



SPAFID
CONNECT

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Nome utilizzatore : BCAGENERALIN03 - Pastore
Tipologia : 1.2
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Oggetto : Banca Generali 9M20 investor presentation

<i>Testo del comunicato</i>

Vedi allegato.

9M 2020 RESULTS

5 NOVEMBER 2020



**BANCA
GENERALI**

Our Mission:
To be the
No.1 Private Bank
unique
by Value of Service,
Innovation and
Sustainability



Preliminary remarks



9M 2020 Results



Net Inflows, Assets and Recruitment



Business update



Appendix



Total assets at €70.4bn (+7% YoY), Net inflows at €4.1bn (+8% YoY)

- **Solid assets driven by net inflows, stable financial market conditions and diversified offer.** Pure managed solutions (€34.5bn, +10%) above pre-crisis level, underscoring a step-up in demand for long-term investment planning. Advanced advisory (AuA) reached 7.7% of total assets, reinforcing a structural growth for this service.
- **Robust net inflows with high quality mix.** Managed solutions doubled YoY driven by core LUX IM and wrapper solutions. Strong contribution from existing FAs who made up for 78% of total net inflows in the period. Recruiting - after 1H20 pause due to Covid-19 - restarted briskly since June.



Net profit stable with improved quality

- **Sound increase in the operating component with a key contribution from a well-diversified mix of revenues.** Both NII and recurring net fees moved higher with an uptick in gross management fee margins and new revenue streams (+43%). Headline costs inflated by change in perimeter, yet core operating costs increased in line with guidance (+2%).
- **Net profit proved stable after higher provisions (+45%) and higher contributions for banking funds (+53%)** mostly linked to extraordinary items¹. Taxation also higher than last year, in line with new long-term guidance



Solid capital position in any dividend scenario

- **Stated CET1 and TCR ratios at 20.4% and 21.7% including 1st tranche 2019 dividend re-allocated to equity reserves** as from the BoD resolution of 15 October 2020 coherently with the Supervisory Authority recommendation on dividend payments. Stated capital ratios calculated on the base of the dividend policy guidelines as far as 2020 dividend payment is concerned
- **Pro-forma CET1 and TCR at 15.2% and 16.5% excluding 1st tranche 2019 dividend re-allocated to equity reserves.** Banca Generali confirms its commitment to pay-out the tranche that was cancelled whenever allowed by the Authorities

RESULTS AT A GLANCE

KEY TAKEAWAYS



(€ mil)	9M 19	9M 20	% Chg
Net Interest Income	53.9	67.1	24.5%
Net income (loss) from trading activities and Dividends	9.3	10.1	8.2%
Net Financial Income	63.2	77.1	22.1%
Gross recurring fees	536.8	575.2	7.2%
Fee expenses	-287.9	-305.4	6.1%
Net recurring fees	248.9	269.8	8.4%
Variable fees	96.3	100.4	4.2%
Total Net Fees	345.2	370.3	7.3%
Total Banking Income	408.4	447.4	9.6%
Staff expenses	-67.6	-76.5	13.1%
Other general and administrative expense	-62.7	-67.0	6.8%
Depreciation and amortisation	-21.2	-23.5	11.0%
Other net operating income (expense)	3.1	3.0	-2.1%
Total operating costs	-148.4	-163.9	10.5%
<i>Cost /Income Ratio</i>	<i>31.2%</i>	<i>31.4%</i>	<i>0.2 p.p.</i>
Operating Profit	260.0	283.5	9.0%
Net adjustments for impair.loans and other assets	-2.3	-2.3	2.1%
Net provisions for liabilities and contingencies	-13.0	-18.9	45.5%
Contributions to banking funds	-7.3	-11.1	53.4%
Gain (loss) from disposal of equity investments	-0.2	-0.1	-46.9%
Profit Before Taxation	237.2	251.0	5.8%
Direct income taxes	-41.2	-55.2	34.1%
<i>Tax rate</i>	<i>17.4%</i>	<i>22.0%</i>	<i>4.6 p.p.</i>
Net Profit	196.0	195.8	-0.1%

Comments

Sound increase in Total Banking Income (+10%)

- Net Financial Income (+22%) with a strong NII (+25%) for higher volumes and resilient yield on banking book
- Total net recurring Fees (+8%) moving higher on growing managed assets and new revenue streams
- Variable fees (+4%) posted a small increase thanks to positive financial markets' performance in 3Q
- Headline operating costs¹ inflated by the change in perimeter (€14.5m). Core operating costs instead posted a limited increase (+2.0%).

Net profit in line with record result of last year amid higher provisions and higher tax charge

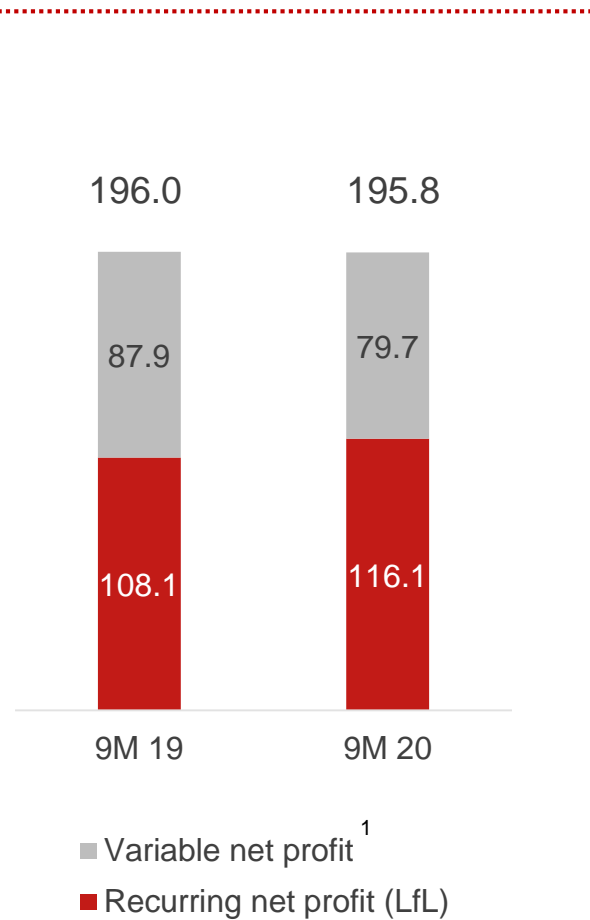
- Provisions were higher primarily for the change in the discount rate applied on actuarial valuation (€4m).
- Contributions to banking funds (+53%) included €2.2m of extraordinary contribution to the Interbank Deposit Protection Fund
- Tax-rate increased to 22% (+4.6ppts YoY), in line with new long-term guidance

