

1Q 2019 RESULTS

8 MAY 2019



**BANCA
GENERALI**

Preliminary remarks

1Q 2019 results

Net Inflows, assets and recruiting

Business Update

Appendix



Strong business expansion

- **Sound asset growth (€61.1bn, +€4.7bn YoY)** with managed assets at 74% of total. Pro-forma assets - including Valeur, Nextam - well above €63bn. Sharp acceleration in assets under advisory to €3bn (+76% YoY, +31% YTD).
- **Steady net inflows at €1.4bn** with a growing contribution from the existing FAs¹ (75% of total vs. 64% in 1Q18). Product mix gradually turning back towards selected managed products (LUX IM and Alternative funds)
- **Superior FA quality further enhanced** with average portfolios of €30.5m (+7%)

TOTAL ASSETS

€61.1bn
(vs. €56.4bn)

NET INFLOWS

€1.4bn
(vs. €1.6bn)



Sound results coupled with favorable financial markets

- **Reported net profit at €66.6m driven** by growing diversification amongst recurring revenues, an increase in fees linked to financial markets and lower fee expenses
- **Recurring net profit steady at €32.4m**, as management fees are recovering from financial markets' downturn in 4Q18 and operating costs included one-off items.
- **Solid capital position reaffirmed** after one-off 80bps charge related to IFRS 16 implementation. CET1 ratio at 16.6% and TCR at 18.0%, both well above SREP requirements

REP. NET PROFIT

€66.6m
(vs. €49.0m)

CORE NET PROFIT

€32.4m
(vs. €31.8m)

PRELIMINARY REMARKS

NEW ACCOUNTING PRINCIPLE: IFRS 16

NEW ACCOUNTING PRINCIPLE IFRS 16

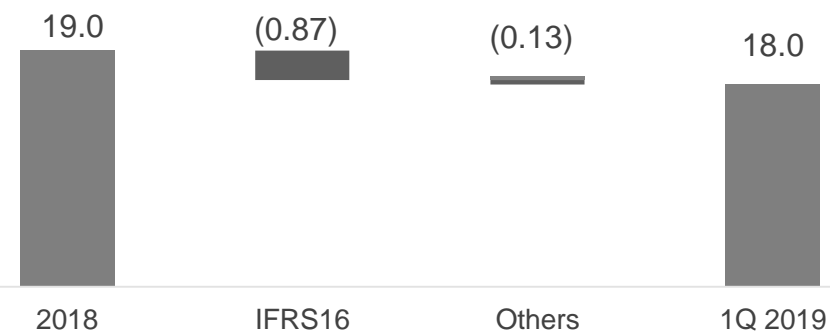
- **IFRS 16** is the new accounting standard for lease contracts¹. It has become effective from January 1, 2019.
- The new accounting principle has a **limited negative impact on P&L (€0.4m net of tax)** with re-classifications involving Net Interest Income (NII), G&A costs & Depreciation.
- Total **one-off net impact of 87 bps on the Total Capital Ratio** due to the opening balance sheet based on the Right of Use (RoU) accounted as Intangible assets.

Impact on P&L

	1Q 18	1Q 19	1Q 19 IFRS 16	Delta
<i>(€ mln)</i>				
Net Interest Income	13.2	16.7	15.9	-0.85
Total Banking Income	114.1	134.4	133.6	-0.85
Other general and administrative expense	-37.3	-39.9	-35.2	4.70
Depreciation and amortisation	-2.0	-2.4	-6.8	-4.35
Total operating costs	-46.5	-50.4	-50.0	0.36
<i>Cost /Income Ratio</i>	<i>39.0%</i>	<i>35.7%</i>	<i>32.4%</i>	<i>-3.3% p.p.</i>
Profit Before Taxation	62.9	81.8	81.4	-0.50
Direct income taxes	-13.8	-14.9	-14.7	0.16
<i>Tax rate</i>	<i>22.0%</i>	<i>18.2%</i>	<i>18.1%</i>	<i>-0.1% p.p.</i>
Net Profit	49.0	67.0	66.6	-0.36

Impact on B/S

Total Capital Ratio (%)



FY 2018 RESULTS AT A GLANCE

KEY TAKEAWAYS

(€ mln)	1Q 18	1Q 19	% Chg	1Q 19 IFRS 16	% Chg
Net Interest Income	13.2	16.7	26.3%	15.9	19.9%
Net income (loss) from Trading and Dividends	15.2	4.0	-73.7%	4.0	-73.7%
Net Financial Income	28.5	20.7	-27.2%	19.9	-30.2%
Gross fees	182.4	208.0	14.0%	208.0	14.0%
Fee expenses	-96.7	-94.3	-2.6%	-94.3	-2.6%
Net Fees	85.6	113.7	32.8%	113.7	32.8%
Total Banking Income	114.1	134.4	17.8%	133.6	17.1%
Staff expenses	-21.1	-21.8	3.1%	-21.8	3.1%
Other general and administrative expense	-37.3	-39.9	6.9%	-35.2	-5.7%
Depreciation and amortisation	-2.0	-2.4	19.3%	-6.8	232.1%
Other net operating income (expense)	13.9	13.7	-1.7%	13.7	-1.6%
Total operating costs	-46.5	-50.4	8.3%	-50.0	7.5%
<i>Cost /Income Ratio</i>	<i>39.0%</i>	<i>35.7%</i>	<i>-3.3 p.p.</i>	<i>32.4%</i>	<i>-6.6 p.p.</i>
Operating Profit	67.6	84.0	24.4%	83.5	23.7%
Net adjustments for impair.loans and other assets	0.2	4.0	n.m.	4.0	n.m.
Net provisions for liabilities and contingencies	-4.8	-6.1	28.0%	-6.1	28.0%
Gain (loss) from disposal of equity investments	-0.1	-0.1	-31.8%	-0.1	-32.2%
Profit Before Taxation	62.9	81.8	30.2%	81.4	29.4%
Direct income taxes	-13.8	-14.9	7.6%	-14.7	6.5%
<i>Tax rate</i>	<i>22.0%</i>	<i>18.2%</i>	<i>-3.8 p.p.</i>	<i>18.1%</i>	<i>-3.9 p.p.</i>
Net Profit	49.0	67.0	36.5%	66.6	35.8%

Comments

Solid increase in Total Banking Income (17%)

- Net Financial Income supported by a growing contribution from **NII (+20%)** even after the negative impact from the adoption of the new IFRS16 accounting standard (+26% LfL)
- Net Fees (+33%)** with a relevant contribution from performance fees and other fees coupled with a declining cost of growth

Headline operating costs inflated by one-off items, adjusted operating costs (+5.8%)¹

- G&A costs inflated by the speed-up of major strategic projects and by selected one-off items such as moving into the new offices (€0.7m) and costs for M&A operations (€0.5m) and new IFRS16 impact (-€0.4m)

Improving contribution from below the operating line

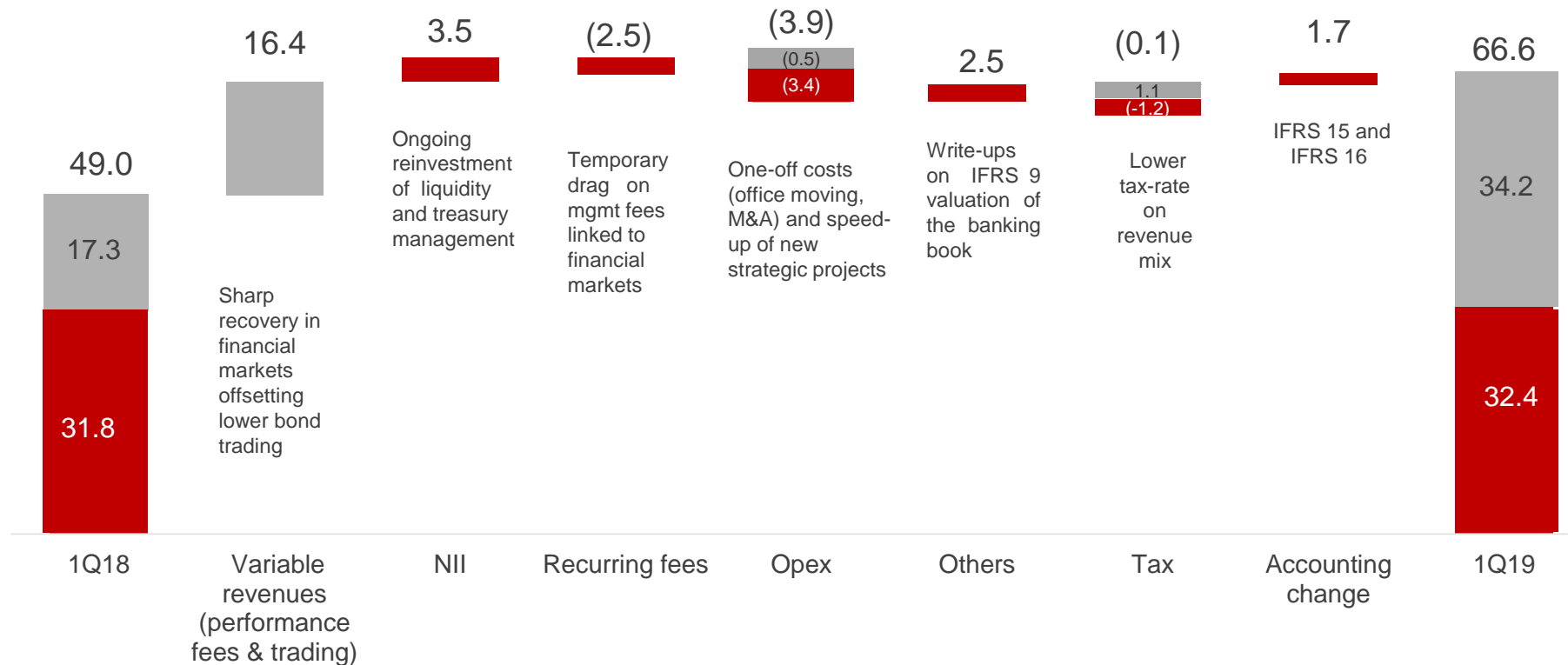
- Net adjustments linked to IFRS 9 benefitted from a recovery in the credit risk of Italian government bonds and increased portfolio diversification

