

# Banca Generali

Review of 1H10 results  
and business outlook update

Giorgio Girelli, CEO  
Milan, July 30, 2010

## Today's Agenda

➤ **1H10 Results**

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➤ Net Inflows, AUM and recruiting

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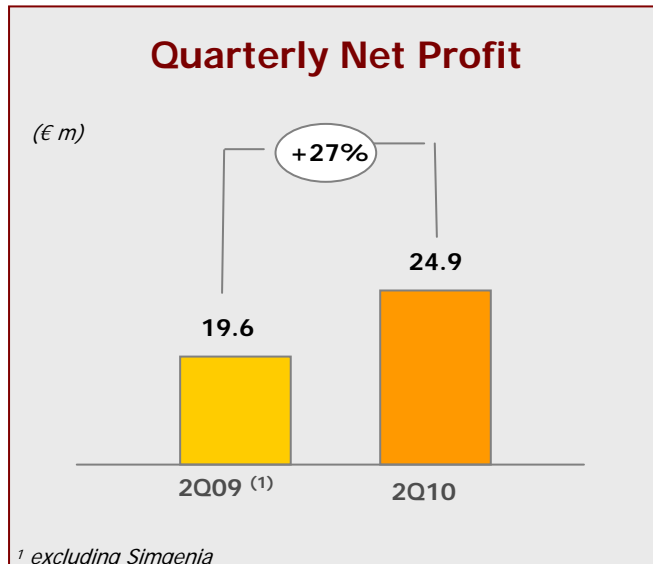
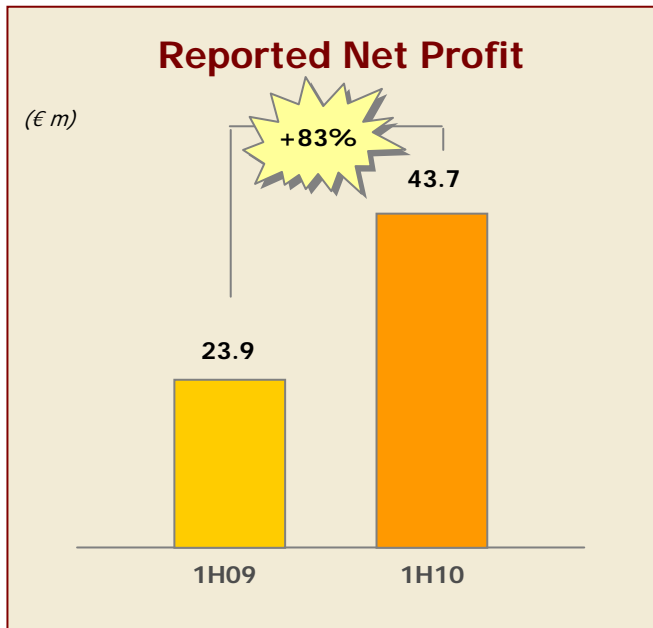
➤ Business Update

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➤ Closing Remarks

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## The strong start of 2010 is more than confirmed with 2Q results in...



Net profit at nearly two times

Revenues continue to grow in the recurring part

As promised, operating costs are decreasing

AUM profitability up to 1.72%

### ... financial results (LfL<sup>2</sup>)...

- €43.7m vs. €23.9 mln, +83% yoy, notwithstanding a very good first half in 2009
- Net banking income +7%, with a very healthy +18% in net commissions
- Management fees up 42% yoy, and continuing to grow at about a 10% pace qoq in the last 6 quarters
- Operating costs at -2% vs. 1H09, -5% 2Q10 vs 2Q09, with cost/income stable at 50.2%
- The recurring commissions constantly grew: 122 bps at 2009 year-end, 131 bps in 1Q10, 134 bps in 2Q10

### ... asset growth...

Total net inflows of 1H10 equal to FY total net inflows of '08 and '09

- €646 mln of total net inflows
- €1,253 mln of net inflows in Managed Assets

### ... performance delivered to the clients

Asset performance continue to stand well above the competition

- In-house managed assets performance equal to 1.65% even in a very tough environment and vs. Italian Mutual Fund industry at 0.26%

<sup>2</sup> LFL figures are excluding Generali Investment Luxembourg ("GIL")

## Consolidated 1H 2010 Profit and Loss Account <sup>(1)</sup>

(€ mln)	1H 09 (reported)	1H 10 (reported)	% Chg	1H 10 (LfL)	% Chg
<b>Net Interest Income</b>	<b>28.6</b>	<b>22.4</b>	<b>-21.8%</b>	<b>22.4</b>	<b>-21.8%</b>
Commission income	139.2 <sup>2</sup>	183.1	31.6%	170.4	22.5%
Commission expense	-51.3	-76.2	48.5%	-66.8	30.3%
<b>Net Commission</b>	<b>87.9</b>	<b>106.9</b>	<b>21.6%</b>	<b>103.6</b>	<b>17.9%</b>
Net income (loss) from trading activities	-33.3	-31.0	-6.9%	-31.0	-6.9%
Dividends	46.7	44.4	-4.9%	44.4	-4.9%
Net income (loss) from trading activities and Dividends	13.3	13.4	0.3%	13.4	0.2%
<b>Net Banking Income</b>	<b>129.8</b>	<b>142.6</b>	<b>9.9%</b>	<b>139.3</b>	<b>7.3%</b>
Staff expenses	-32.7 <sup>2</sup>	-33.8	3.5%	-32.8	0.4%
Other general and administrative expense	-43.9	-43.3	-1.4%	-43.1	-2.0%
Depreciation and amortisation	-2.7	-2.0	-25.3%	-2.0	-26.6%
Total costs	-79.3	-79.1	-0.2%	-77.8	-1.8%
<i>Cost /Income Ratio</i>	<i>-56.8%</i>	<i>-49.9%</i>	<i>6,9 p.p.</i>	<i>-50.2%</i>	<i>6,6 p.p.</i>
Other net operating income (expense)	2.9	6.0	103.9%	6.0	103.9%
<b>Operating Profit</b>	<b>53.5</b>	<b>69.5</b>	<b>29.9%</b>	<b>67.4</b>	<b>26.1%</b>
Net adjustments for impair.loans and other assets	-6.1	-2.2	-64.2%	-2.2	-64.2%
Net provisions for liabilities and contingencies	-17.1	-20.9	21.9%	-20.9	21.9%
<b>Profit Before Taxation</b>	<b>30.3</b>	<b>46.4</b>	<b>53.4%</b>	<b>44.4</b>	<b>46.7%</b>
Direct income taxes	-4.4	-0.9	-80.4%	-0.7	-84.8%
<i>Tax rate</i>	<i>14.7%</i>	<i>1.9%</i>	<i>-12,8 p.p.</i>	<i>1.5%</i>	<i>-13,2 p.p.</i>
Income/(losses) after tax on assets held for sales	-1.9	0.0	-100.0%	0.0	-100.0%
Minorities interest	0.0	-1.8		0.0	
<b>Net Profit</b>	<b>23.9</b>	<b>43.7</b>	<b>82.8%</b>	<b>43.7</b>	<b>82.8%</b>

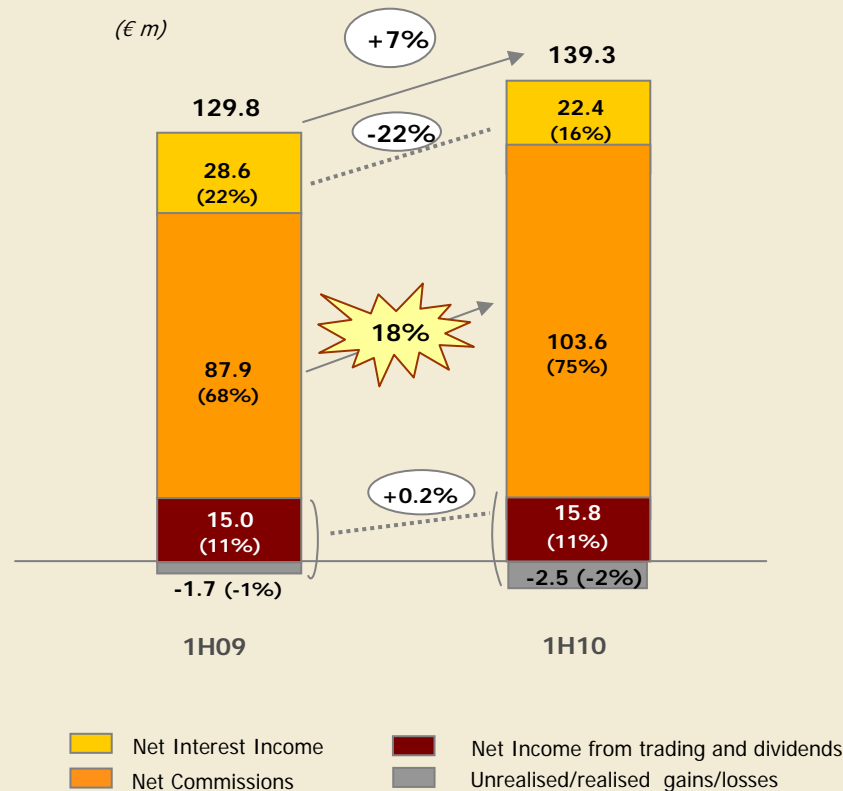
- Interest margin is recovering on a qoq basis
- Gross commission increase (+22% yoy) driven by buoyant management fees (+42% yoy)
- Stable contribution from trading income
- Total costs decreasing in absolute value
- 55% of provisions are made up of incentives on net inflows that will be paid to the networks in the 3Q and 4Q 2010
- Tax-rate benefited from a €6m one-off tax gain related to the enfranchisement of goodwill and intangibles assets
- Net profit sharply increasing to €43.7m (+83% yoy)

<sup>1</sup> Like-for-like figures are excluding Generali Investment Luxembourg ("GIL"), the management co. of Assicurazioni Generali merged with BG Investment Lux on September 9, 2009

