial advisors

**RECRUITING**

### 2009 RECRUITING TARGETS



**ACQUIRING  
NEW CLIENTS**

- **Current lack of strategic focus on asset management by traditional retail banks represent an excellent opportunity to attract new customers looking for professional financial advisory and a diversified product offer**

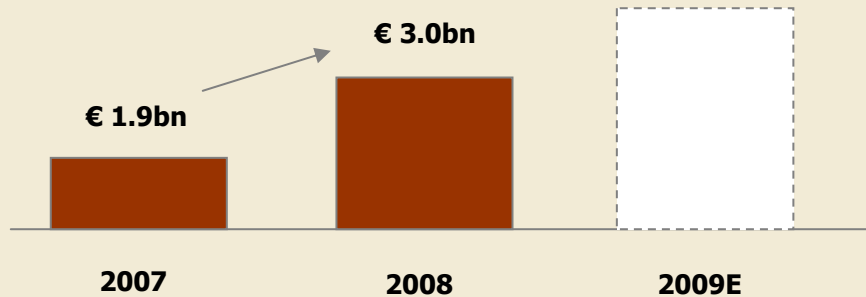
## Enhancing profitability levels (1/3): Further expansion of Lux-based FoFs leveraging on product innovation

- Banca Generali is set to launch a new range of FoFs within BG Selection Sicav umbrella by 1H09
- The new FoFs will be entirely managed by third-party asset managers that will be chosen according to their proven specialisation

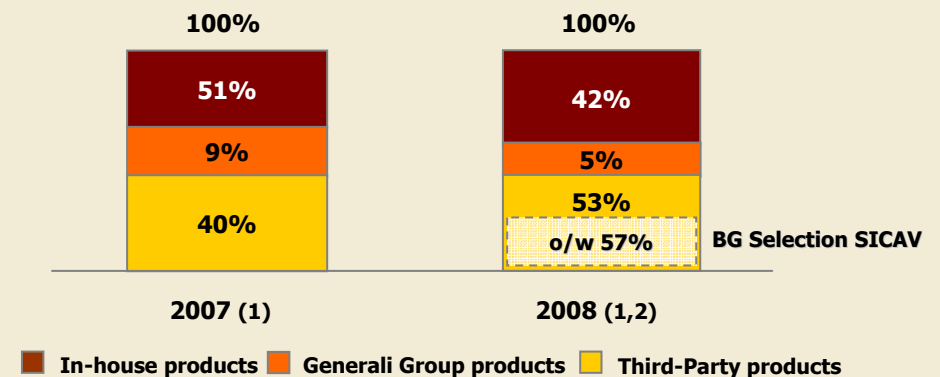
**BG SELECTION SICAV** NEW

New FoF entirely managed by third parties

**Trend in LUX-based AUM**



**Breakdown of Managed Assets**

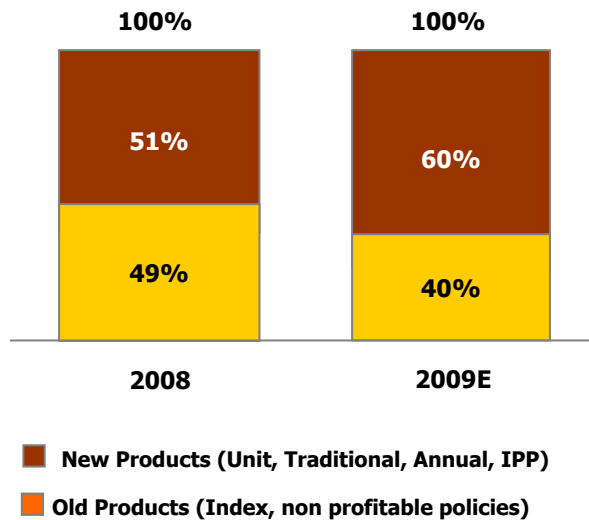


(1) excluding Simgenia and corporate assets (2) including Banca del Gottardo Italia

## Enhancing profitability levels (2/3): New range of insurance products

- Banca Generali developed a very comprehensive product offer for 2009 ranging from traditional policies with guarantees on both capital and return (BG Valore) to unit-linked policies with capital protection (BG Evolution) that offer the opportunity to take a gradually increasing exposure to equity markets
- The focus is more on improving profitability of the insurance portfolio, rather than on volume growth
- Old policies expiring throughout 2009 might be turned into more profitable ones

**Breakdown of Insurance Assets by product category**



**New Insurance Product launches in 2009**

**BG Valore**

Traditional policy linked to a new segregated fund investing 60% to 100% of its total assets in corporate bonds