Total net profit at €66.6m, one of the best quarters ever

NET PROFIT

SOLID PROFIT RECOVERY

Net Profit build-up m/€



Recurring profits were stable, fast recovering the unfavourable 4Q18 backdrop of financial markets

Variable profits doubled from record low levels in 1Q18 amid solid performance delivery

■ Recurring profits
■ Variable profits

Preliminary remarks

1Q 2019 results

Net Inflows, assets and recruiting

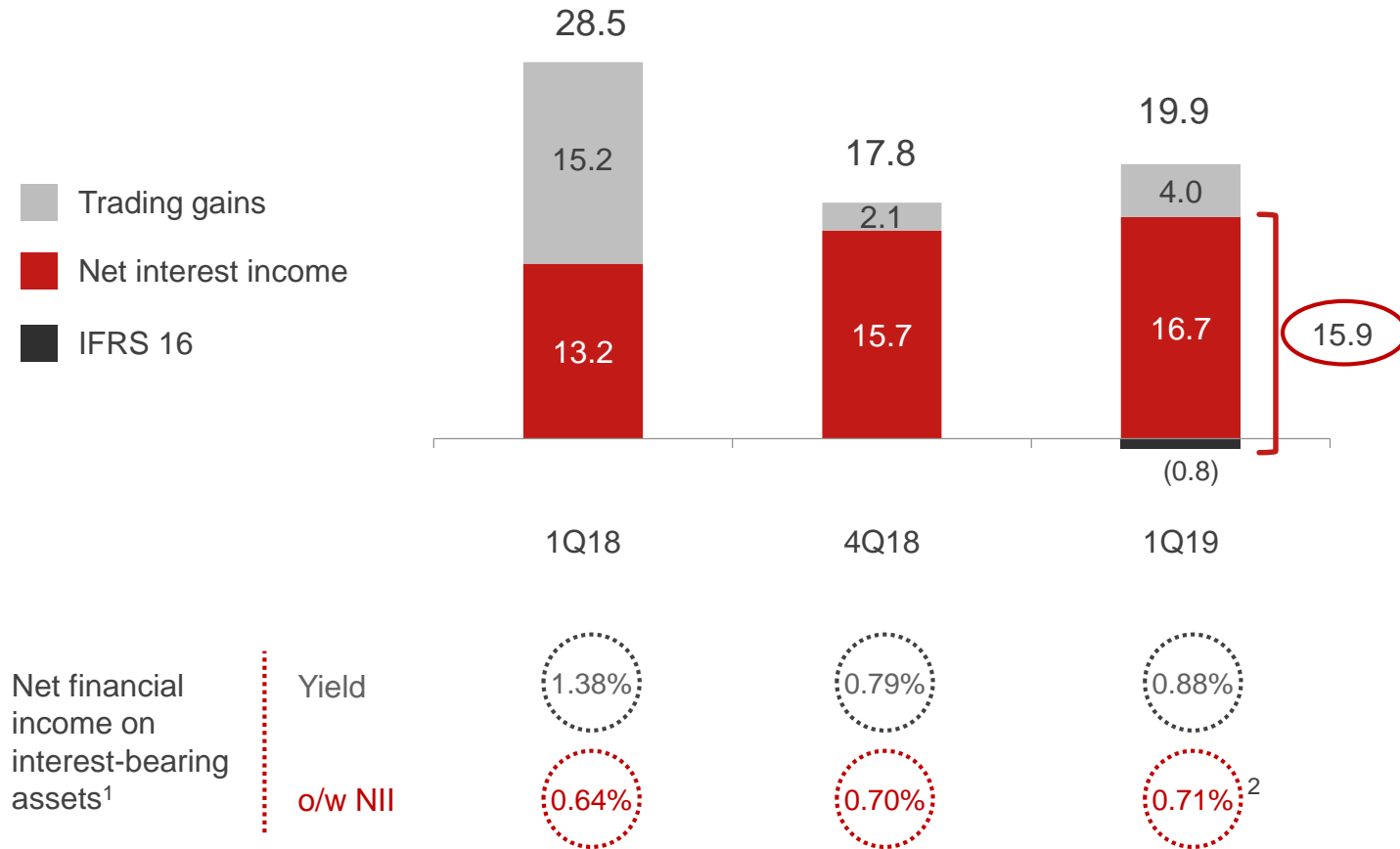
Business update

Appendix

NET FINANCIAL INCOME (1/2)

GROWING NII DESPITE HEADWINDS FROM NEW IFRS 16

Net financial income m/€



Solid increase in NII partly offset by IFRS16 first time adoption (€0.85m charge).

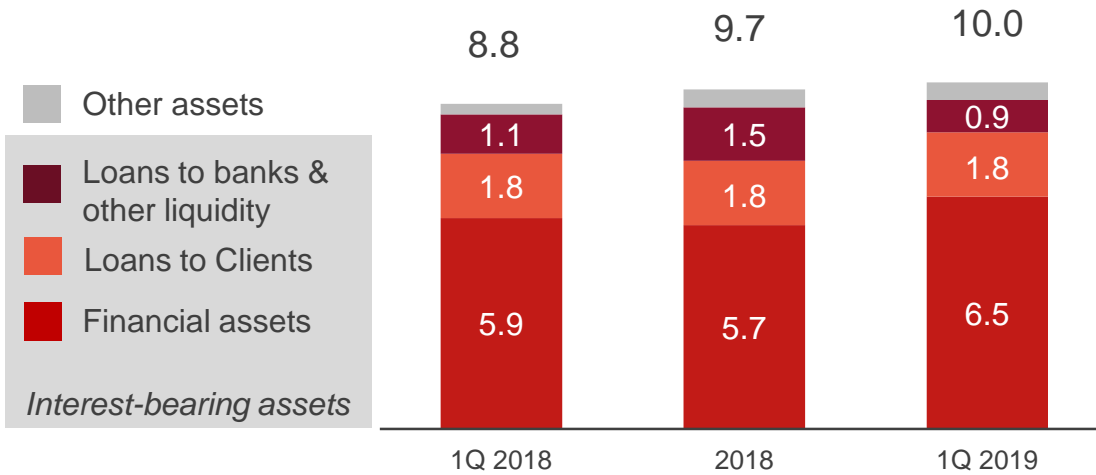
NII increase linked to **higher return of banking book** (margin from 0.63% in 1Q18 to 0.80%) and **reinvestment of the high stock of liquidity** (from €1.5bn at the end of 2018 to €0.9bn)

Higher diversification of the investment portfolio expected by reinvesting part of current high liquidity and expiring Italian Government bonds

NET FINANCIAL INCOME (2/2)

SHARP YIELD IMPROVEMENT FROM REINVESTMENTS

Total assets and interest-bearing assets¹, bn/€



Interest-bearing assets

Yield – Loan to banks & other liquidity

-0.25%

-0.26%

-0.21%

Yield – Loan to Clients

1.20%

1.18%

1.18%

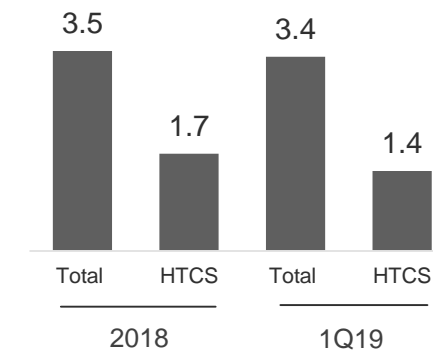
Yield – Financial Assets

0.63%

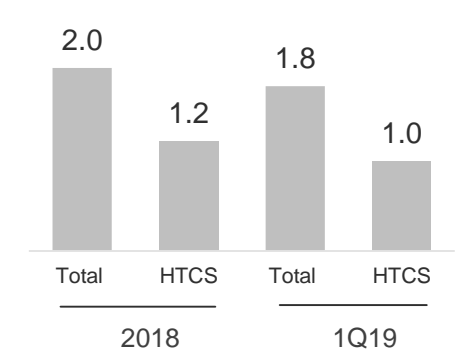
0.73%

0.80%

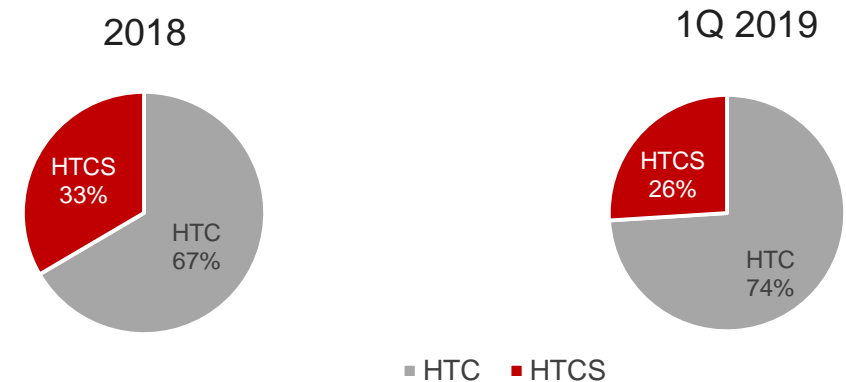
Maturity (Bond)