<sup>2</sup> According to the revision of circular 262, in 1H09 €1.3 m were reclassified from "current account charges" to "commission income", while €0.1m were reclassified from provisions to "staff expenses"

## Total revenues further expanding on top of a record 1H09 numbers

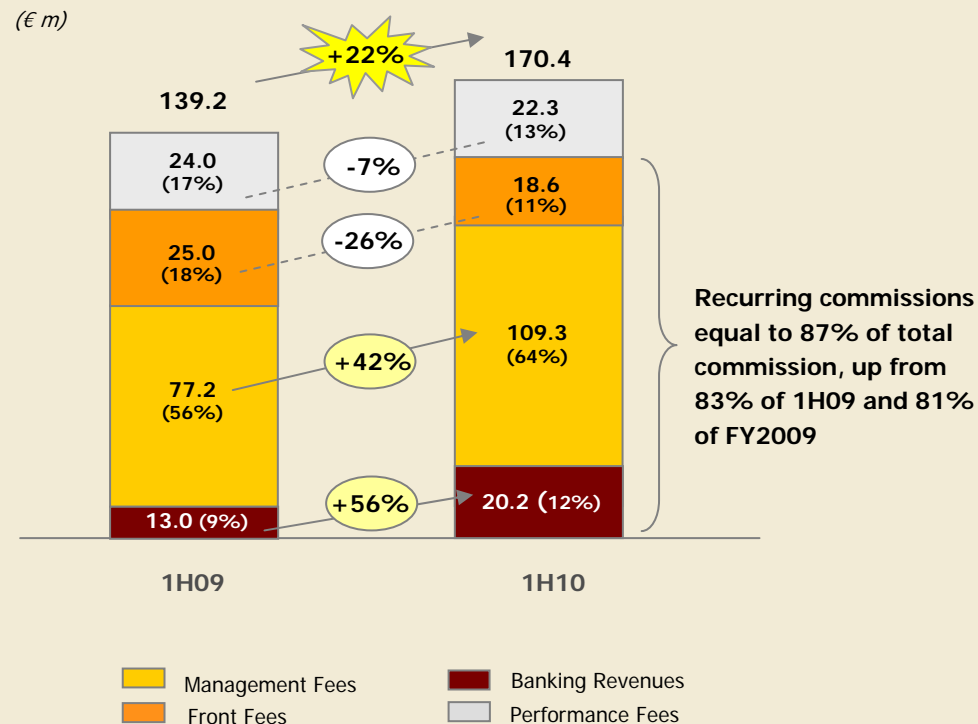
### Breakdown of Net Banking Income (LfL)



- Net banking income increased by 7% to €139.3 million, driven by an healthy expansion in net commission that more than compensated for a subdued contribution from interest margin due to interest rates levels
- Contribution from trading income was stable, in line with the excellent results achieved last year

## Share of recurring fees sharply increasing, thus reducing revenues volatility

### Breakdown of Gross Commissions (LfL)



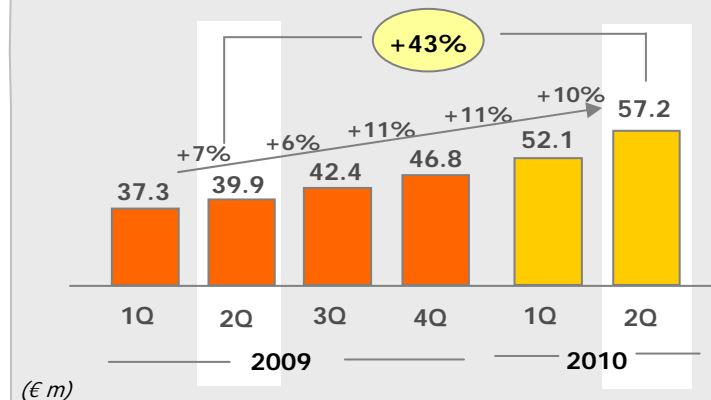
**Goals fully achieved:  
excellent total revenues growth, higher stability,  
lower volatility**

The long-term strategy of Banca Generali works:

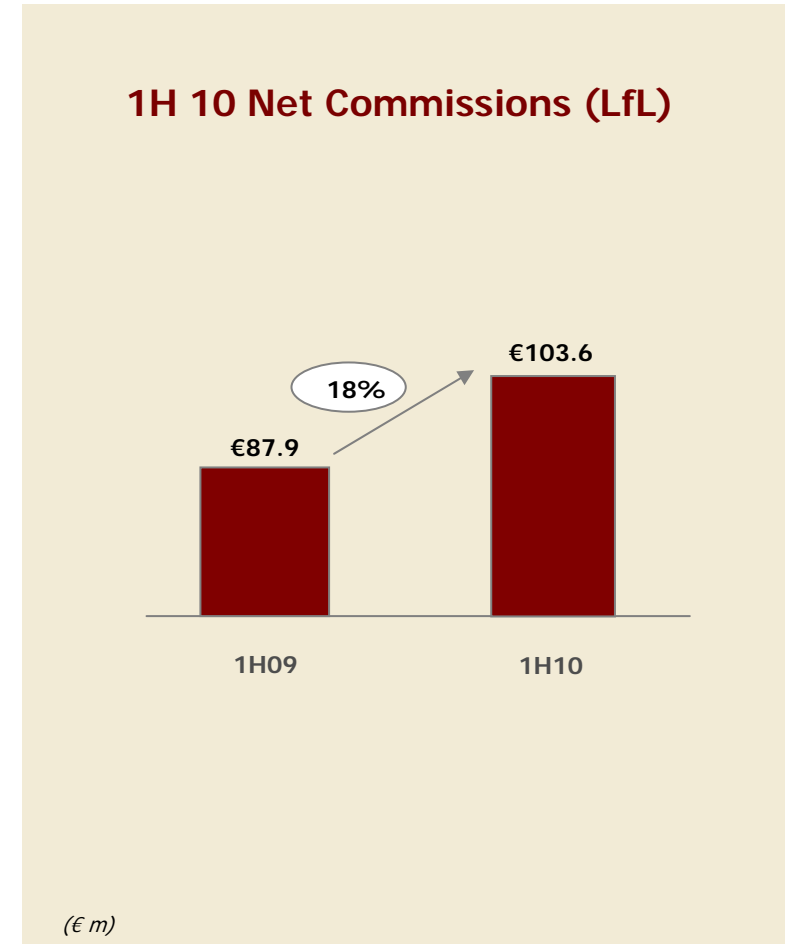
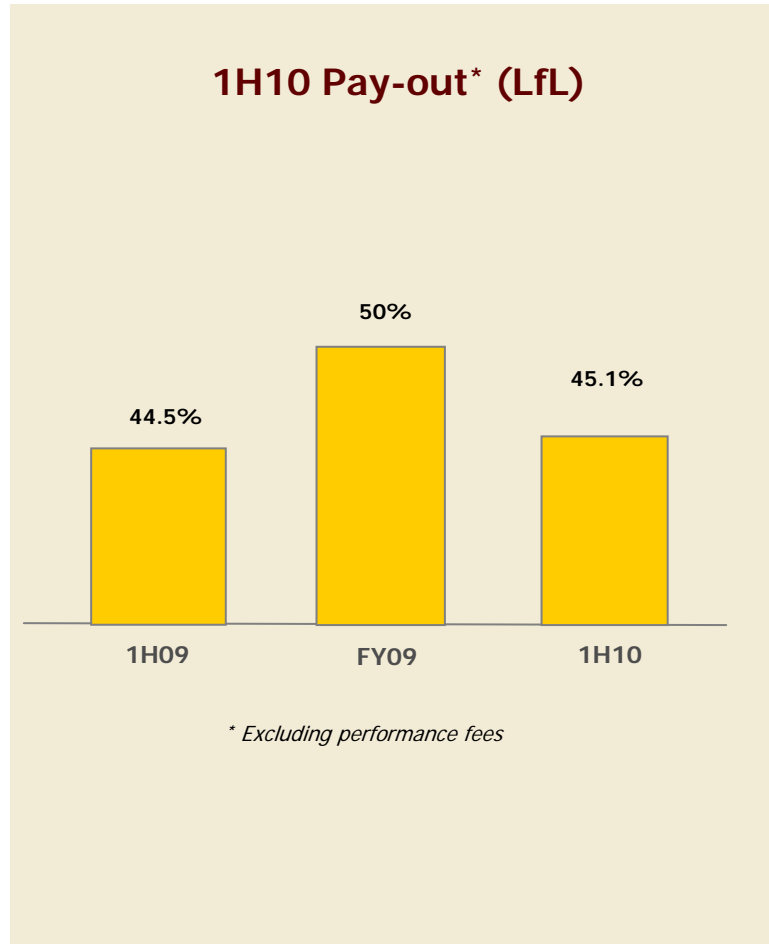
- growth of recurring fees
- decline in revenue volatility

- **The recurring fees are growing faster:**
  - banking revenues +56%
  - management fees +42%
- **Excellent performance fees** thanks to the good return delivered to clients, although **with a lower incidence on total revenues**
- **Front fees decline (-26%)** linked to commercial decisions, **but set to recover in the next quarters**

### Quarterly Management fees (LfL, qoq)



## Pay-out to sales networks remains stable with 1H09 levels, driving to double-digit growth in net commissions

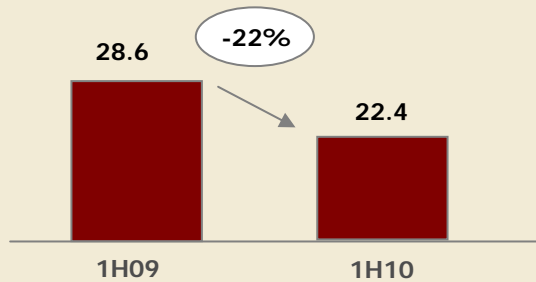


Total pay-out remains in line with 1H09 level, as the increase in commission expenses reflects the improvement in net inflows and asset mix

# Interest margin improving in the quarter and set to benefit from the increase in market rates

Interest Margin decreasing yoy...