**BG InDollari New**

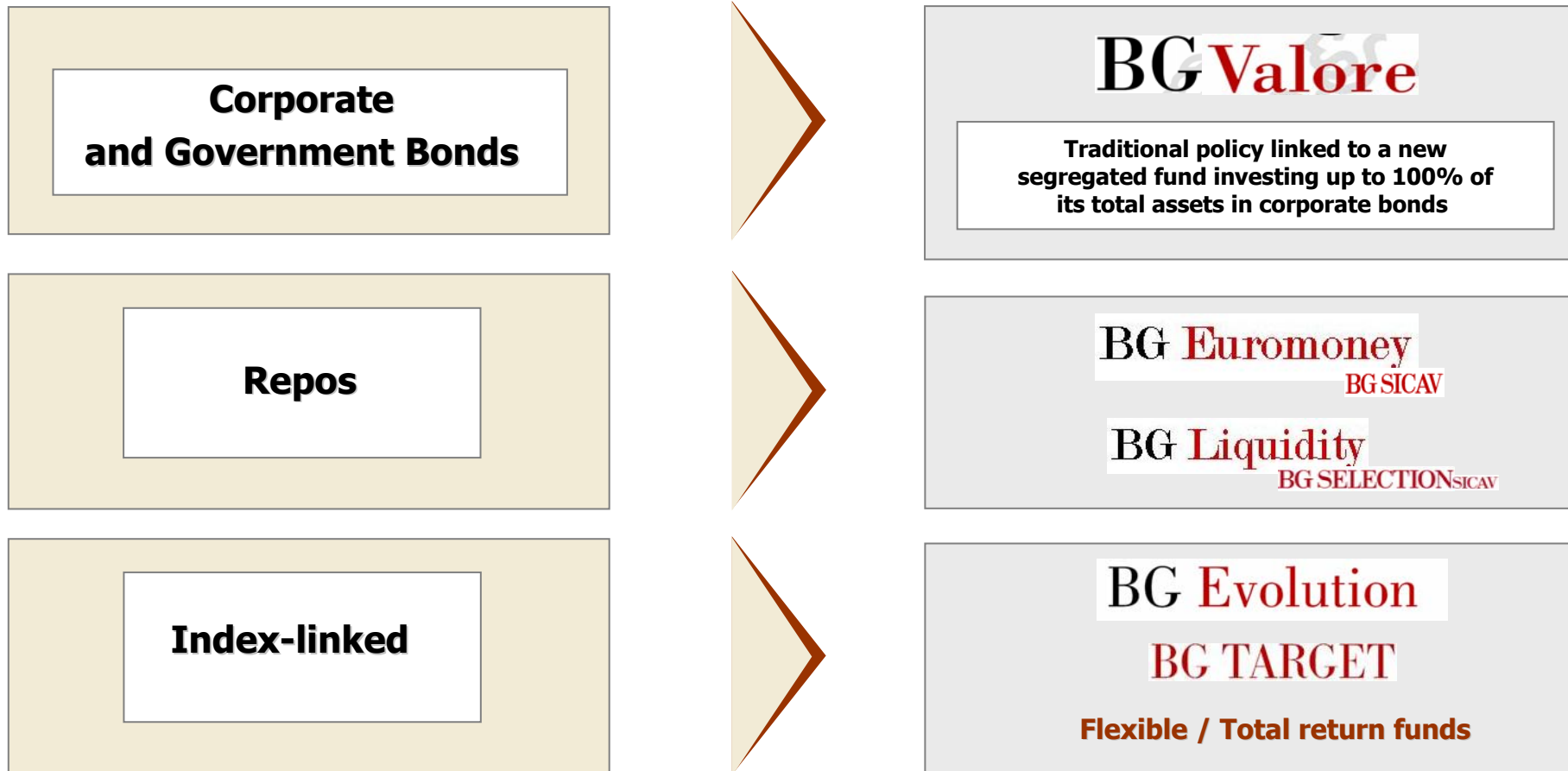
Traditional policy linked to a segregated fund investing in US\$ to catch a potential change in the exchange rates

**BG Evolution**

New capital protected unit-linked policy with 100% multibrand and ETF underlying funds

## Enhancing profitability levels (3/3): Asset transformation from Security Deposits

- One of the key actions in 2009 will be that of transforming security deposits and old policies into managed saving products that either reduce direct risk exposure on bonds or allow to combine capital protection with equity exposure



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## Key Guidelines for 2009

### **Banca Generali set the right strategic guidelines to face a very stormy weather well in advance:**

#### ▪ **Business model:**

- fully comprehensive product platform (banking products, life insurance, asset management) able both to retain clients' assets and to attract new ones;
- well identified distribution networks, focused on Affluent clients (Banca Generali) and Private clients (BSI Italia);
- first mover in Open Architecture (today followed by all competitors)

#### ▪ **Clients' asset allocation:**

- well protected since 2007, no "equity rebound" promised, low "pure equity" products in the portfolios (about 20%)

#### ▪ **Brand recognition:**

- Generali brand as "shelter" for existing and new clients

### **The main goal, in 2009, is to exploit another tough year to reinforce the company by:**

**1****Increasing market shares****2****Enhancing of the efficiency of the networks****3****Optimisation and cost reduction through process and structure streamlining**

## Banca Generali looks ahead...

### Our pillars for 2009

1

**Real defensive and tailor-made investment profile started in 2007 allows to retain assets and attract new ones**

2

**Many top professionals are interested in joining Banca Generali, which offers the widest range of financial solutions, really able to protect their clients' assets**

3

**Good chances to attract new customers leveraging on proven results and brand recognition**

### We continue to manage the company with a real medium-term strategic goal

1

**We can't predict duration and intensity of the crisis: we are convinced that a severe restructuring of the competitive landscape will take place**

2

**We will continue to keep a caution bias in our strategy to manage clients' assets**

3

**Our main goal is to reinforce our positioning with the network and the clients, also exploiting our huge brand recognition**

4

**Definitively, the crisis will come to end, and Banca Generali will come out reinforced**

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*G. Fancel, CFO*

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