Duration (Bond)



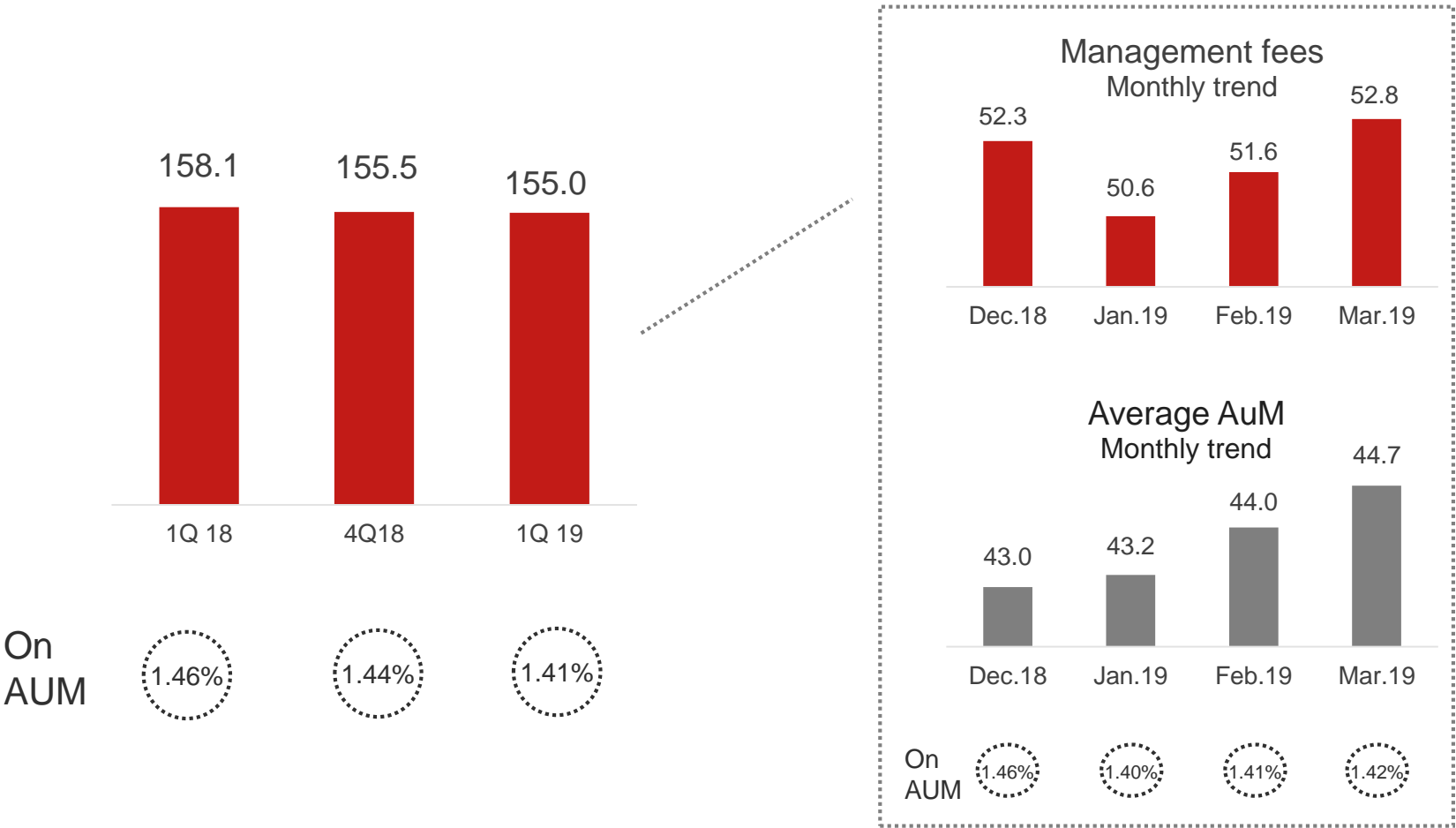
Classification (IT Govt bonds)



GROSS FEES (1/3): MANAGEMENT FEES

FULL RECOVERY COMPLETED IN MARCH

Management Fees m/€



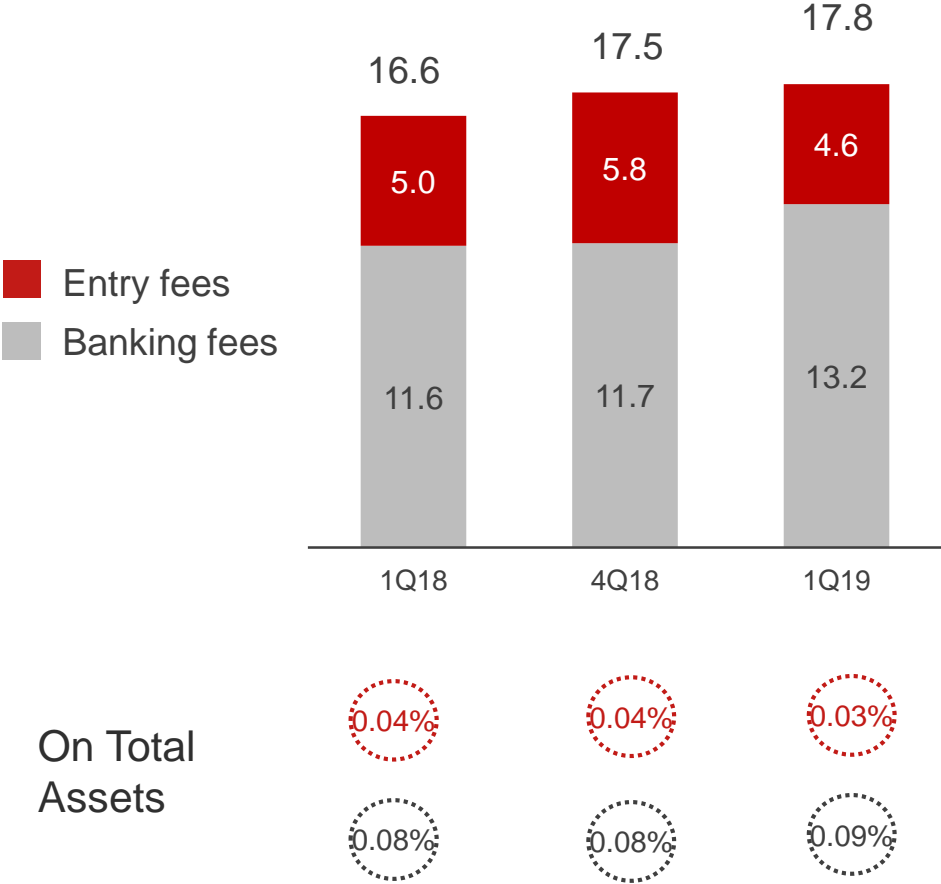
Management fees and margins **steadily recovering from 4Q 2019 lows** due to financial markets' downturn

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 from certificates were steady in the quarter while posting a sharp acceleration in April with €40m new issues out of total €96m in 4M19.

Other entry fees suffered from the volatility in financial markets of the previous quarters

Banking fees benefitted from a **strong contribution from advisory fees (BGPA)**: €3.2m (+61%) on higher volumes (€3bn, +76%) and solid margins (47 bps).