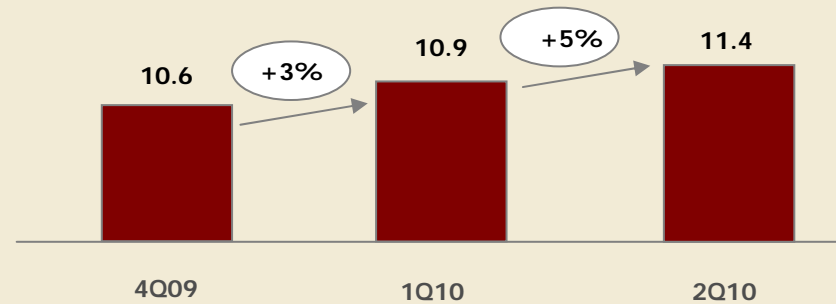
Interest Margin (yoy)



(€ m)

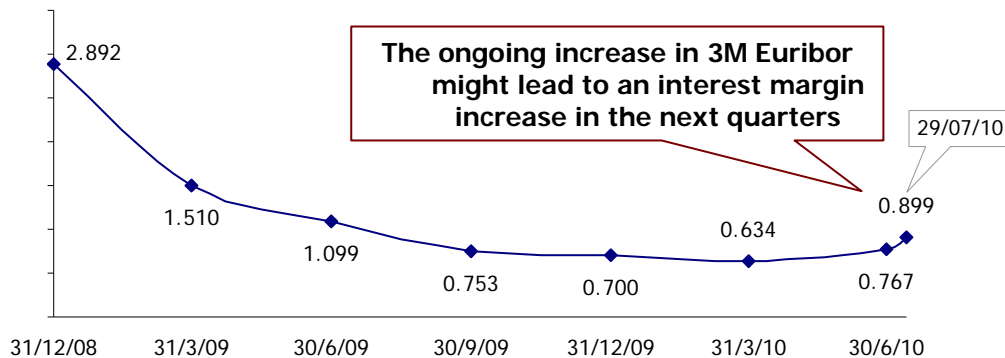
...but further improving qoq

Interest Margin (qoq)



(€ m)

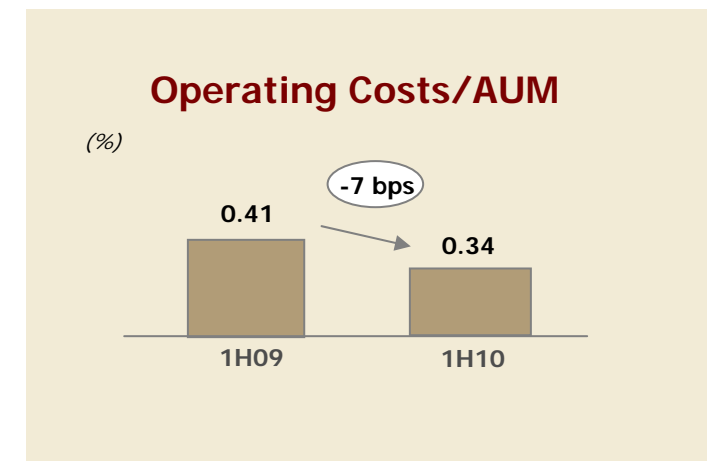
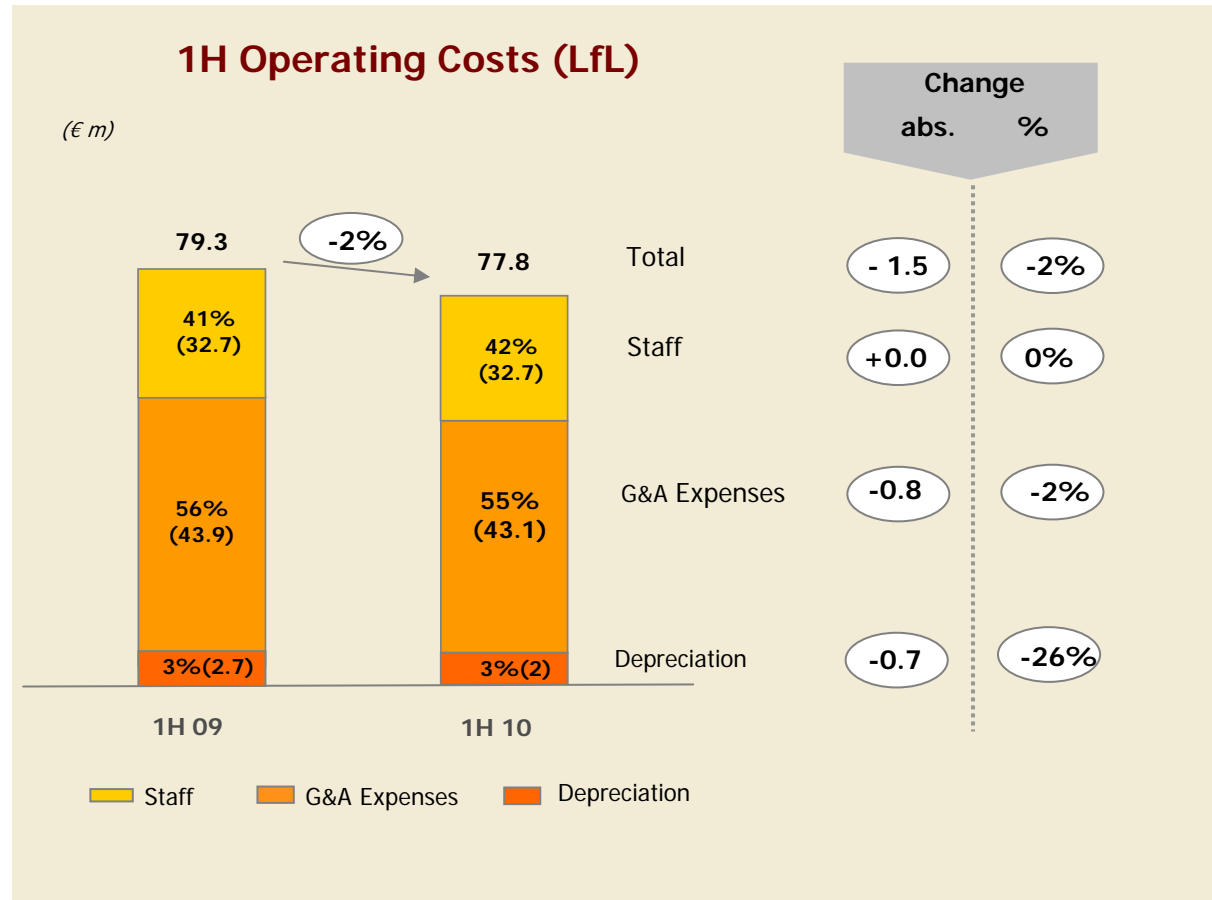
3M Euribor



- 2Q interest margin proved resilient and even improved qoq thanks to an effective **treasury management**
- **The investment portfolio remains highly defensive with an average maturity of 3 yrs and a duration of 1.13 yrs. Only €300 m (out of €2.6bn of investment portfolio) posted in HFT**
- **No investment in govies of Greece, Portugal, Ireland; Spain only for €10m**