NET PROFIT BREAKDOWN

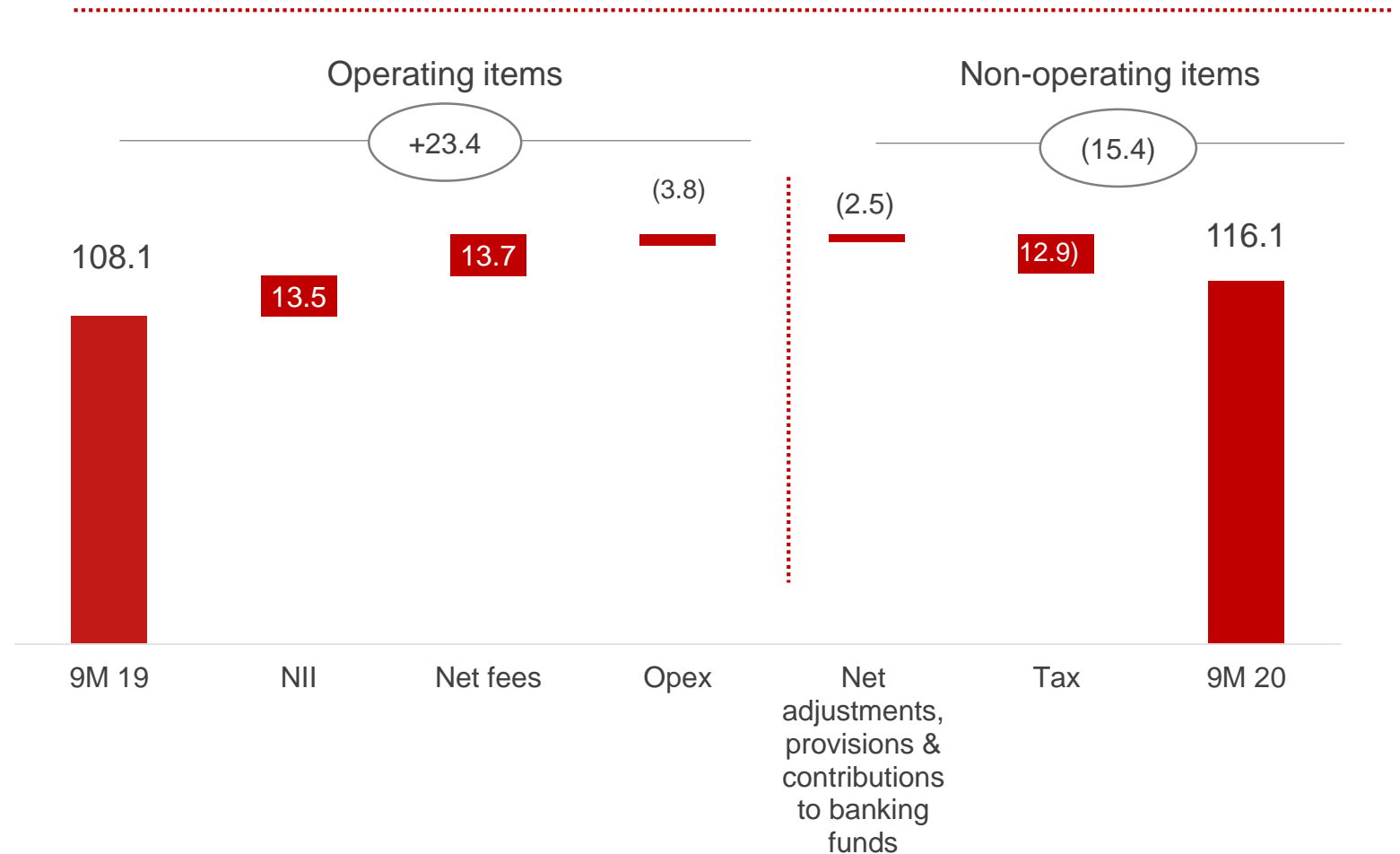
POSITIVE OPERATING TREND OFFSET BY HIGHER TAXATION



Net profit breakdown m/€



Build-up of recurring net profit m/€



Note 1) Variable net profit including performance fees, trading income (ex-dividend and forex), change in perimeter (Nextam and Valeur), change in discount rate on actuarial reserves (€4.4m) and extraordinary contribution to banking funds (€2.2m)

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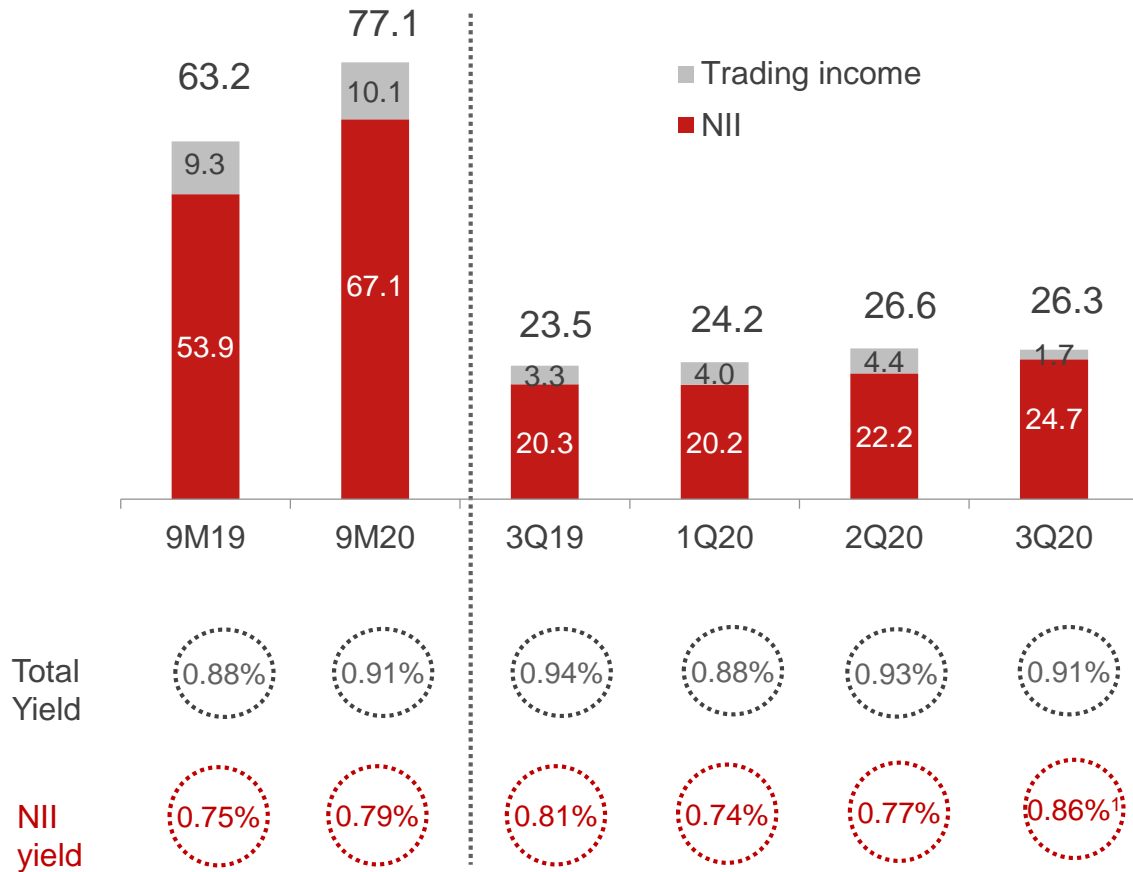
Appendix