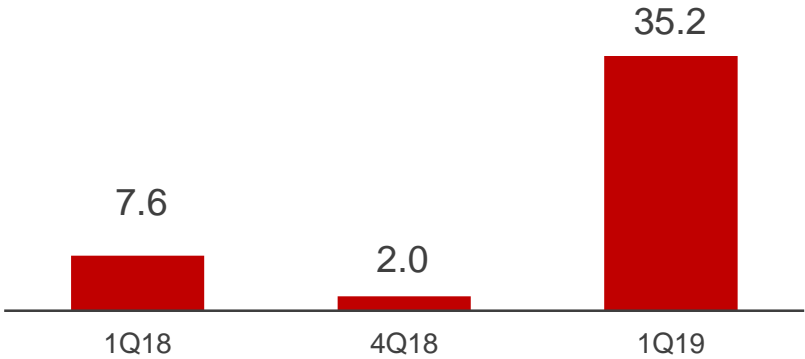
Trading fees were broadly stable pending the launch of the new trading platform, while **other banking fees** were in line with trend in deposits

GROSS FEES (3/3): PERFORMANCE FEES

POSITIVE FINANCIAL PERFORMANCE HARVESTING

Performance Fees m/€

Performance Fees
m/€



On AUM

0.07%

0.02%

0.32%

On Total Assets

0.05%

0.01%

0.24%

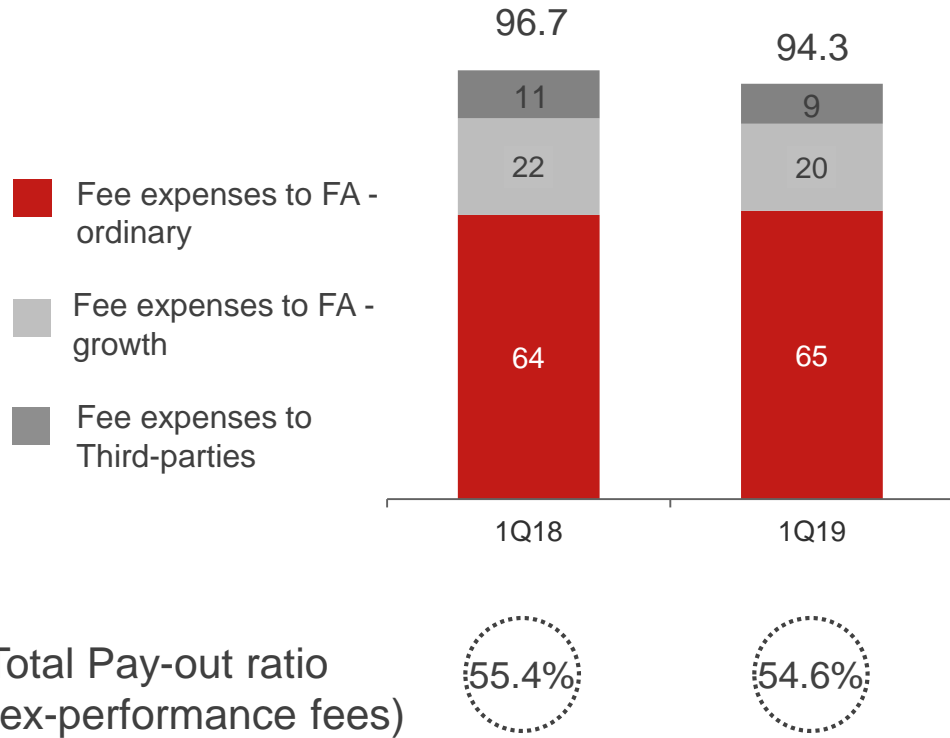
Performance fee in the quarter at 8 bps on managed assets (32 bps on an annualised basis)

New performance fees calculation mechanism applying to 50% of total Lux-based assets

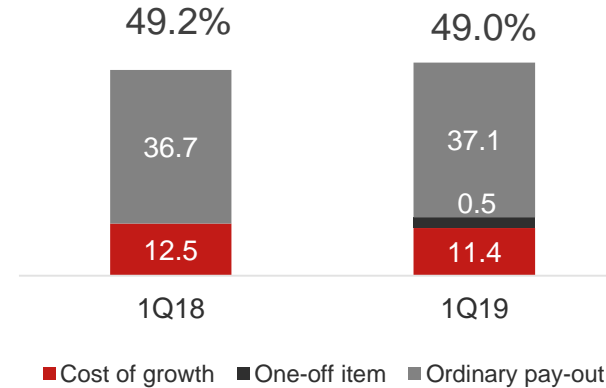
FEE EXPENSES

MOVING TOTAL PAY-OUT LOWER

Total Fee Expenses m/€

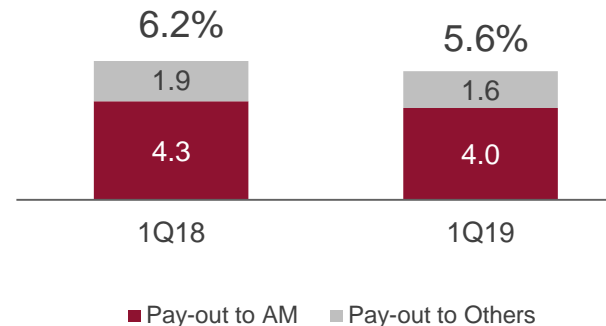


Pay-out to the network %



Ordinary pay-out higher on a one-off item (50bps) related to the indemnity mechanism for FAs' retirement and on seasonality (higher weight of social-security charges in the period)

Pay-out to Third-parties %

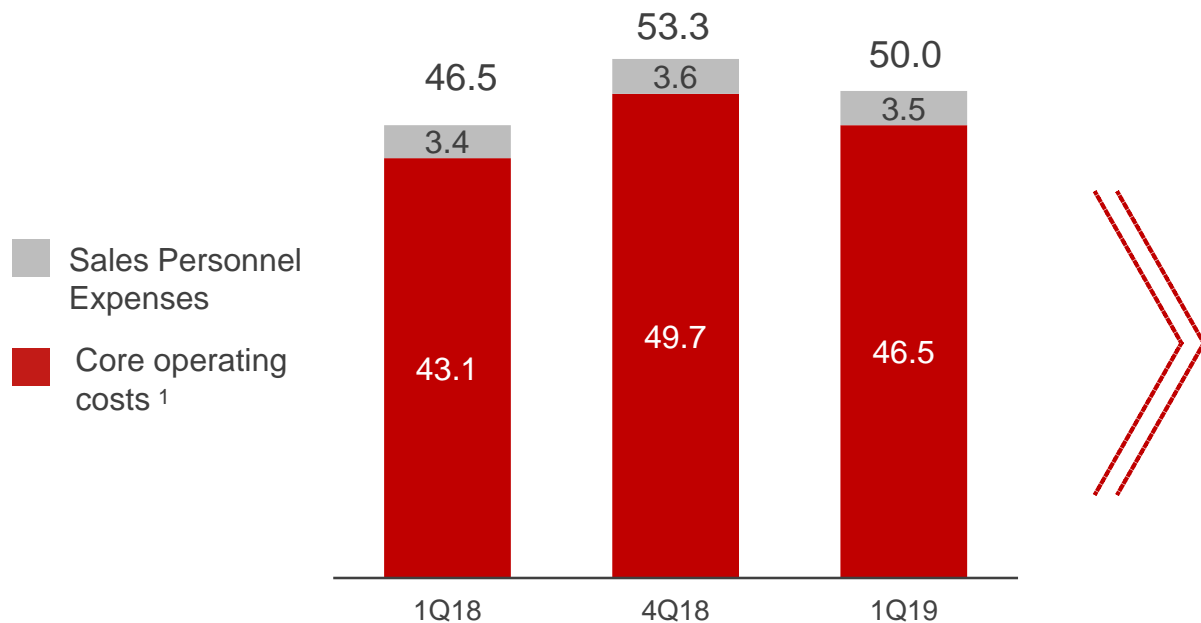


Pay-out to third-party is further contracting on efficiency gains

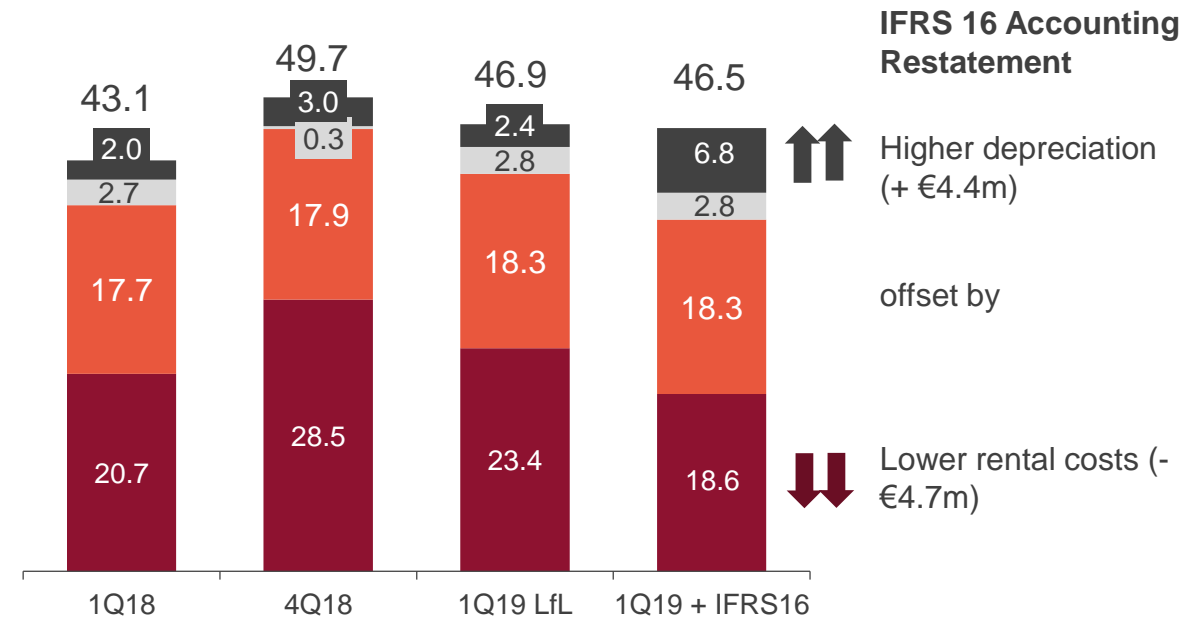
OPERATING COSTS (1/2)