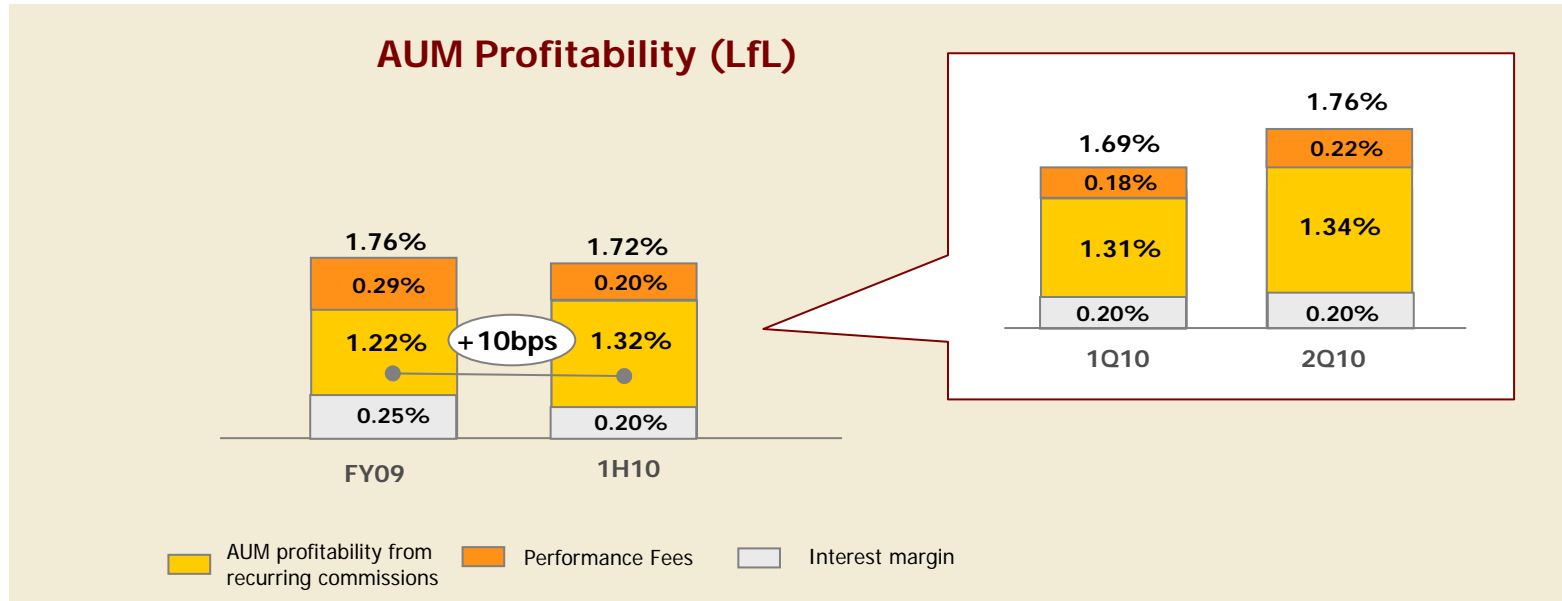


## Operating costs falling in absolute value, as cost cutting actions start to bear fruits

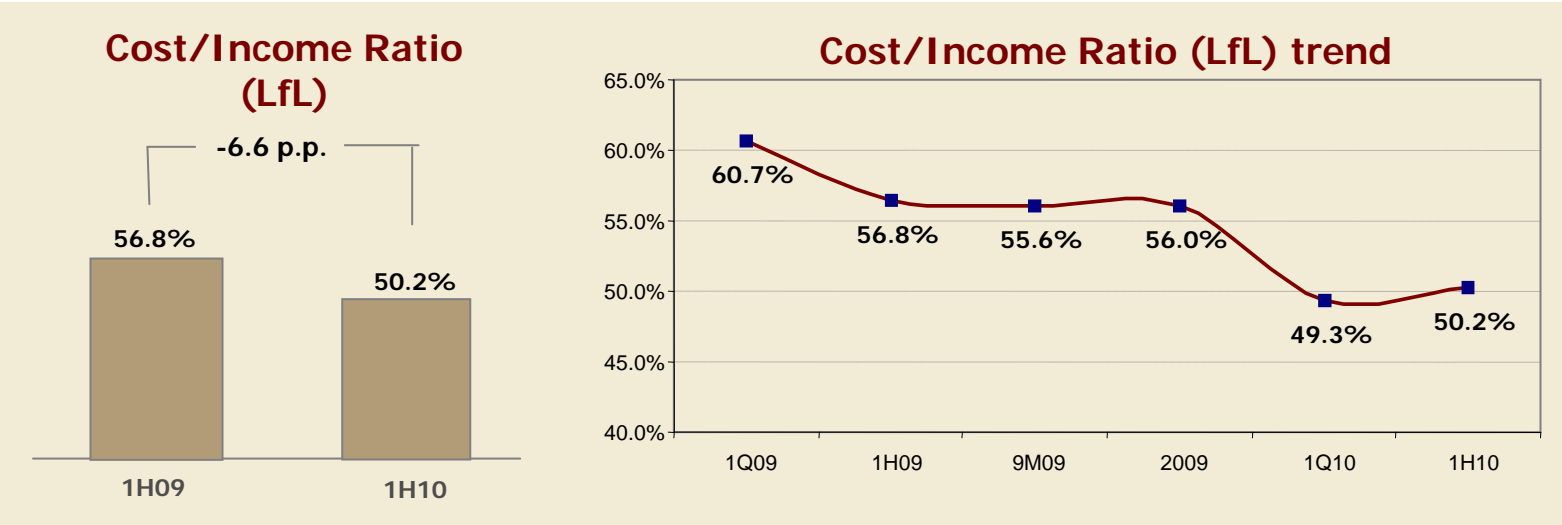


- 1H operating cost fell by 2% yoy, following a sharp decrease in 2Q (-4.9% qoq)
- Costs decrease led by G&A expenses, reflecting actions taken in the past quarters to streamline operating and IT process
- BG remains committed to further decrease operating costs in absolute value by year-end

## Profitability ratios improving, reflecting the quality of current growth

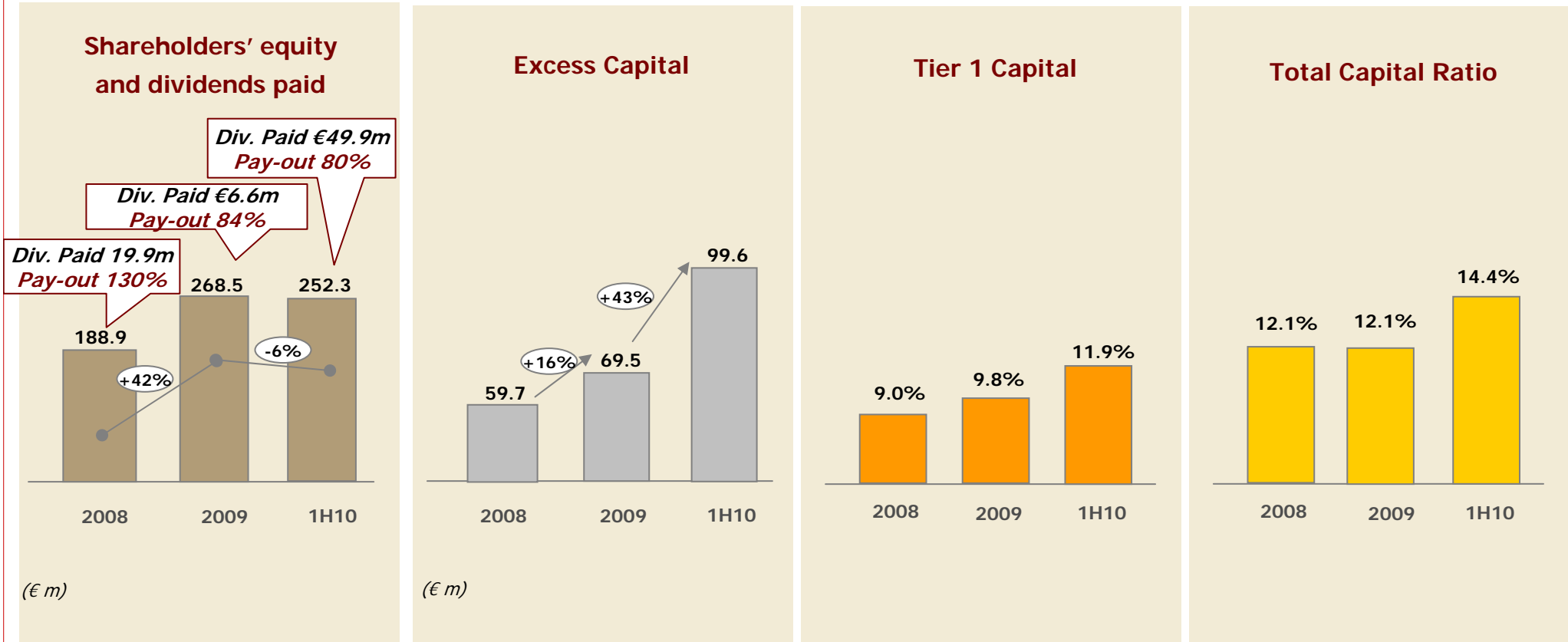


➤ The share of AUM profitability from recurring commissions is steadily increasing, as it moved from 1.22% at 2009 year-end to 1.34% in 2Q10 (+12 bps YTD)



➤ Cost cutting actions and revenue expansion drove Cost/Income ratio down to 50.2% (vs. 56.8% in 1H09)

## Solid capital position, constantly enhanced even after paying generous dividends



- Solid capital base, as shown by the increase in both Tier 1 Capital and in Total Capital Ratio
- Excess Capital strongly increased in the period, close to €100 million

## Today's Agenda

➤ 1H10 Results

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➤ **Net Inflows, AUM and recruiting**

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➤ Business Update

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➤ Closing Remarks

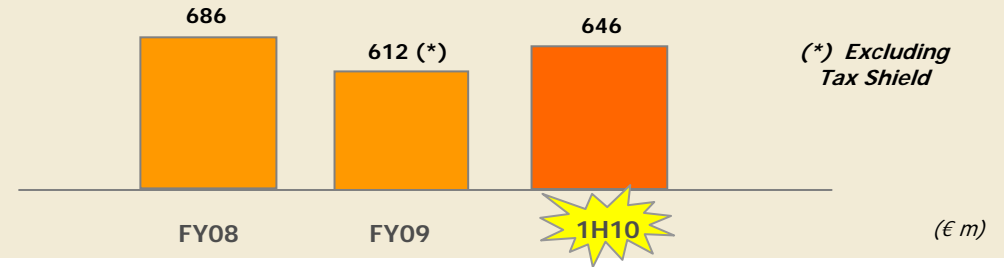
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# 1H 2010 Net Inflows – Excellent achievements in terms of both volumes and product mix