NET FINANCIAL INCOME

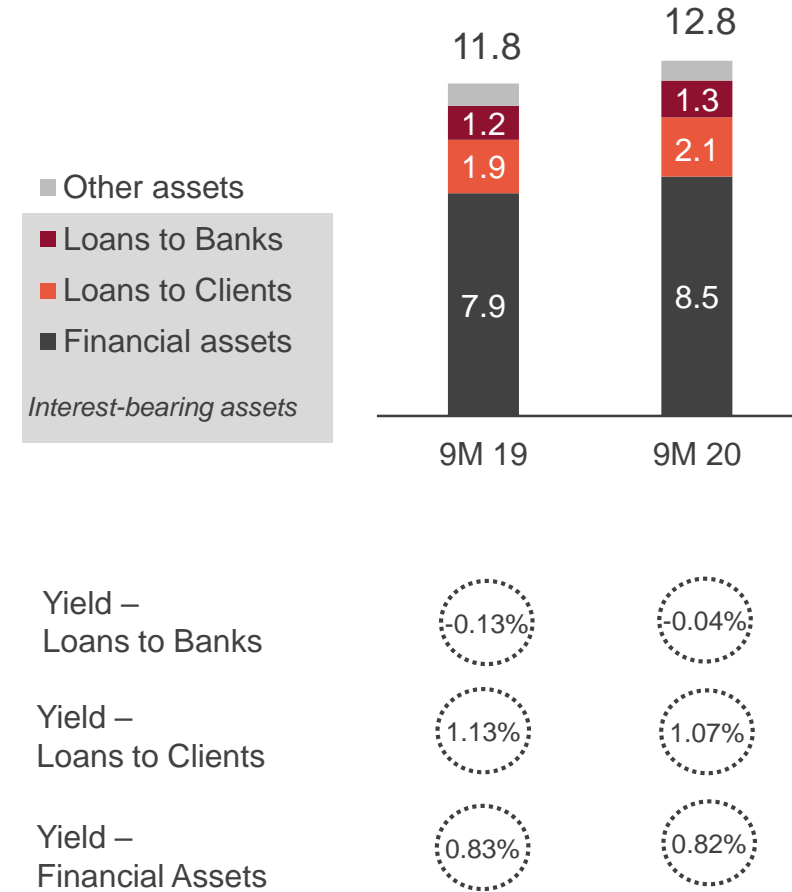
NET INTEREST INCOME MOVING HIGHER



Net financial income m/€



Interest-bearing Assets bn/€



NII increased both YoY and QoQ driven by higher assets, sticky investment return and €1.3m contribution from the €500m TLTRO loan in 3Q

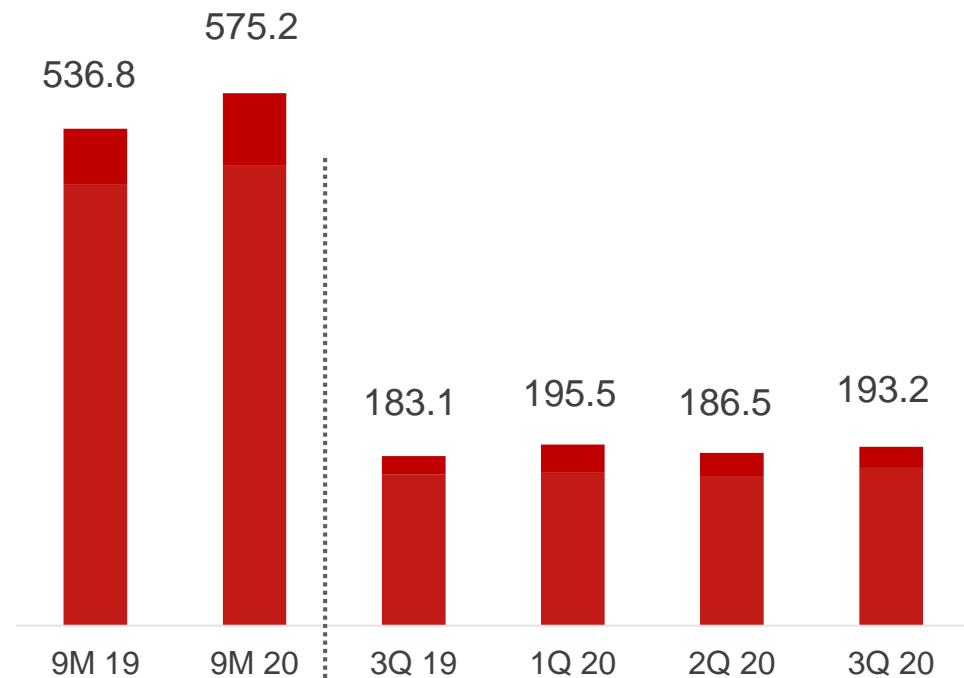
Investment yield on financial assets (+3bps QoQ, -1bps YoY) was steady, with duration at 1.5yrs, maturity at 3.7yrs and more diversified mix

GROSS FEES (1/3)

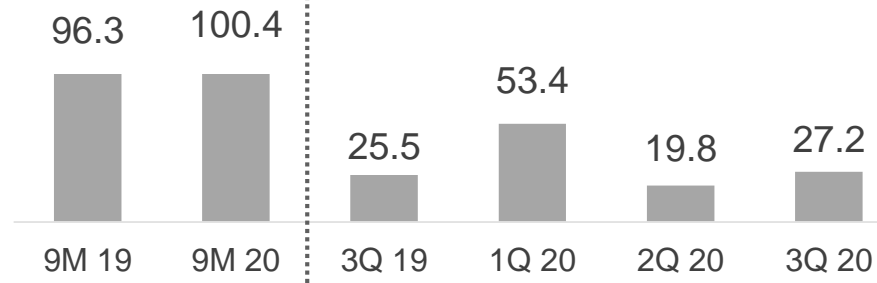
POSITIVE CONTRIBUTION FROM ALL REVENUE LINES



Gross recurring fees m/€



Variable fees m/€



Sound increase in recurring fees (+7% YoY, +4% QoQ) driven by higher managed assets and more revenue streams

3Q gross recurring margin (+1bps to 1.13%) posting an uptick driven by management fees

On Total Assets¹

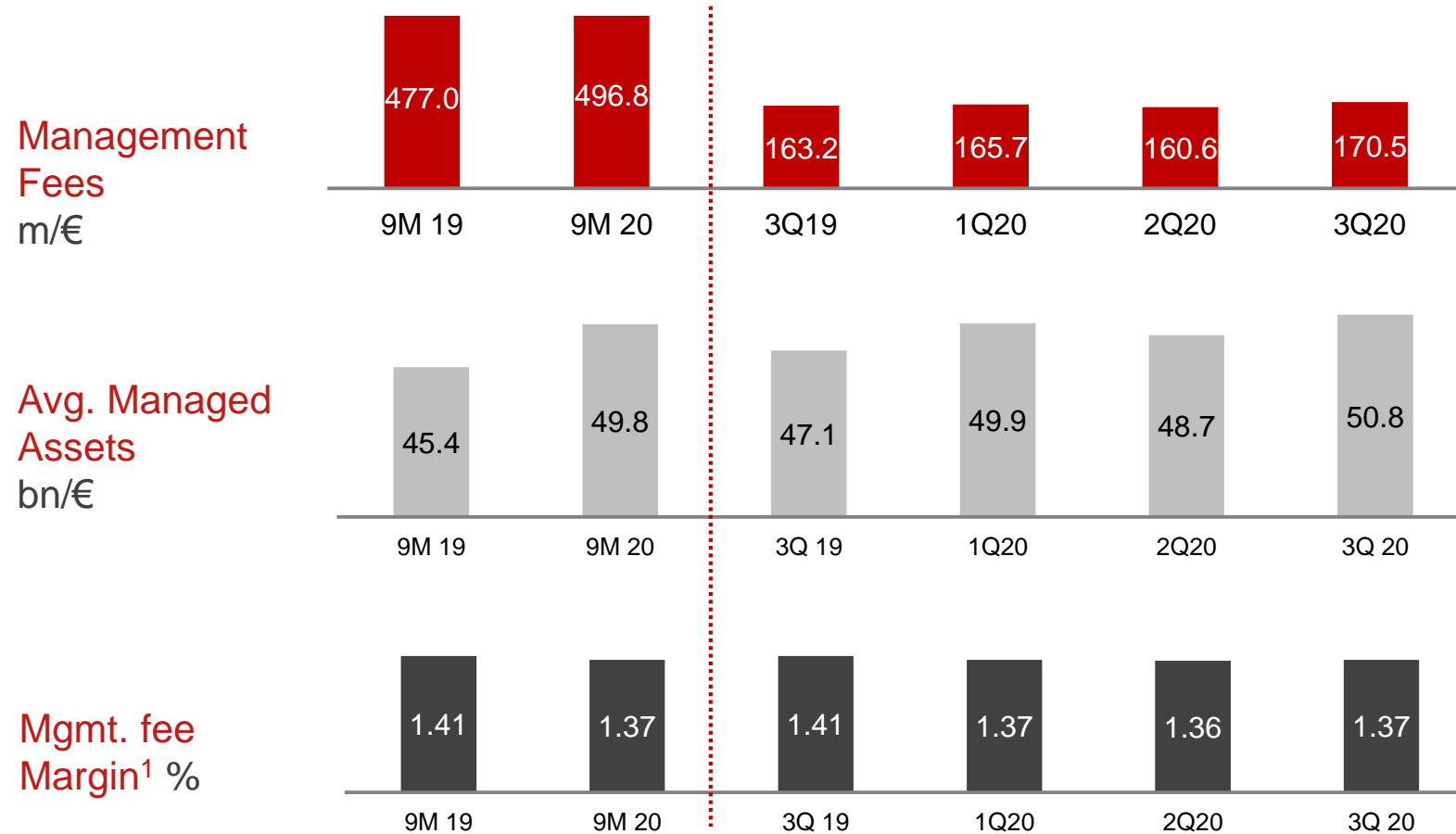


GROSS FEES: MANAGEMENT FEES (2/3)