INCREASE LINKED TO ACCELERATION OF KEY PROJECTS

Total operating costs m/€



Breakdown of core operating costs m/€

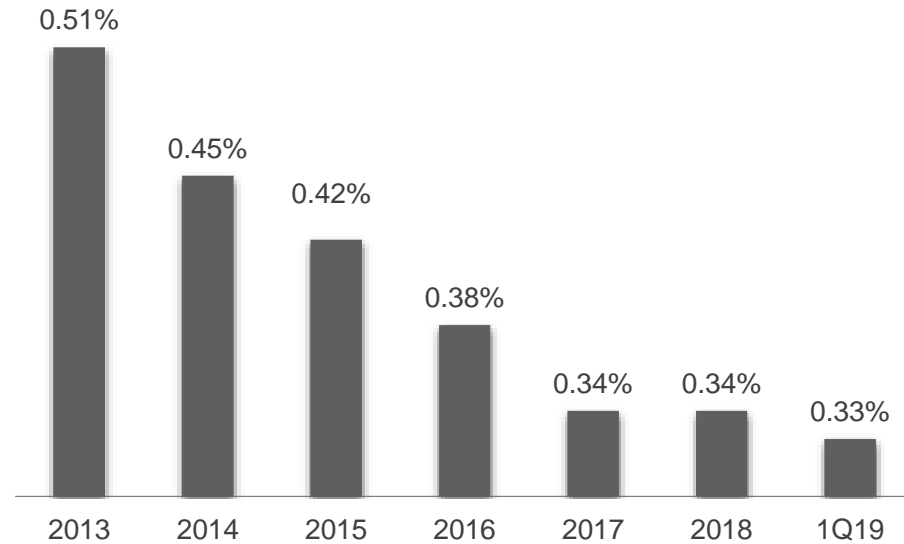


Confirming year-end guidance of a 3-5% increase in Core Operating Costs

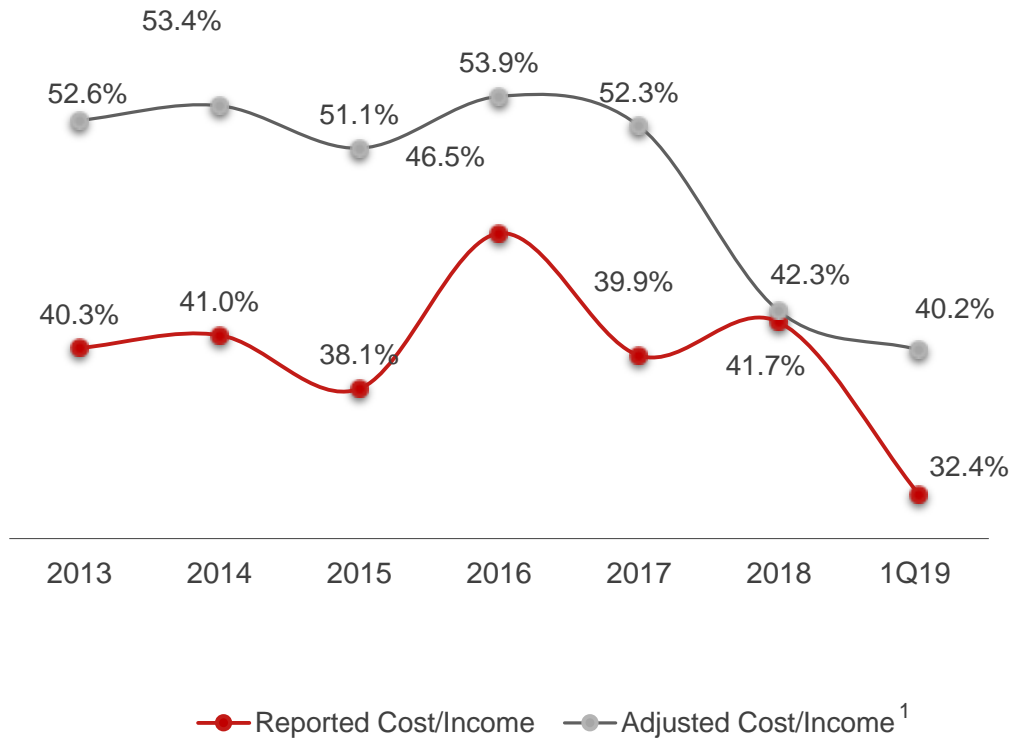
OPERATING COSTS (2/2)

HIGH EFFICIENCY LEVELS CONFIRMED

Operating costs/total assets



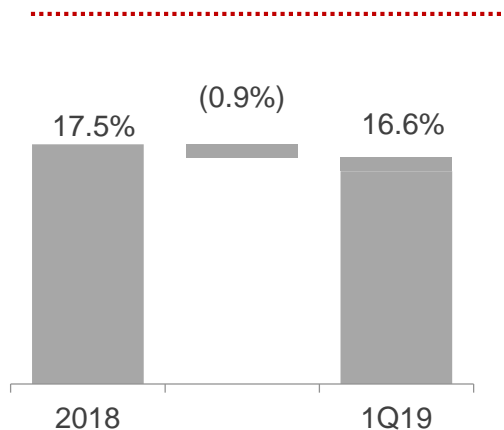
Cost/Income ratio



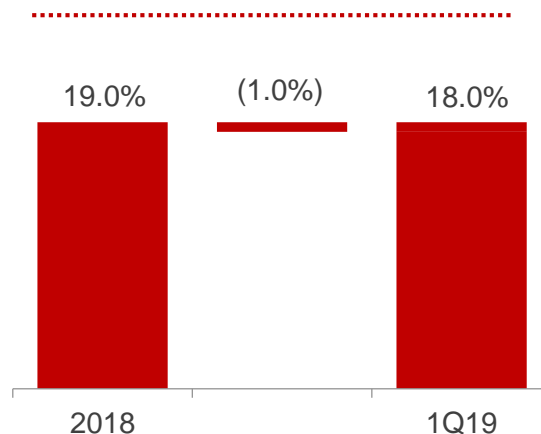
CAPITAL POSITION

SOLID CAPITAL REAFFIRMED AFTER IFRS16 ONE-OFF CHARGE

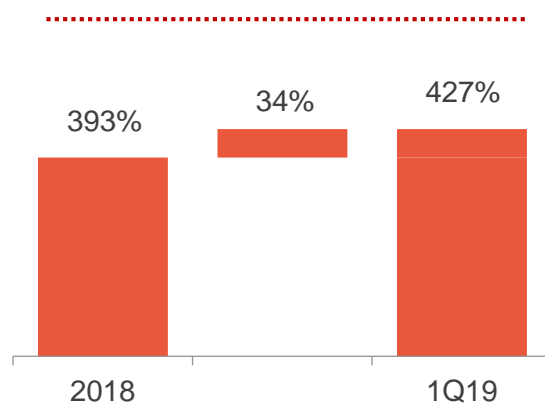
CET1 ratio



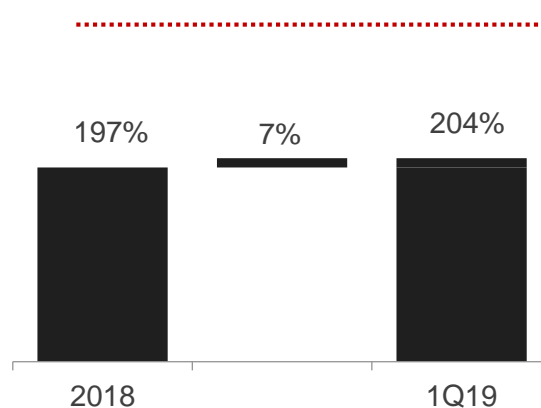
TCR ratio



LCR ratio



NSFR ratio



CET1 ratio and TCR ratio incorporated a **one-off charge of 80bps and 87bps, respectively** linked to the first time application of the IFRS 16 Accounting principle

CET 1 ratio and TCR ratio also **cautiously assuming a 100% earnings retention** to cover dividend policy