- Strong increase in organic growth

**In just 6 months, BG gathered the same net inflows of the last 2 years**

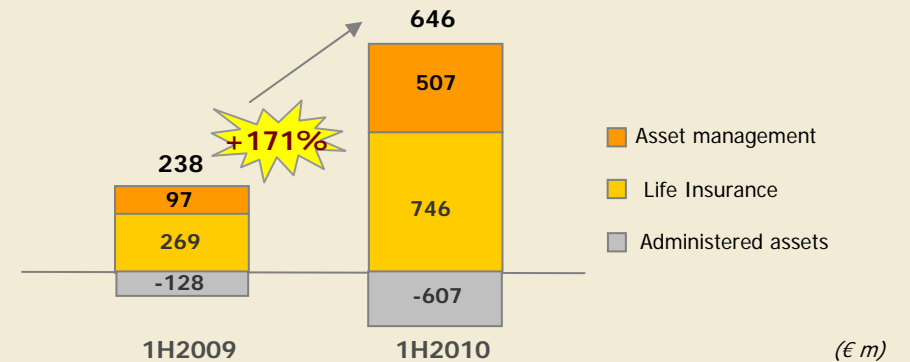
## Total net inflows



- Significant improvement in net inflows mix

**€1.25 bn net inflows in managed assets, 3.5x the level of 1H09**

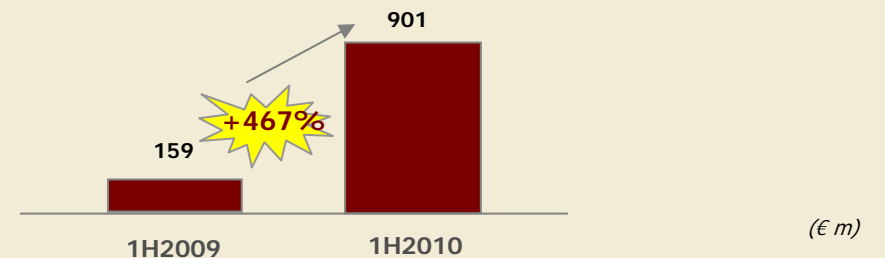
## Net inflows mix



- Strong success of the core product BG Selection

**Almost €1 billion net inflows in just 6 months**

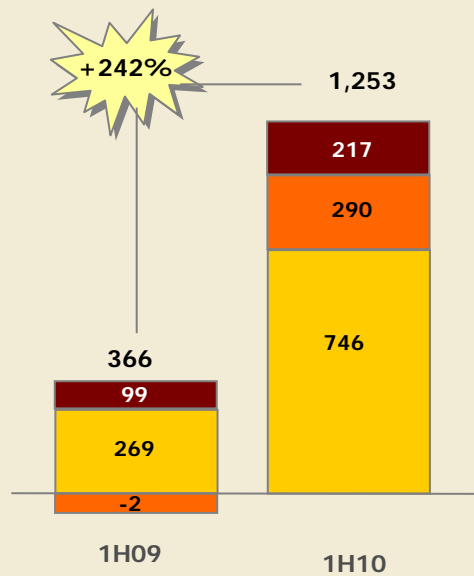
## BG Selection net inflows



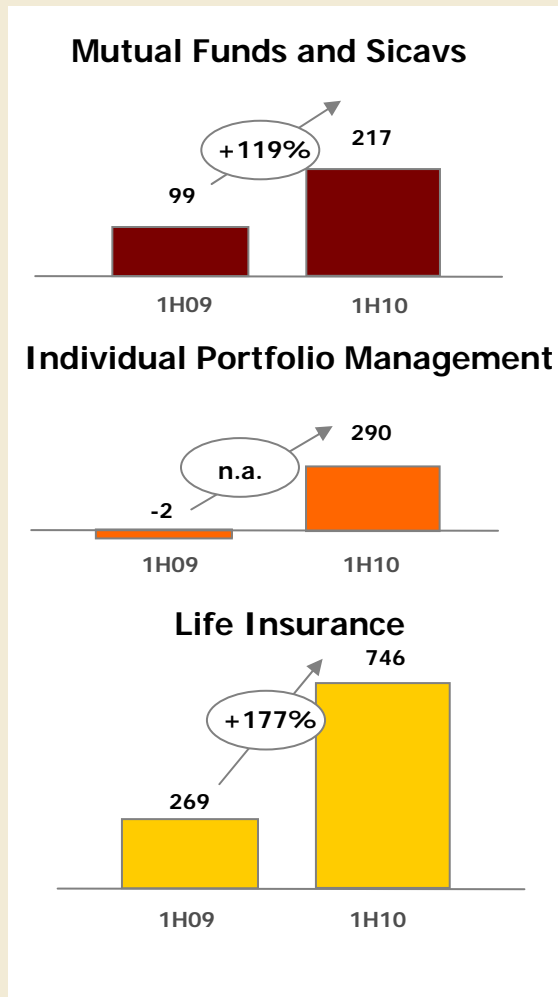
## All managed asset product lines are strongly increasing

### Net inflows in Managed Assets

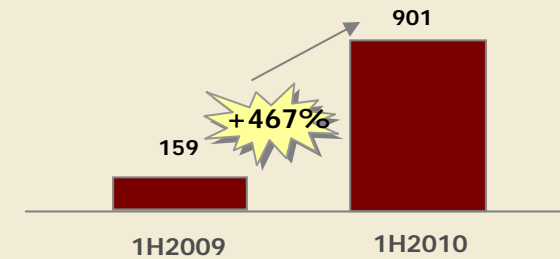
(€ m)



- Mutual Funds
- Individual Portfolio management
- Life Insurance



out of which BG Selection benefits from a switch out from single mutual funds

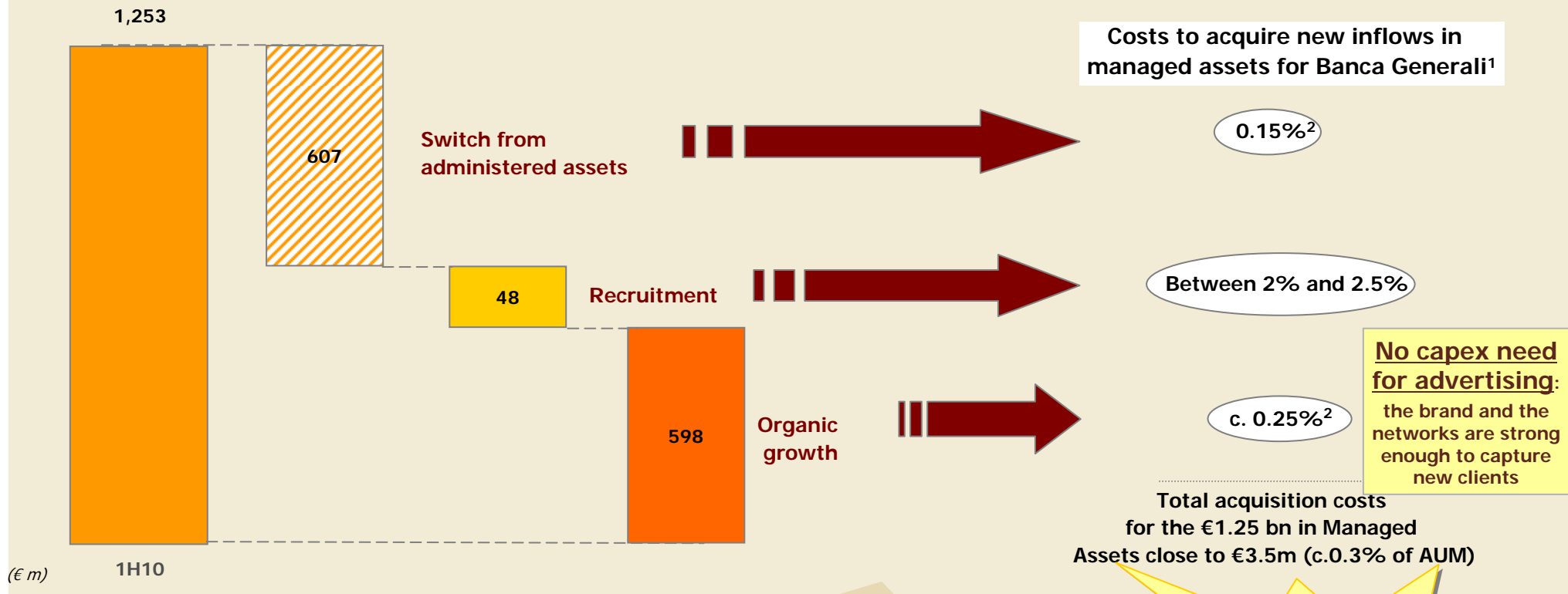


Managed portfolio growth driven by demand related to tax-shield assets

Life insurance remains a key component of clients asset allocation

# Cost of net inflows is close to zero, as generated almost entirely by organic growth and asset transformation

## Net inflows in Managed Assets – 1H2010



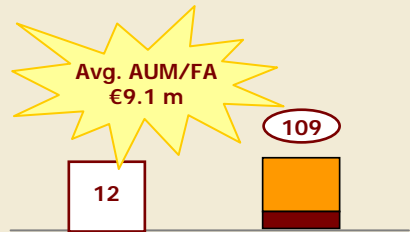
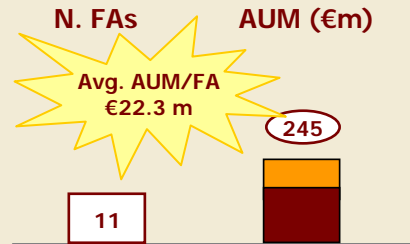
**Real maximizing of shareholders' value**

<sup>1</sup> Excluding regular pay-out; <sup>2</sup> Incentives on net inflows in managed assets

# 1H10 recruiting policy remains very selective, strictly focussed only on top FAs

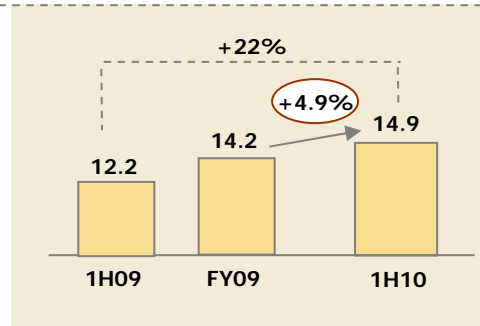
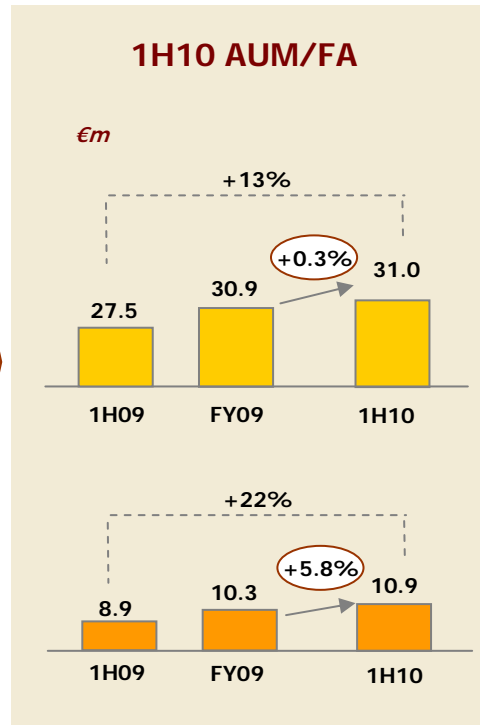
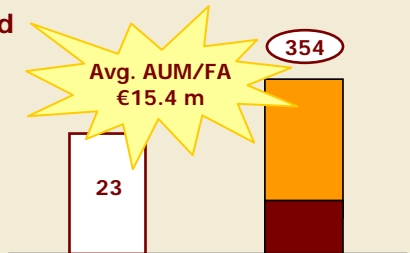