ACCELERATION AT QUARTERLY LEVEL



Quarterly trend m/€



Quarterly management fees above pre-crisis level in absolute terms (+6% QoQ) boosted by higher volumes and improving margins

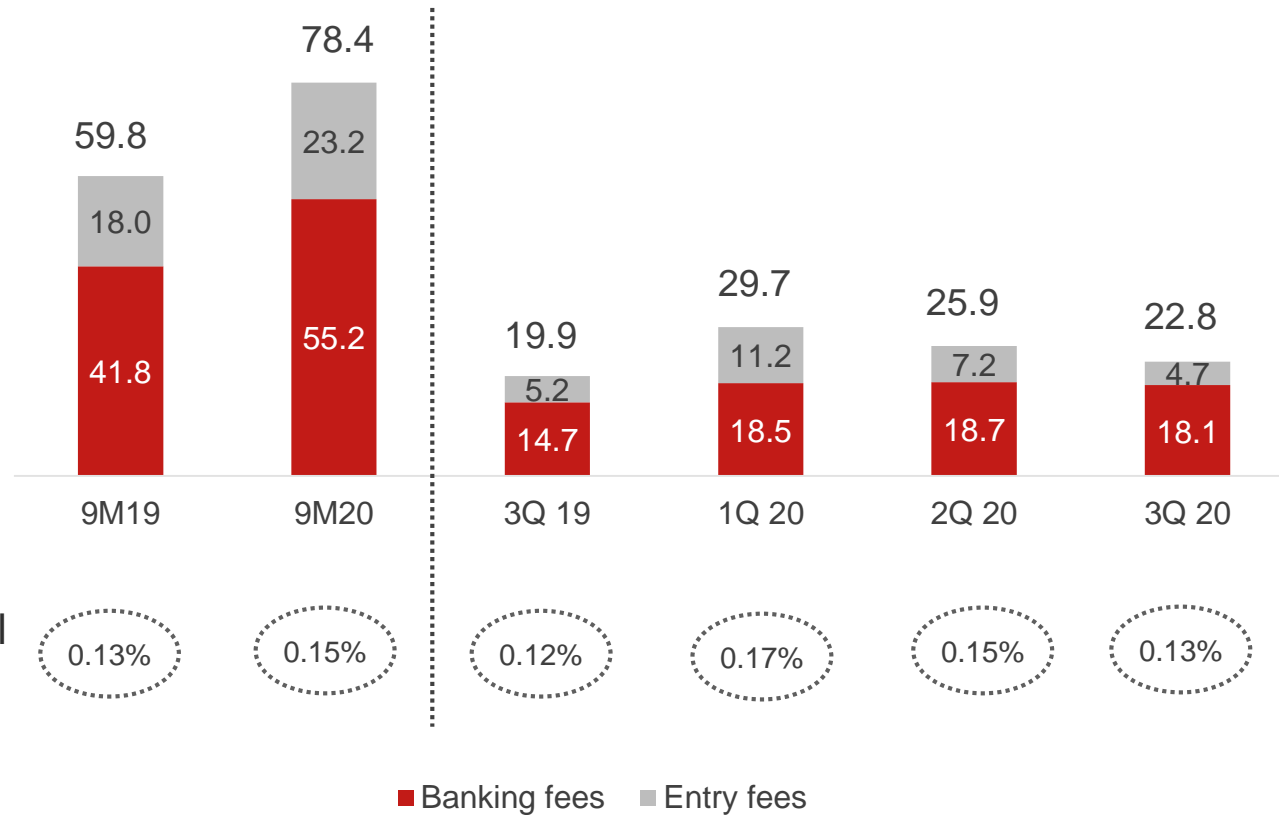
3Q management fee margin trending higher thanks to a rebalancing within insurance products towards wrapper solutions

GROSS FEES (3/3): OTHER FEES

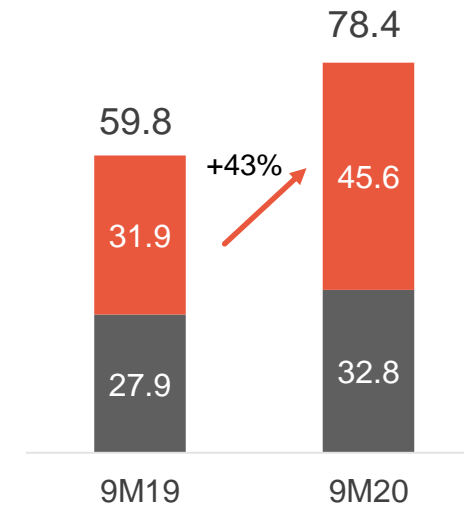
GROWING CONTRIBUTION AND DIVERSIFICATION



Banking and Entry Fees m/€



New revenue streams m/€



Sound increase in banking and entry fees (+31% YoY).

3Q reflecting seasonality, yet higher YoY

New revenue streams at 58% of other fees driven primarily by advanced advisory fees (+55% YoY)

Transactional banking and entry fees (+18%) boosted by institutional brokerage

FOCUS ON NEW REVENUE STREAMS

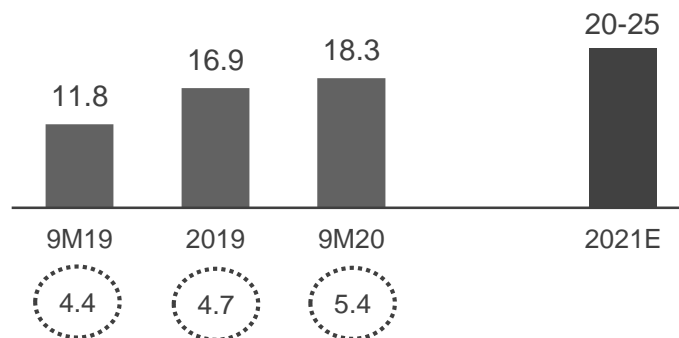
GROWTH TREND ABOVE PLAN ACROSS THE BOARD



New revenue streams m/€



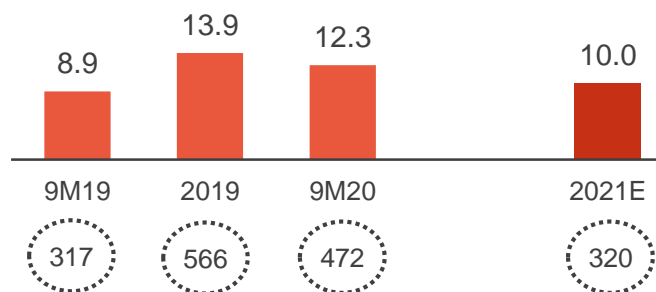
Assets under advisory bn/€



- **Strong delivery** reflecting growing demand for advisory on both financial and non-financial wealth
- **AuA/Total assets at 7.8%** with target revised upwards to 8-10% by 2021 (i.e. to €6.3-7.5bn)