High liquidity ratios confirmed

Preliminary remarks

FY 2018 results

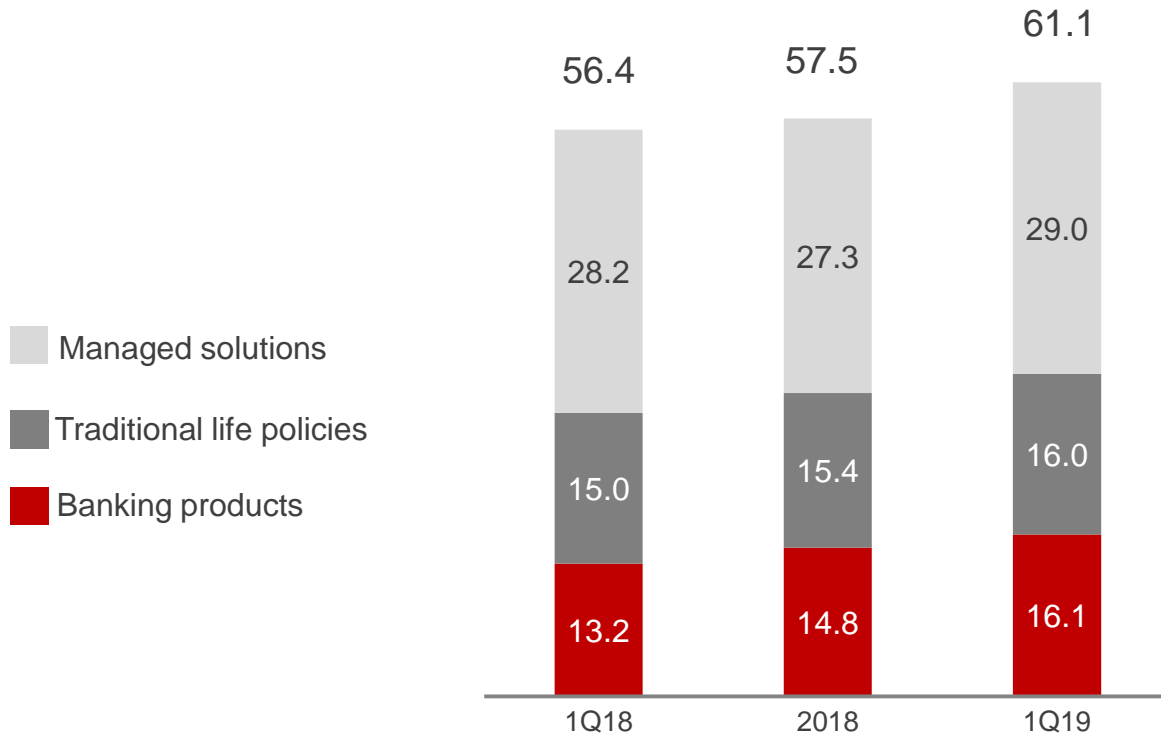
Net Inflows, assets and recruiting

Business update

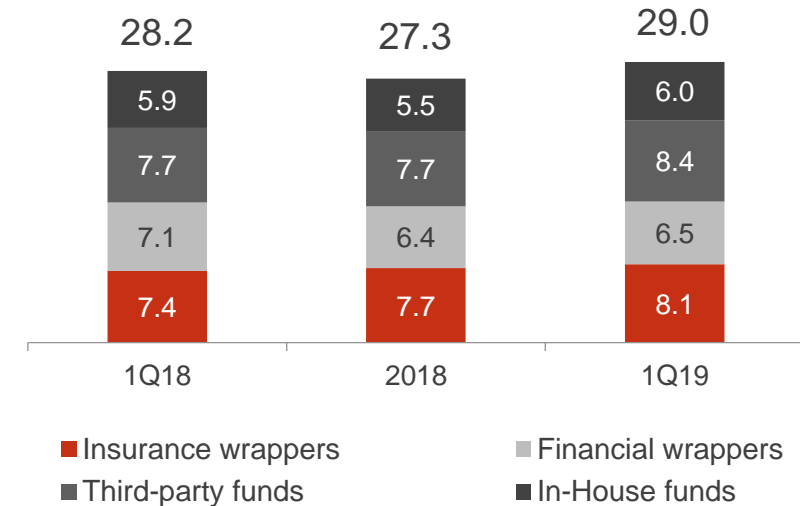
Appendix

1Q 2019 TOTAL ASSETS VOLUMES AND PRODUCT MIX

Total Assets bn/€



Managed Solutions bn/€

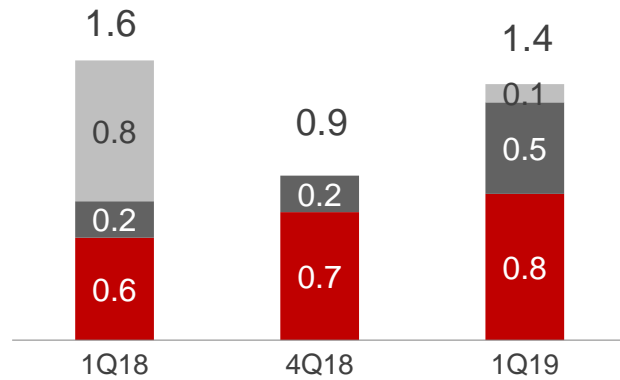


Solid growth in retail funds with a growing contribution from in-house funds (LUX IM), that is expected to further accelerate

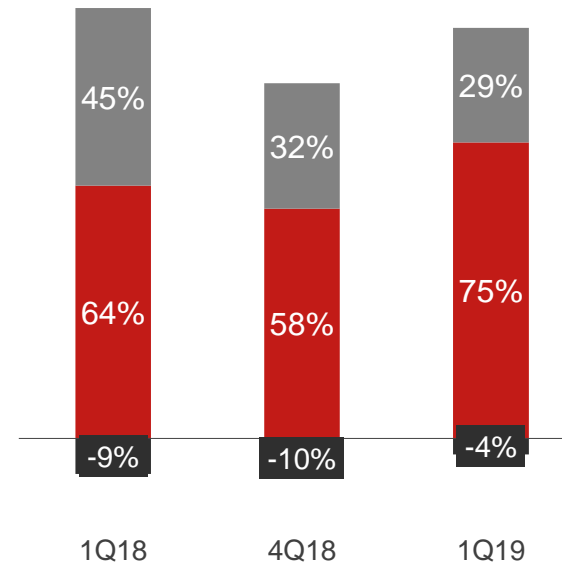
Steady growth of the insurance wrappers while slowdown in financial wrappers ahead of a new product launch expected in 2Q 2019

1Q 2019 NET INFLOWS VOLUMES AND PRODUCT MIX

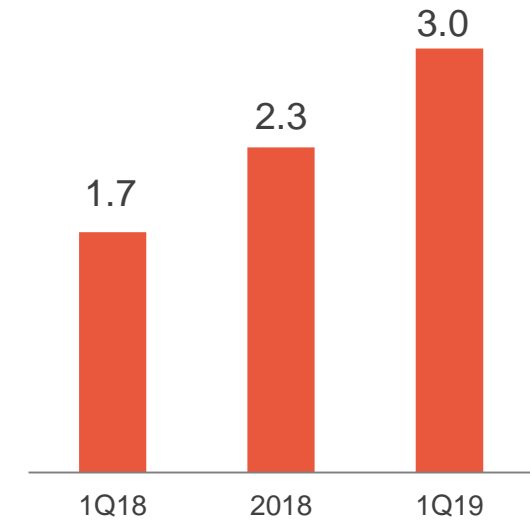
Net inflows bn/€



Total net inflows by acquisition channel m/€



New Assets under advisory bn/€



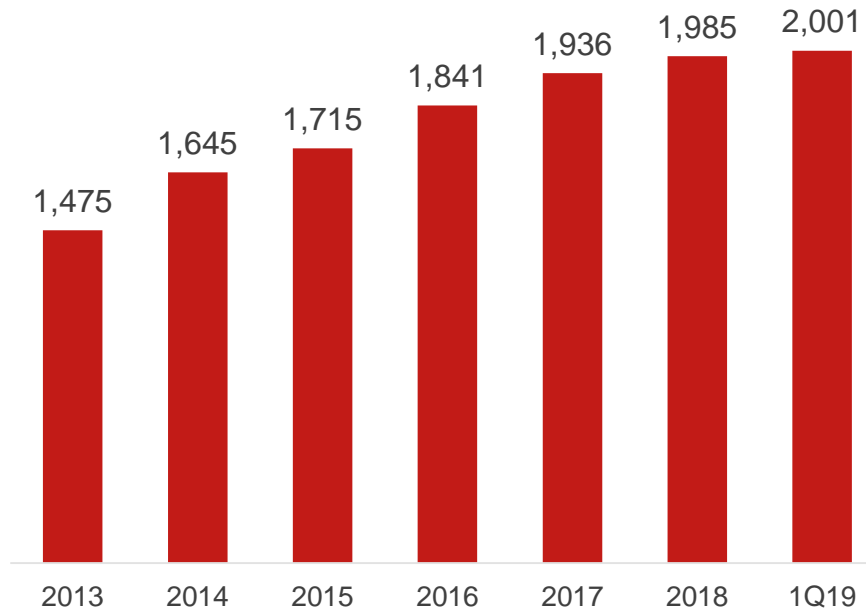
- Managed solutions
- Traditional life policies
- Banking products