## 1H10 Recruiting Results



Total BG Group

Only top FAs hired



■ AUM already brought in   ■ Potential AUM   ○ AUM   □ N° of FA

- Banca Generali hired 23 professionals in 1H10, amongst them 11 high standing private bankers with an average portfolio of €22m each
- Average FAs portfolio increased by 5% from the start of the year to €14.9 m
- The company confirms a target of recruiting for 2010 in line with 2009 levels (50 people)
- Once again, Banca Generali remains committed on enhancing its network profile, rather than increasing the number of advisors



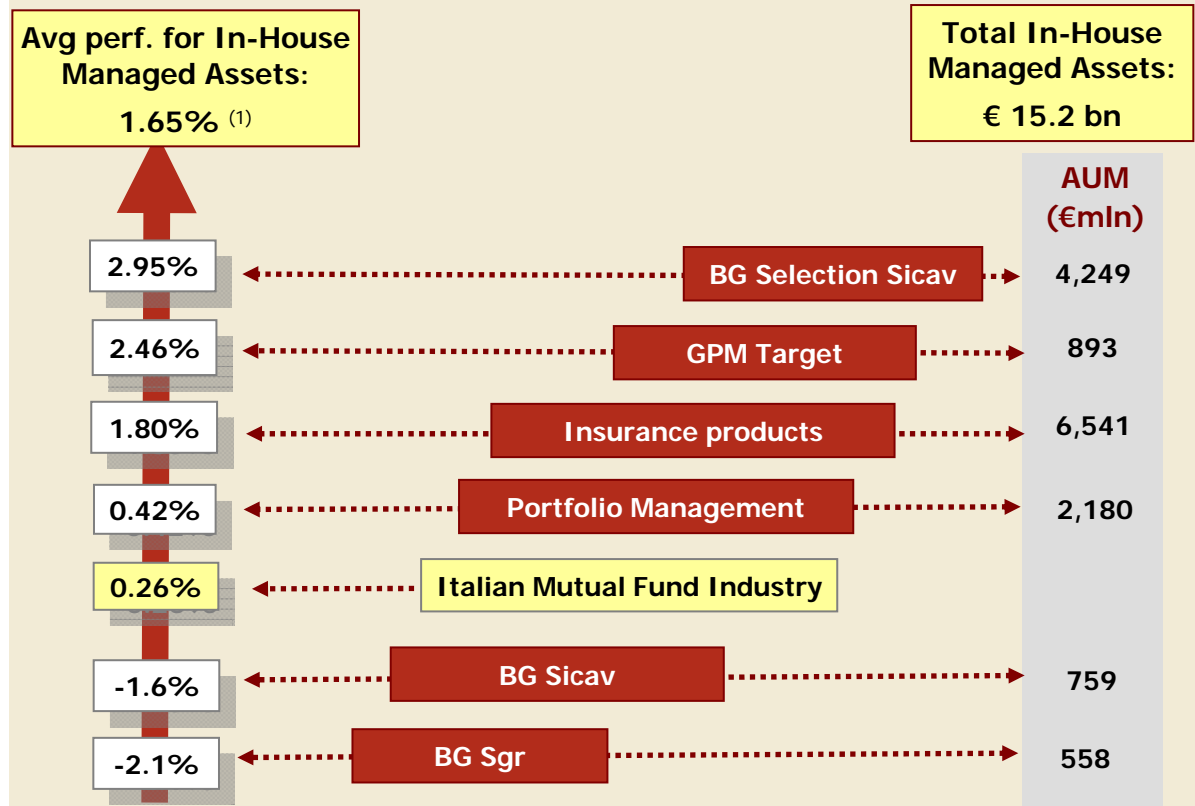
# In a contest of unfavourable and highly volatile markets and low interest rates, Banca Generali delivered a positive performance to its clients

## Challenging markets for all asset classes..

	FTSE All World Index	-9.6%
	DJ EuroStoxx	-10.3%
	FTSE MIB Italy	-19%
	Shanghai Composite	-27%
	Euro/USD	-14.3%
	Oil West Texas Int.	-4.3%
	US Treasuries Barclays Index	+5.8%
	Gold	+13.3%

YTD performance (June 30)

## ... that Banca Generali positively managed



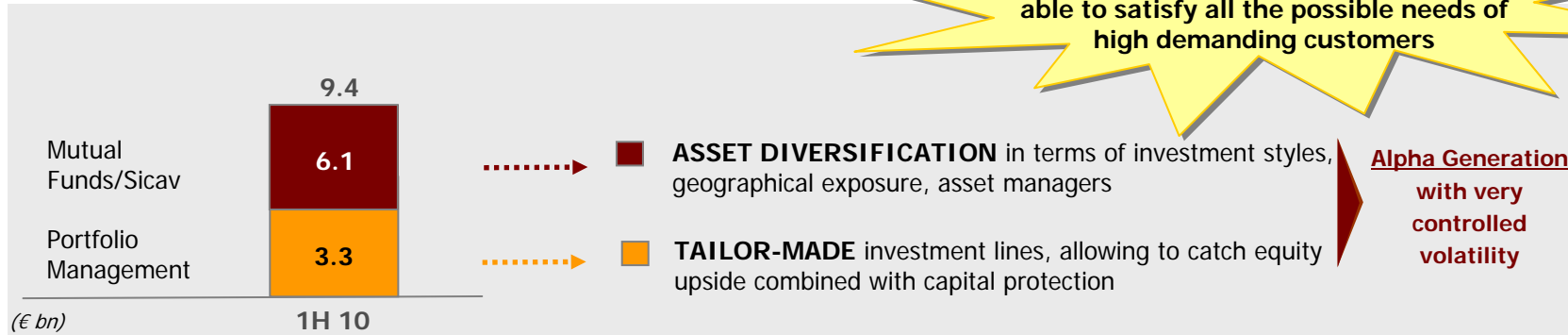
Banca Generali In-House Products Performance 1H10

(1) Net of insurance maturities and corporate securities withdrawal; YTD performance (June 30)