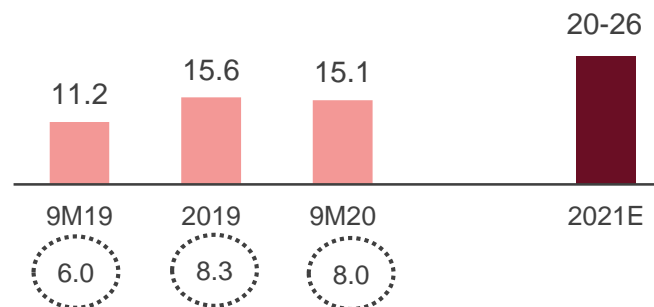
Notional new issues m/€



- **Strong volumes, ahead of expectations (+50% vs. 2021 target, as of 9M 20)** despite a slowdown in 2Q and 3Q due to market volatility and seasonality
- Average run-rate of new issues seen 2x higher than original 2021 target



Retail brokerage volumes bn/€



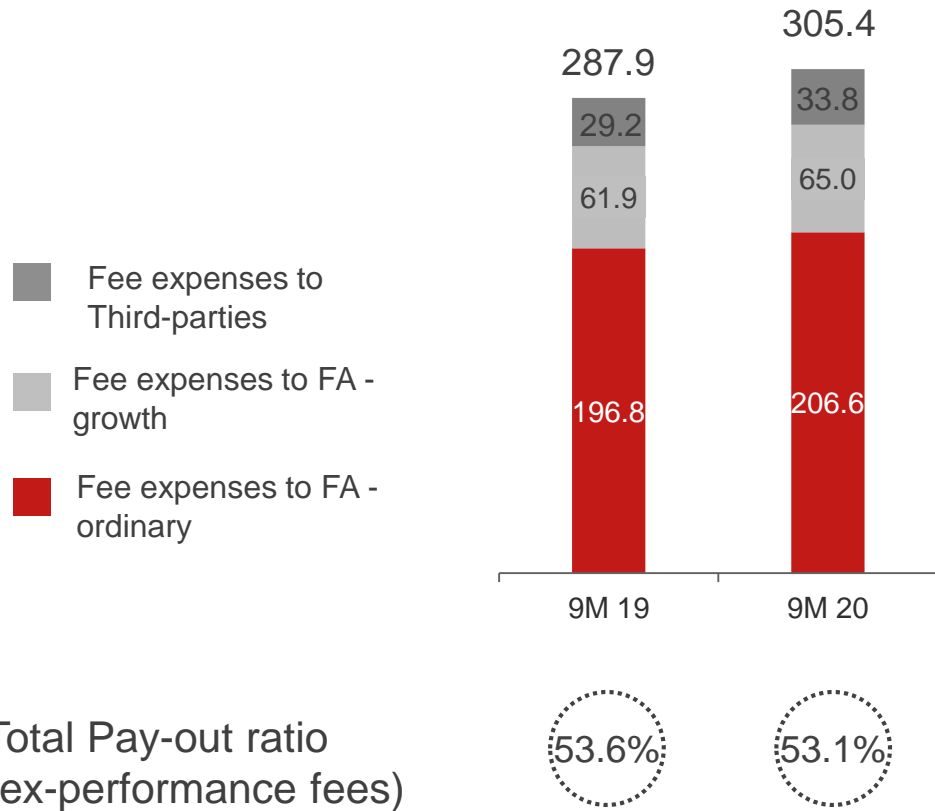
- **Growing in-house client base (~3K YTD)** trading with the new platform
- **BG SAXO 9M20 turnover ratio at 8.1x YTD** (5.8x in 2019), well above 1.4x target set for 2021

FEE EXPENSES

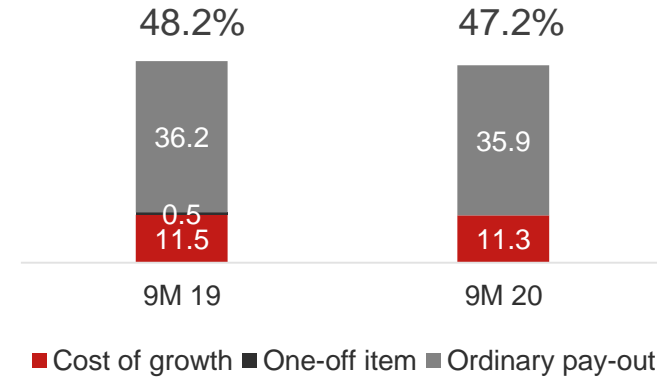
TOTAL PAY-OUT RATIO IMPROVING FURTHER



Total Fee Expenses m/€

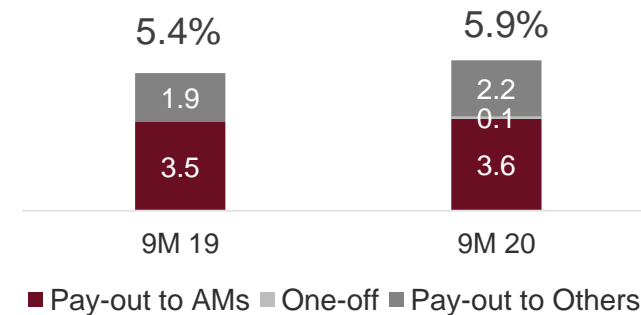


Pay-out to the network %



Pay-out to the network decreased thanks to lower one-off and change in asset mix and lower cost of growth

Pay-out to Third-parties %



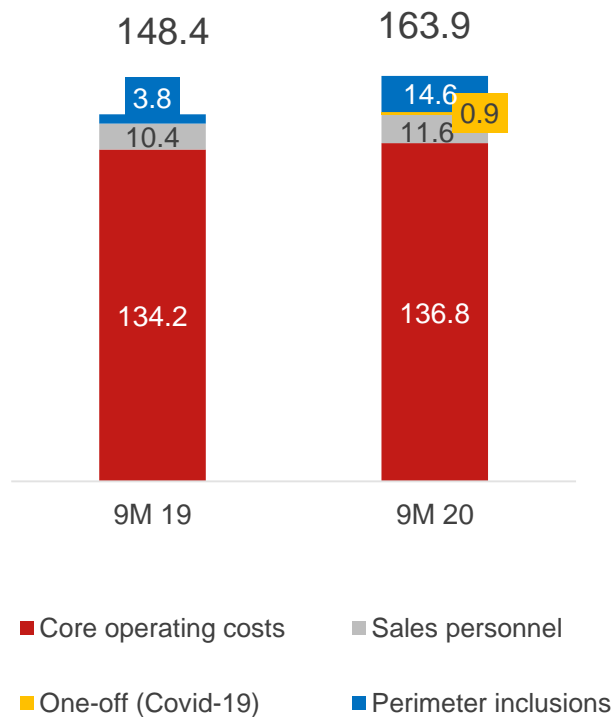
Pay-out to AMs was broadly stable while **pay-out to others** reported a temporary spike driven by an acceleration in advisory fees for Robo4AD. The spike expected to be reabsorbed in the coming quarters

OPERATING COSTS (1/2)