- New recruits
- Existing network
- FA Out

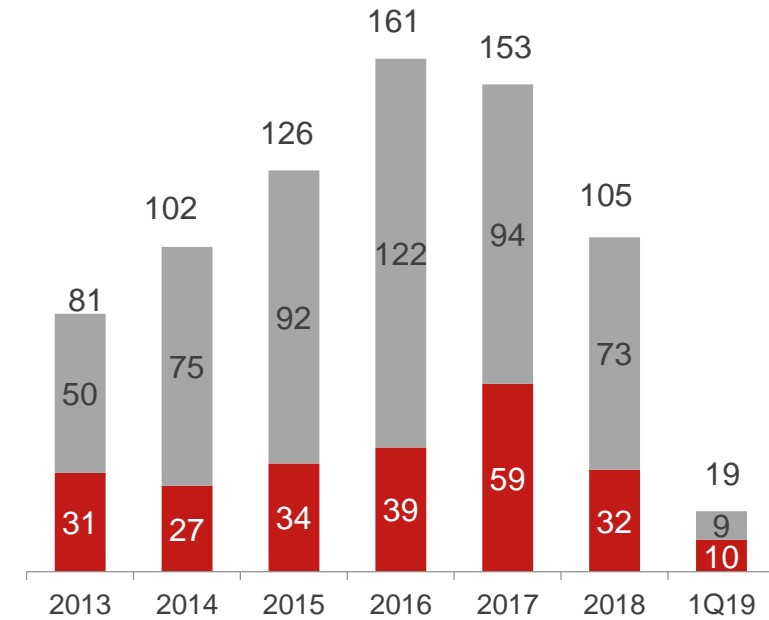
FAS NETWORK

STEADY QUALITY GROWTH

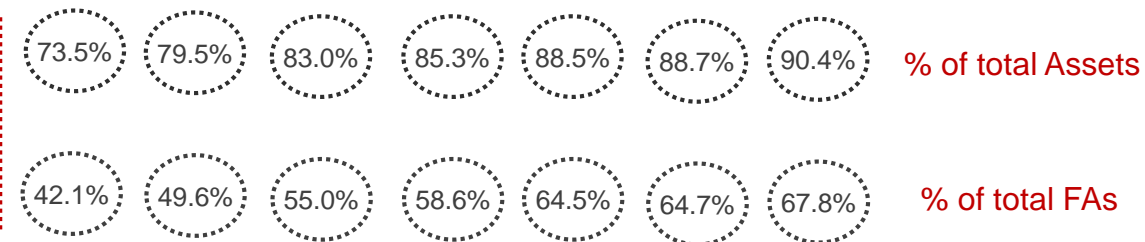
FA Network (# of Recruits)



Recruitment trend (# of Recruits)



FAs with assets >€15m

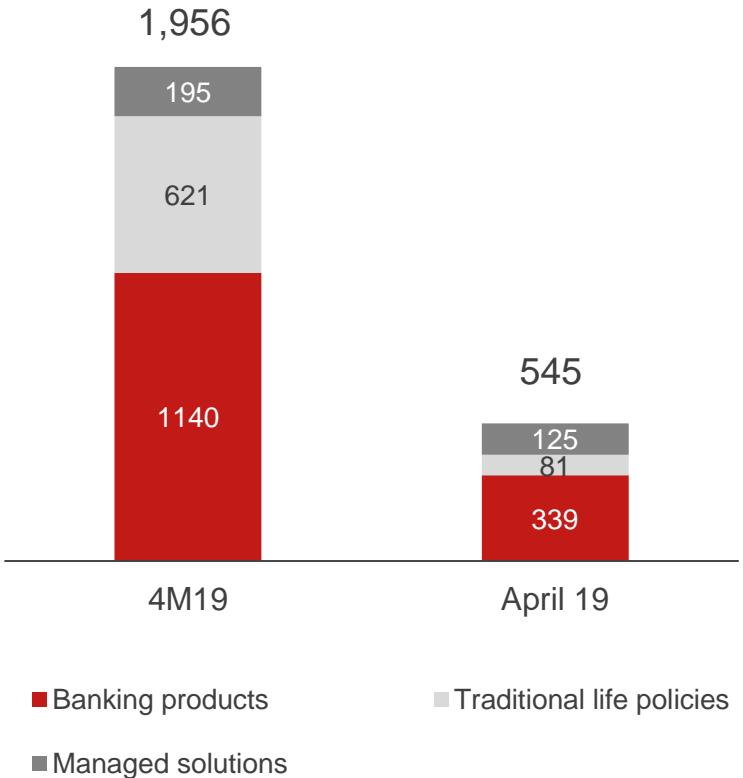


■ From Retail and Private Banks
■ From other FA Networks

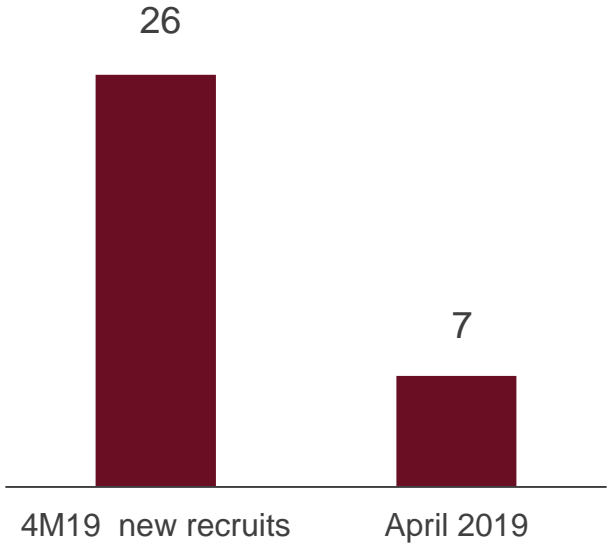
APRIL 2019 NET INFLOWS

STRONG COMMERCIAL DATA

Total net inflows, monthly trend m/€



Recruiting, monthly trend (# of new recruits)



AGENDA

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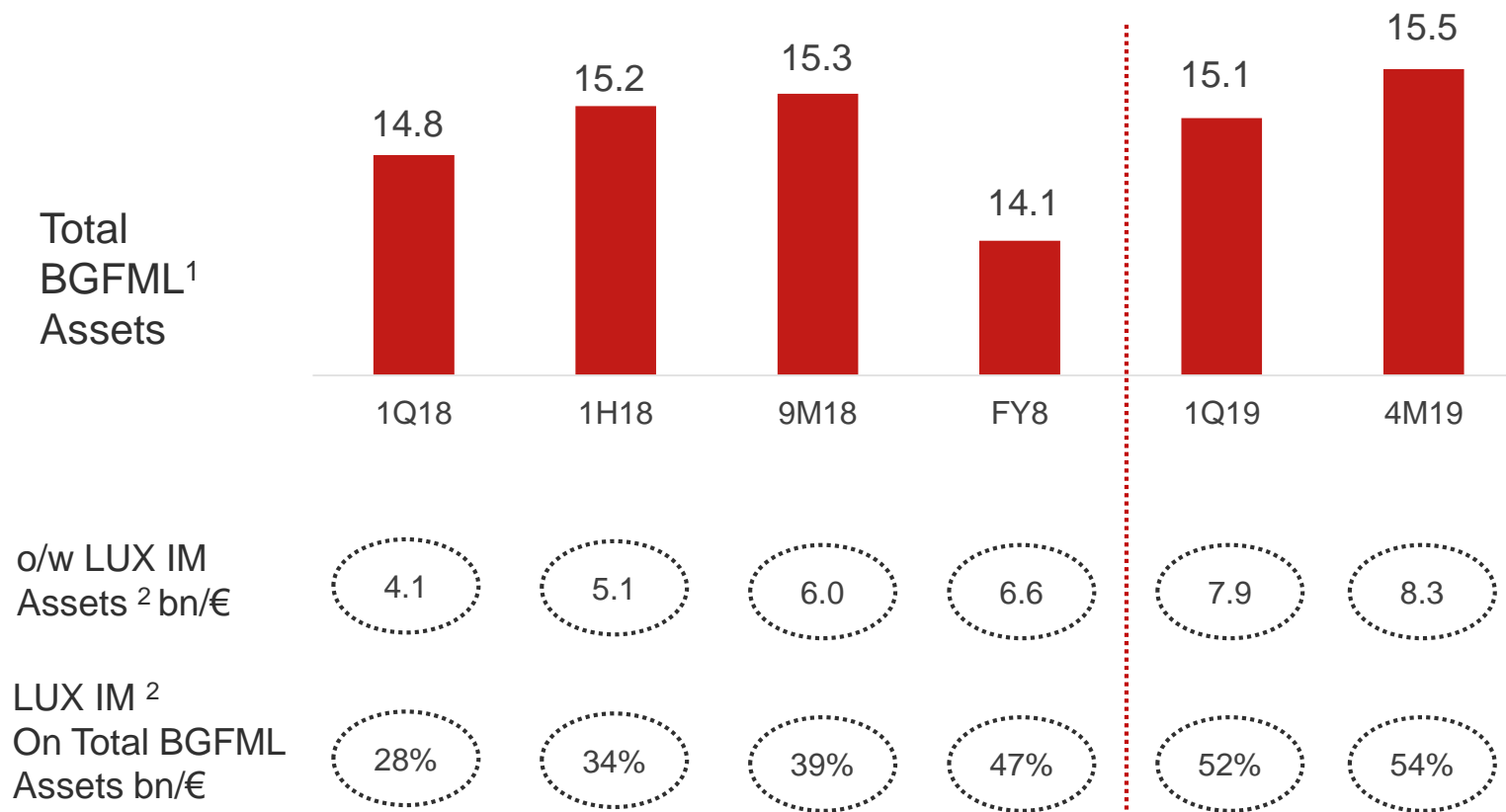
Business update