## A well diversified product offer to meet all clients' financial needs

**A unique offer on the competitive scenario able to satisfy all the possible needs of high demanding customers**

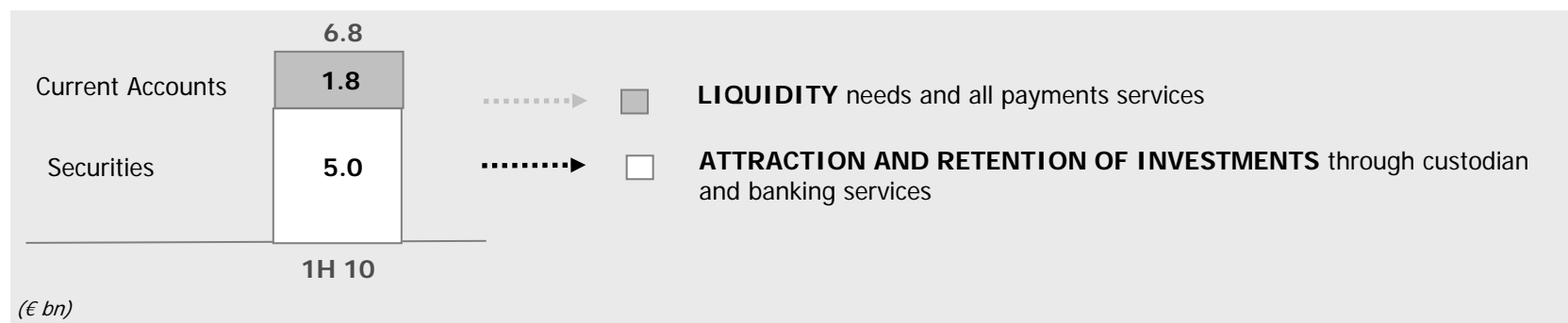
### Managed Assets



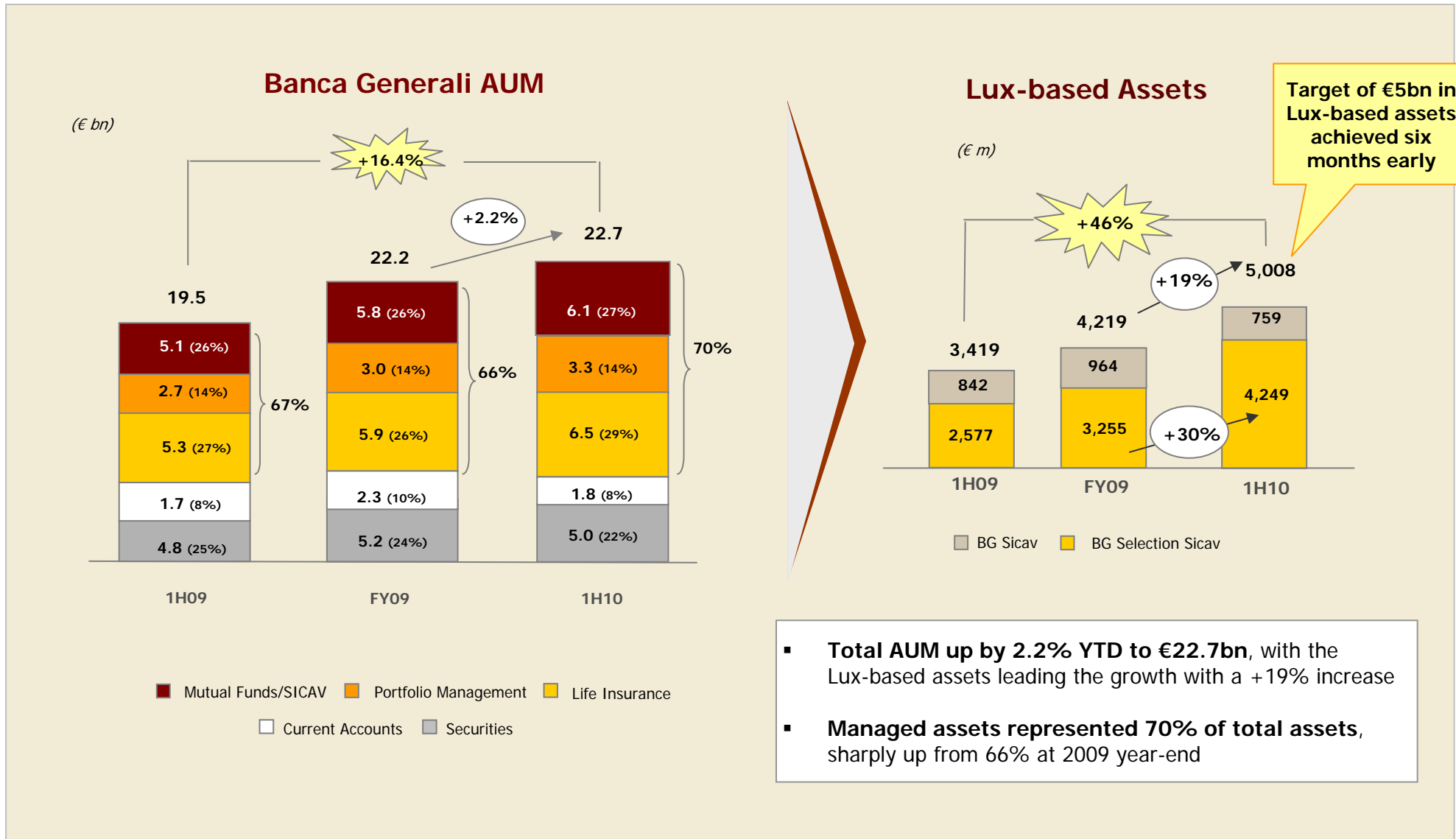
### Insurance



### Administered Assets



# Level of managed assets sharply increased to 70% of total assets (from 66% at 2009 year-end)



- Total AUM up by 2.2% YTD to €22.7bn, with the Lux-based assets leading the growth with a +19% increase
- Managed assets represented 70% of total assets, sharply up from 66% at 2009 year-end

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➤ 1H10 Results

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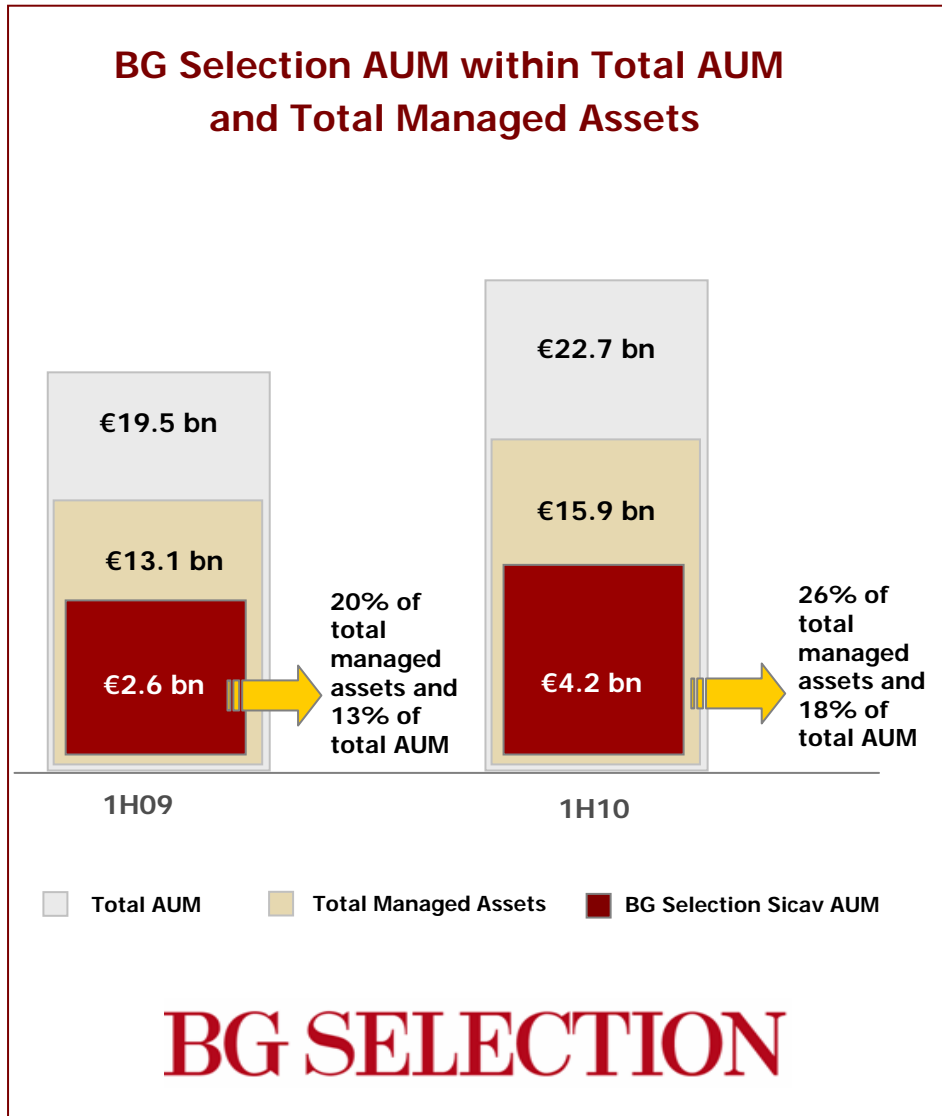
➤ **Business Update**

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➤ Closing Remarks

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## BG Selection Sicav is a growing success, due to its very innovative concept



### BG Selection key strengths

- For Clients**

**An exclusive “umbrella product”, able to deliver to the clients:**

  - **Best asset managers on the market**, selected on the base of their recognized area of expertise
  - **“T+1” switch within all existing sub-funds** without paying any fee
  - **Tax optimization** allowing to offset capital gains and losses by switching within different sub-funds
- 
- For BG networks**

  - **No conflict of interest** between in-house and third-party funds allowed by the neutrality in terms of payout level
  - **Unique product on the market**
  - A powerful platform **to deliver effective consultancy** to demanding clients and HNWI

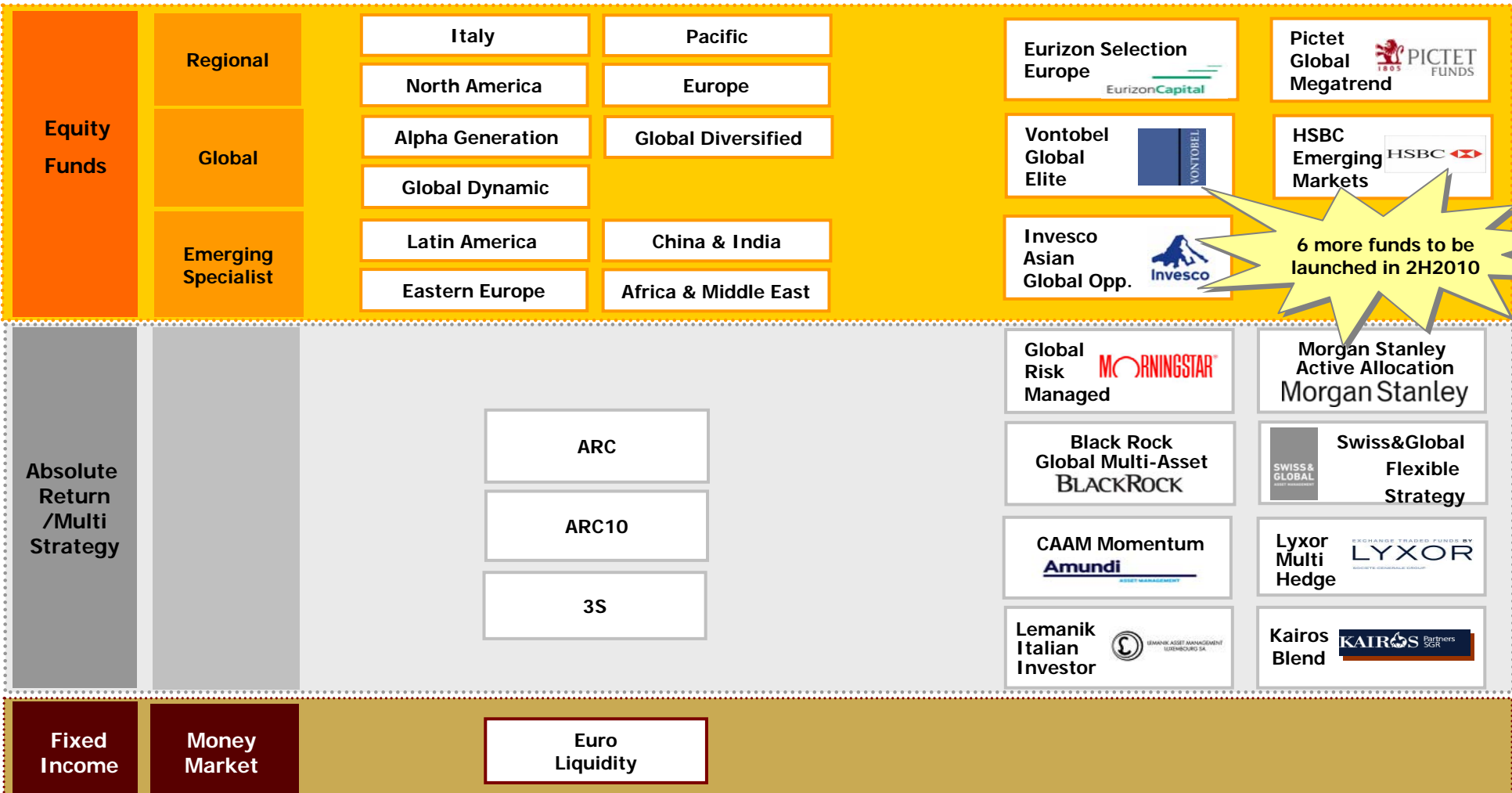
# BG Selection Sicav – A wider and wider diversified product range