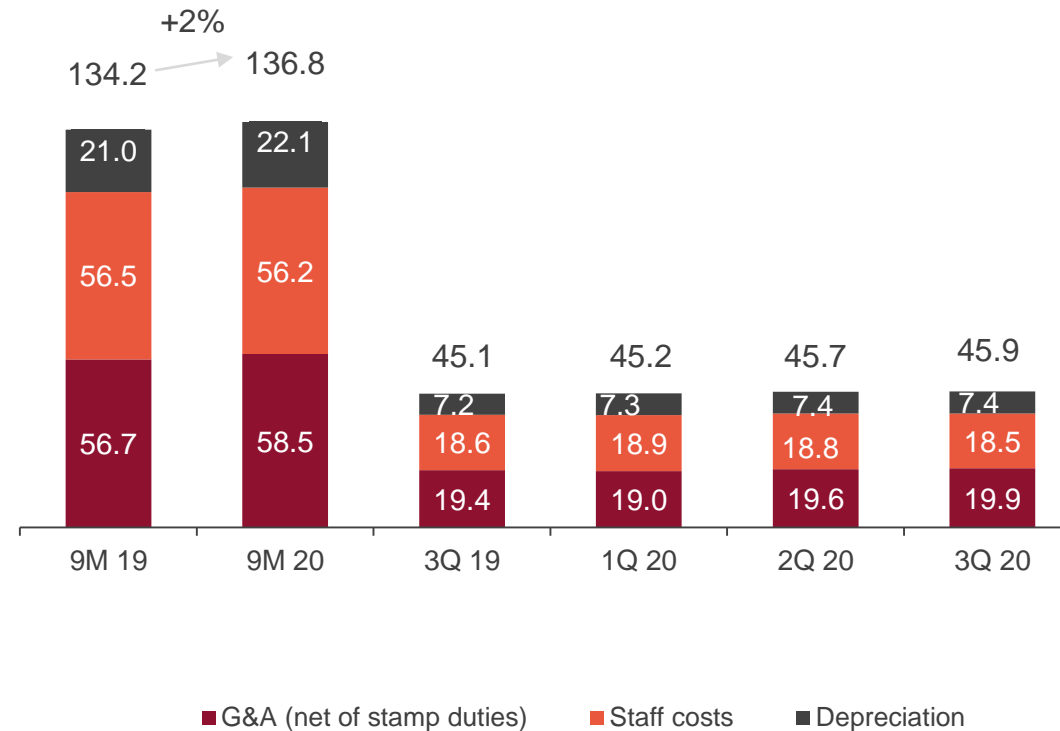
TIGHT CONTROL ON CORE OPERATING COSTS



Total operating costs¹ m/€



Breakdown of core operating costs² m/€



Starting from 9M20, **compulsory contributions to banking funds (DSGD, BRRD directives)** were classified in a dedicated heading below operating result. This reclassification allows to better represent the evolution of operating costs more closely linked to the bank's operations rather than the amount of systemic charges incurred.

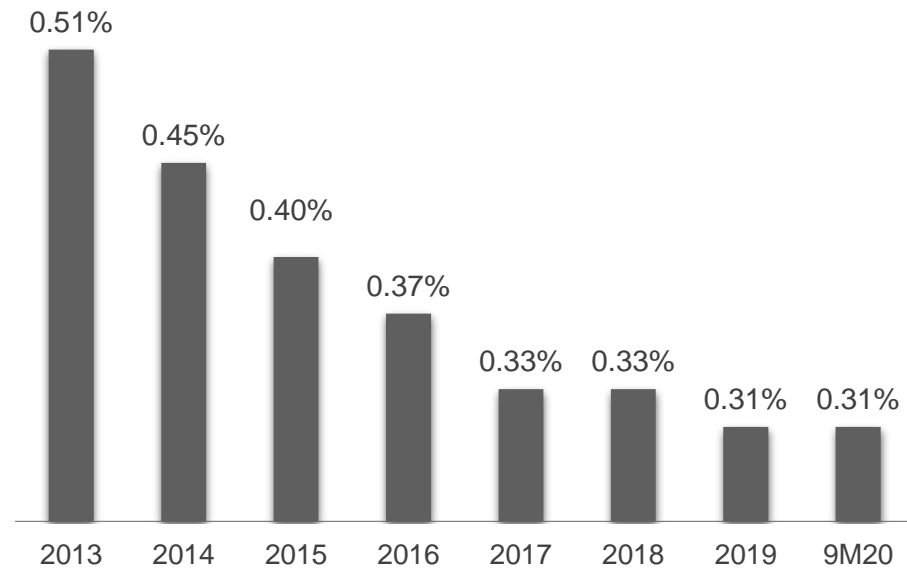
Core operating costs increased by 2% on a reported basis (+3% when including contributions to banking funds).

OPERATING COSTS (2/2)