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LUX-BASED ASSETS

ASSETS AT ALL-TIME HIGHS

BG FML - LUX-based assets bn/€



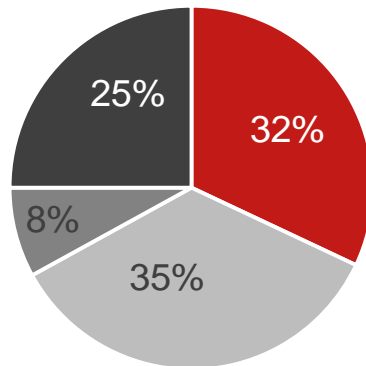
Strong BGFML performance in 1Q19 (+7.2%) further accelerating in April (+9.4% YTD)

New Sicavs (LUX IM & BG Alternative) growing fast and already representing 54% of total Lux-based assets (inception 1Q18)

Net inflows of LUX IM strongly up (€590m in 2019 YTD)

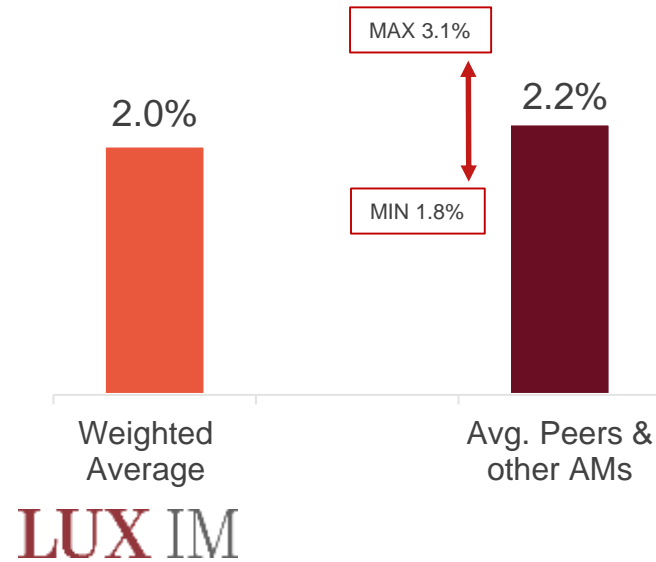
LUX IM

Asset Breakdown
by Asset Class



- Equity
- Fixed Income
- Liquid Alt
- Multi-Assets

Pricing
LUX IM vs. Peers¹

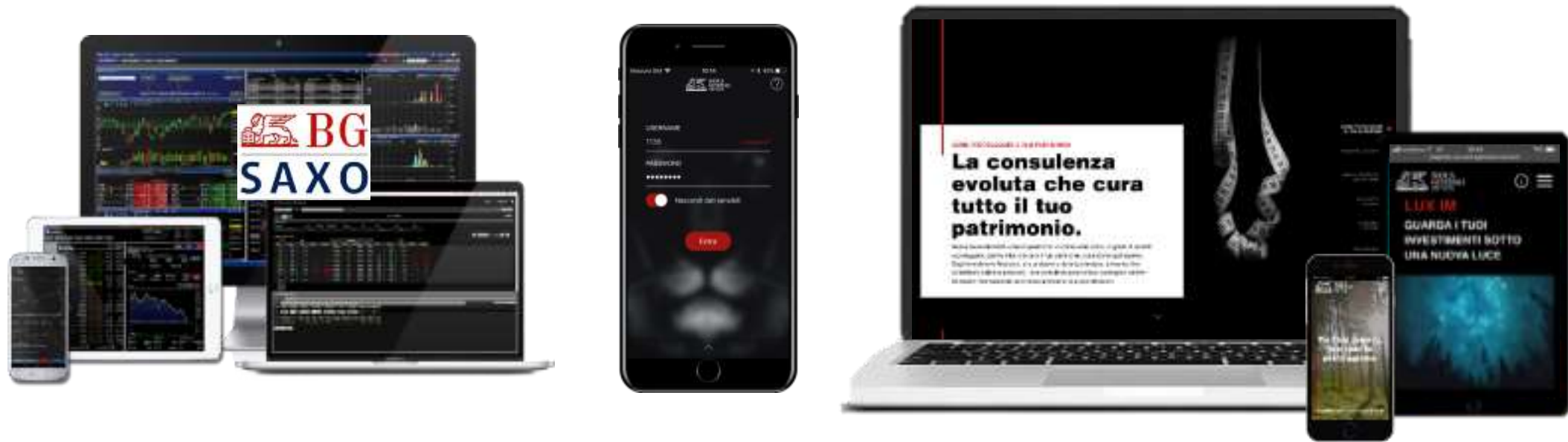


Lux IM currently offers **51 different investment strategies**, many of them developed on an exclusive basis for Banca Generali. New launches in 4Q19

The 15 best-selling strategies make up for 40% of total LUX IM assets and focus on **risk mitigation, thematic investment** (with advisory from industry experts), **ESG**.

LUX IM pricing below sector average on comparable investment strategies

Being disruptive in relation to the Clients



- **100% digital onboarding process LIVE** - account opened in 15-20 minutes
- **Mobile Banking App LIVE** - innovative customer experience and new features, amongst others: vocal interaction, Apple pay and Samsung pay integrated, BG Saxo directly embedded in the App



- Closing expected by June-July 2019
- **High interest and positive feedbacks** from local financial business community

NEXTAM PARTNERS

- Closing expected by June-July 2019
- Roadshow scheduled in May in order to present to the FAs network the **new portfolio management lines** developed in cooperation with Nextam



- Internal pilot project successfully completed
- **Roll-out of the platform to the FA network and their clients started**

AGENDA

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NEW ACCOUNTING PRINCIPLES IFRS15 & IFRS 16

DETAILS ON RECONCILIATION

(<i>€ mln</i>)	1Q 18	1Q 19	1Q 19	Delta vs. LfL	1Q 19	Delta vs. IFRS 15 & IFRS 16
		LfL	IFRS15		IFRS15 IFRS16	
Net Interest Income	13.2	16.7	16.7		15.9	-0.85
Net income (loss) from trading activities and Dividends	15.2	4.0	4.0		4.0	
Net Financial Income	28.5	20.7	20.7		19.9	-0.85
Gross fees	182.4	208.0	208.0		208.0	
Fee expenses	-96.7	-97.3	-94.3	3.0	-94.3	
Net Fees	85.6	110.7	113.7	3.0	113.7	
Total Banking Income	114.1	131.4	134.4	3.0	133.6	-0.85
Staff expenses	-21.1	-21.8	-21.8		-21.8	
Other general and administrative expense	-37.3	-39.9	-39.9		-35.2	4.70
Depreciation and amortisation	-2.0	-2.4	-2.4		-6.8	-4.35
Other net operating income (expense)	13.9	13.7	13.7		13.7	
Total operating costs	-46.5	-50.4	-50.4		-50.0	0.36
<i>Cost/Income Ratio</i>	<i>39.0%</i>	<i>36.5%</i>	<i>35.7%</i>	<i>-0.8 p.p</i>	<i>32.4%</i>	<i>-3.3 p.p.</i>
Operating Profit	67.6	81.0	84.0	3.0	83.5	-0.50
Net adjustments for impair.loans and other assets	0.2	4.0	4.0		4.0	
Net provisions for liabilities and contingencies	-4.8	-6.1	-6.1		-6.1	
Gain (loss) from disposal of equity investments	-0.1	-0.1	-0.1		-0.1	
Profit Before Taxation	62.9	78.8	81.8		81.4	
Direct income taxes	-13.8	-13.9	-14.9	-1.0	-14.7	0.16
<i>Tax rate</i>	<i>22.0%</i>	<i>17.6%</i>	<i>18.2%</i>	<i>-0.6 p.p</i>	<i>18.1%</i>	<i>-0.1% p.p.</i>
Net Profit	49.0	64.9	67.0	2.1	66.6	0.36

Comments

First Time Adoption of IFRS 16 Accounting Standard (IASB)

Banca Generali has stated its **Right of Use (RoU)** of total lease assets 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 (-€0.85m)** - Decrease due to interests paid on the leasing debt. In Q19 cost of financing was estimated at 2.5% and RoU at €136 million.
- **G&A expenses (-€4.7m)** – Decrease due to cancellation of previous rental costs
- **Depreciation (+€4.4m)** – Increase linked to the RoU depreciation charge according to the weighted average length of the leasing contracts estimated at 8 years.

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.

Neither Banca Generali S.p.A. nor any of its affiliates, directors, officers employees or agents owe any duty of care towards any user of the information provided herein nor any obligation to update any forward-looking information contained in this document.

UPCOMING EVENTS

JULY

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			

1H 2019 results
& Investor Conference Call

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

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