All underlying assets are made of third-party funds

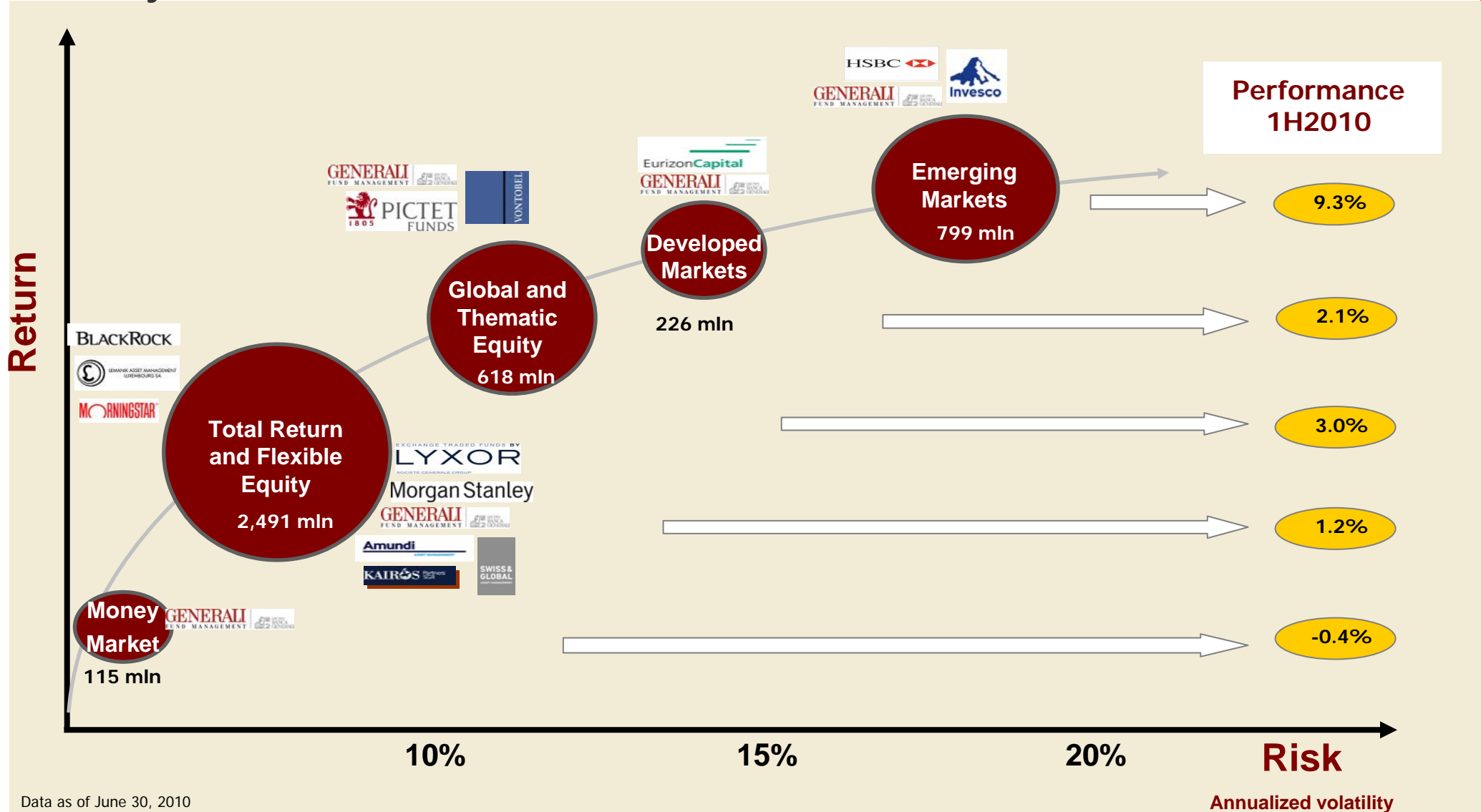
## Multi-manager Funds of Funds



## Single-manager Funds of Funds



# BG Selection - A good mix of investments, able to deliver excellent results with reasonable volatility

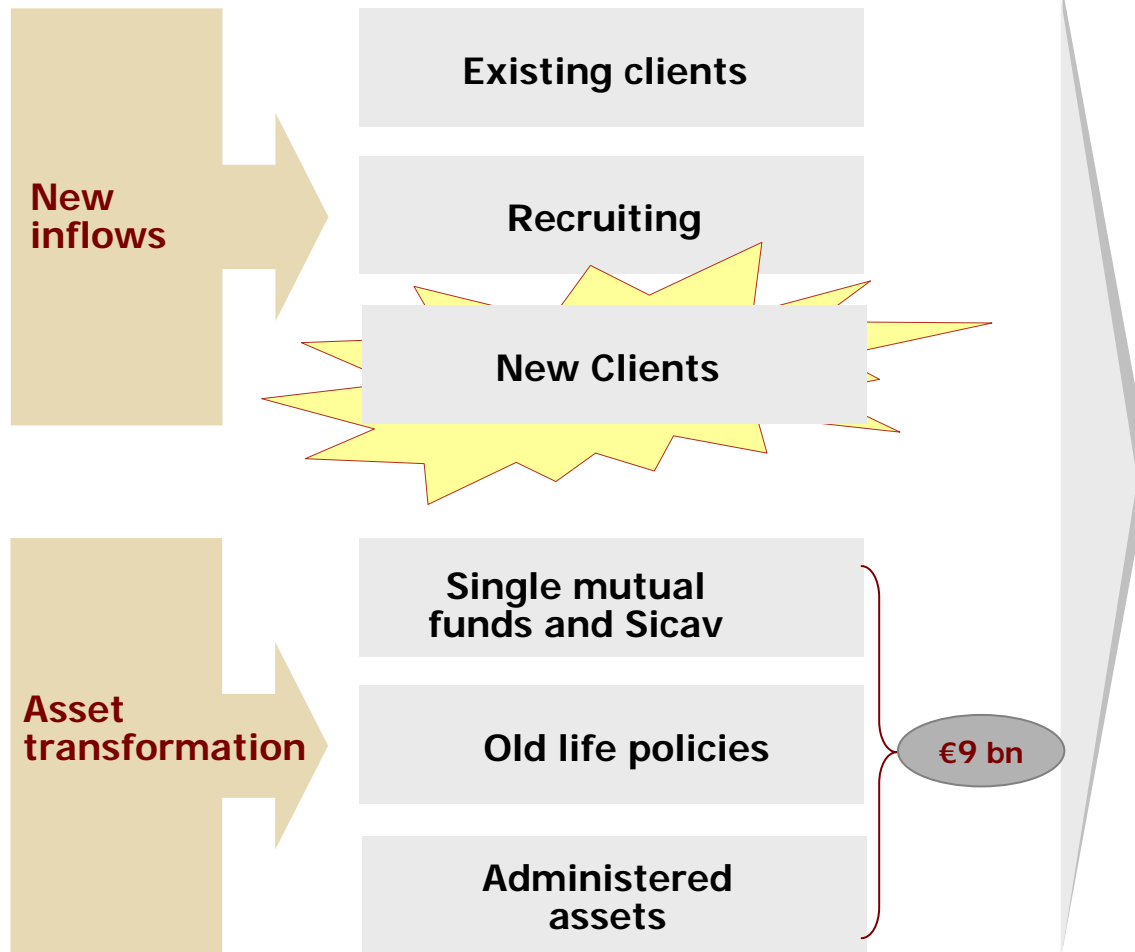


Data as of June 30, 2010  
Source: BG Risk Management

Annualized volatility

## Growth will continue in the successful and well consolidated way

### Sources of growth



### Key products

#### BG SELECTION

- Asset diversification
- Good performance combined with controlled volatility

#### Life Insurance

- Guaranteed capital
- Attractive Yield



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➤ **Closing Remarks**

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## Excellent results, so nothing changed in the strategy

**Banca Generali development strategy is simple and realistic, and it's going on at a sure pace**

### Our strengths

- Satisfied clients, available to give referrals, also thanks to our safe and efficient asset allocation
  - New customers acquisition encouraging, also thanks to weak competition and to innovative and unrivalled products offer
  - Networks productivity increasing
  - Tax Shield effect still positive (new clients acquired are bringing also their "domestic" assets to BG)
- Assets are being switched from lower profitability products (bank accounts, securities, old policies) into more profitable investments such as BG Selection Sicav, portfolio management, new policies
  - New inflows are mainly going to high profitability products
- Operating platform is sound and efficient

### Our opportunities

**From the 1Q 2010 results presentation**

- Assets are constantly growing, at very low acquisition costs (focus on organic growth of BG vs. recruitment and/or "high interests offer")
- AUM profitability is steadily increasing
  - Recurring revenues are growing fast, along with some good performance fees
- Operating costs are expected to remain stable even if AUM were to grow by 30%, from actual €23 bn to €30 bn

## The outlook remains very positive

### Banca Generali is demonstrating that:

- It is possible to grow in any context (bear, bull or volatile markets)
- It is possible, under any market condition, to deliver good returns to the clients, along with low volatility and safety of their investments

The huge operating leverage is more and more a reality; if we combine it with the constant growth of the assets and of the recurring revenues, the outlook on future P/Ls is definitely good

### Most of all, Banca Generali is changing the paradigm of the industry

There are other drivers of growth besides:

- acquisition of competitors
- costly recruiting policies
- "free money" to potential clients with high interest rates offers
- heavy advertising campaigns

The greatest opportunity for Banca Generali is to capture market share at nearly zero acquisition cost exploiting both the growing disappointment of many affluent clients with the way their investment portfolios are managed and the professionalism of our networks/quality of BG offer

## Disclaimer

*The manager responsible for preparing the company's financial reports (Giancarlo Fancel) declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law of Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.*

*G. Fancel, 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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