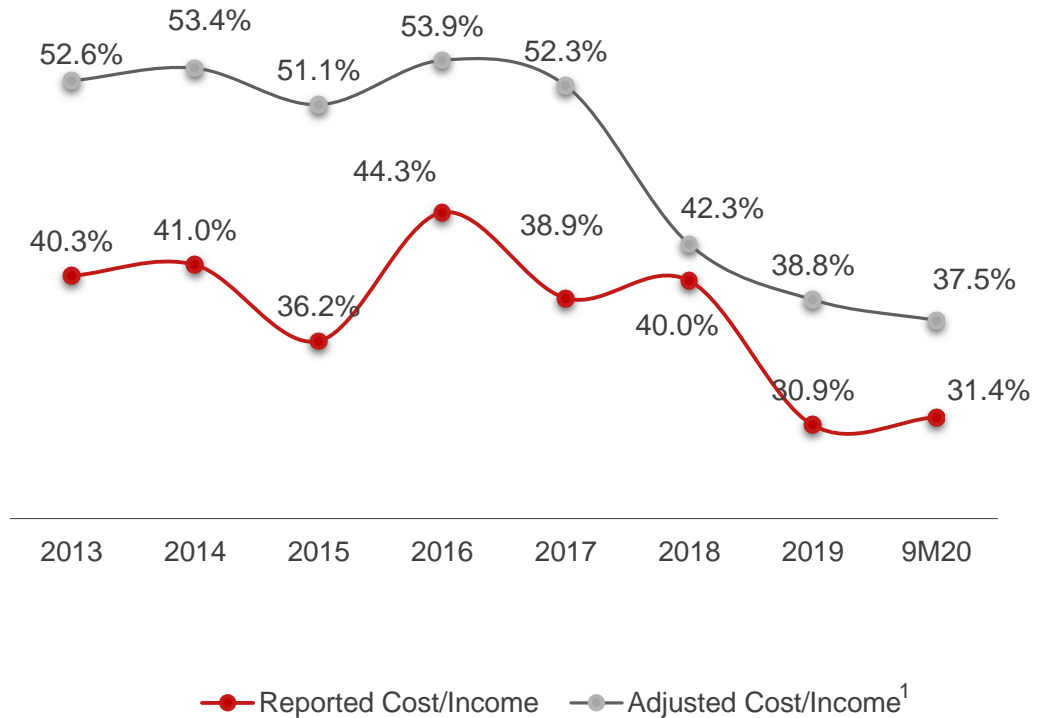
OVERALL BEST IN CLASS COST RATIOS



Operating costs/Total assets



Cost/Income ratio

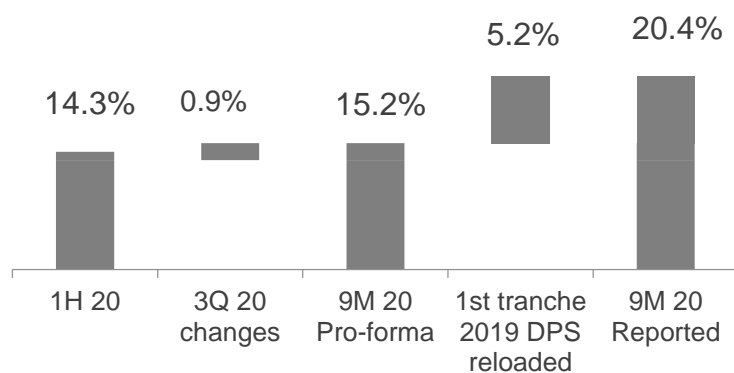


CAPITAL POSITION

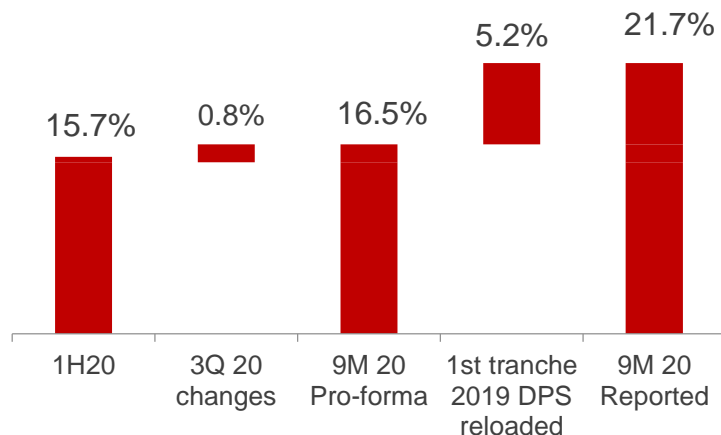
STRONG CAPITAL POSITION IN ANY DIVIDEND SCENARIO



CET1 ratio



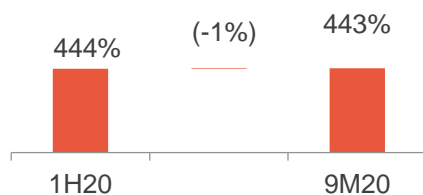
TCR ratio



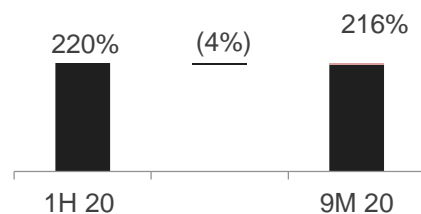
Pro-forma 9M 2020 Capital ratios assuming:

- Distribution of the 2nd tranche 2019 dividend – as already approved by the AGM - in 2021 pending new ECB/Bankit recommendation
- 80% pay-out on 2020 net profit in line with the dividend policy approved by the BoD¹

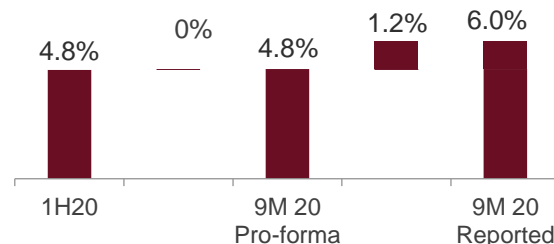
LCR ratio



NSFR ratio



Leverage



Reported 9M 2020 Capital ratios assuming on top of the baseline:

- Re-allocation of the 1st tranche of 2019 dividend to equity reserves based on BoD resolution of 15 October 2020 consistent with the Supervisory Authorities' recommendations on dividend distribution

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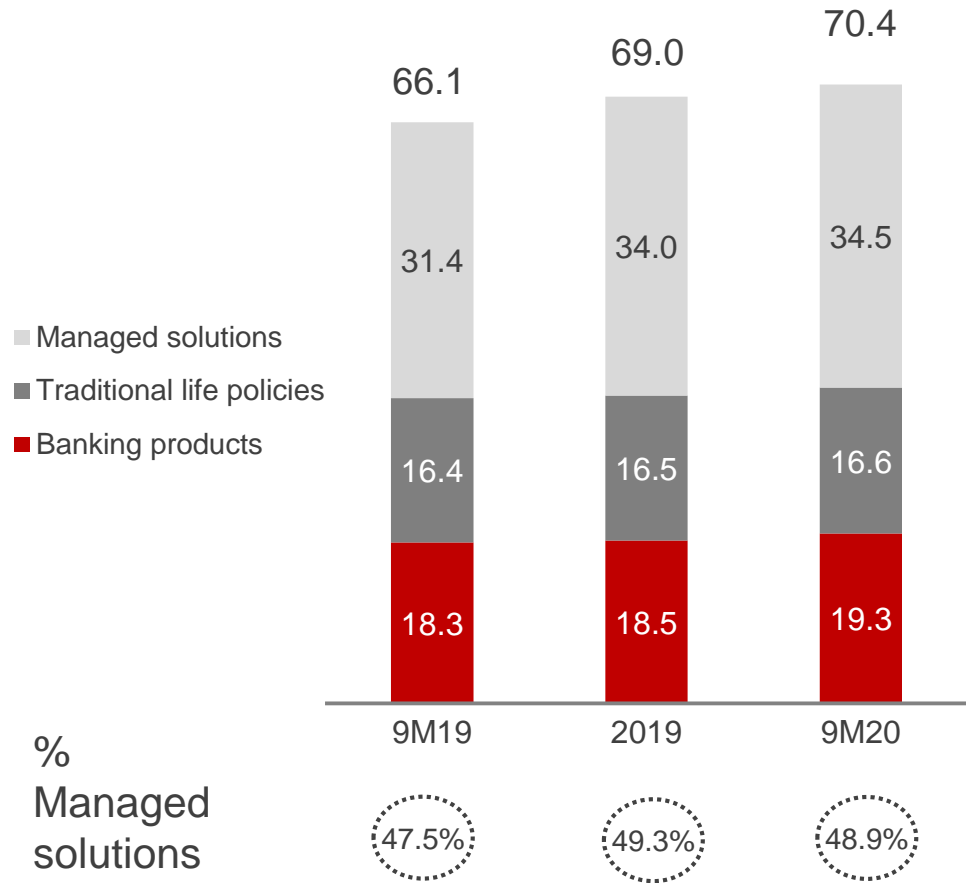
Appendix

TOTAL ASSETS

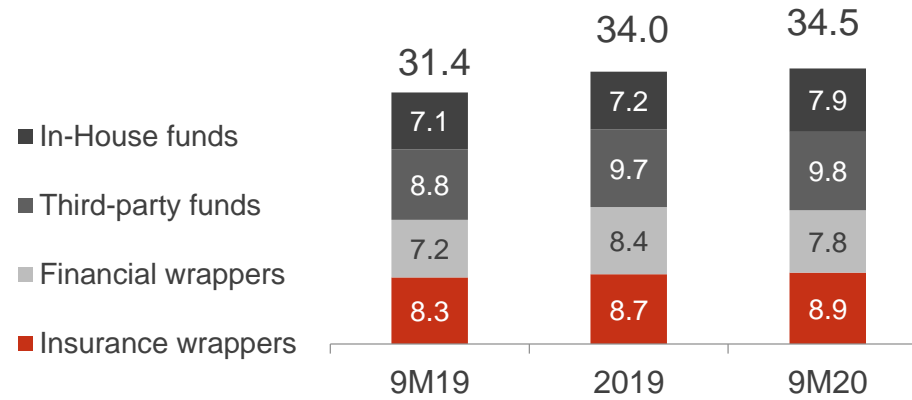
TOTAL ASSETS ABOVE PRE-CRISIS LEVEL



Total Assets bn/€

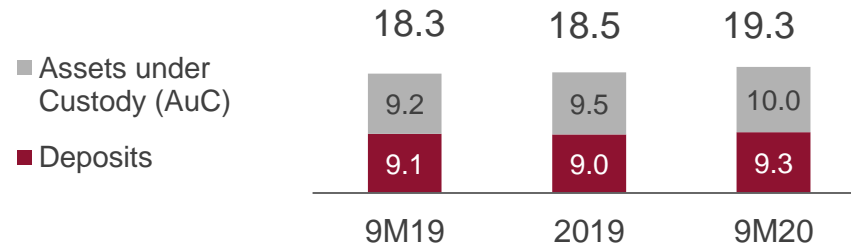


Managed Solutions bn/€



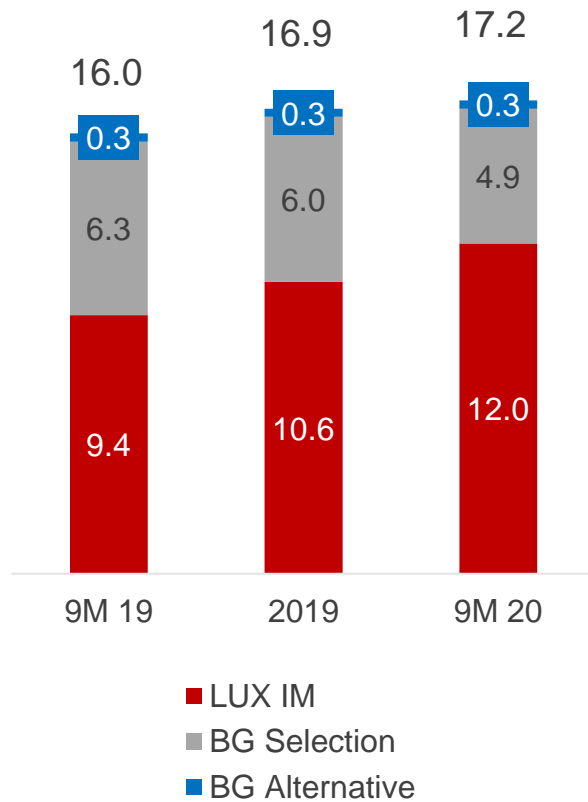
Managed solutions at 49% of total assets leaving significant upside from current level

Banking products bn/€

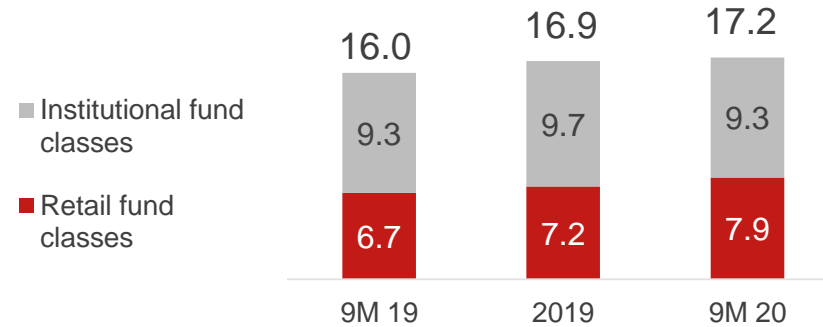


Assets under Custody (AuC) growth (+9%) driven by dedicated service and the acquisition of the clients

BG FML - Assets by SICAV bn/€

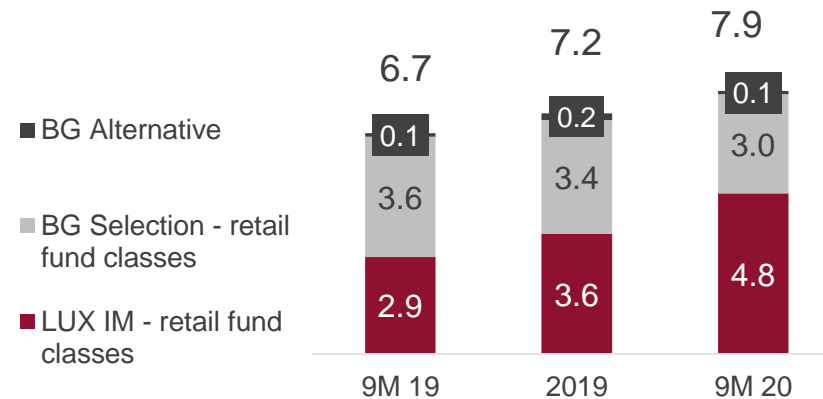


BG FML - Total Assets, bn/€



Lux IM growth continues at a fast pace representing **70% of total Lux-based in-house assets**

BG FML - Retail fund classes bn/€



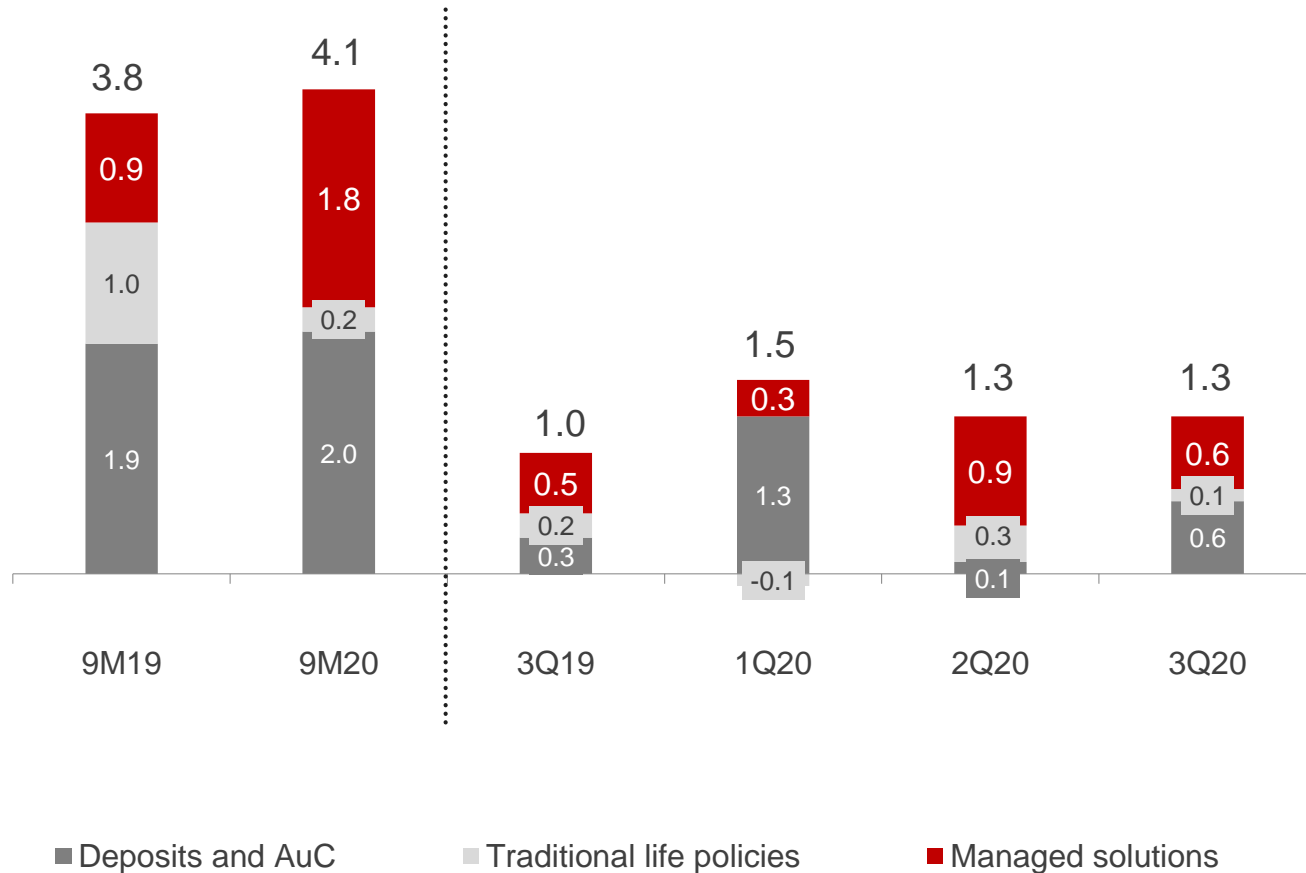
Lux IM at **61% of total in-house retail fund classes** enhancing the overall financial sustainability

TOTAL NET INFLOWS

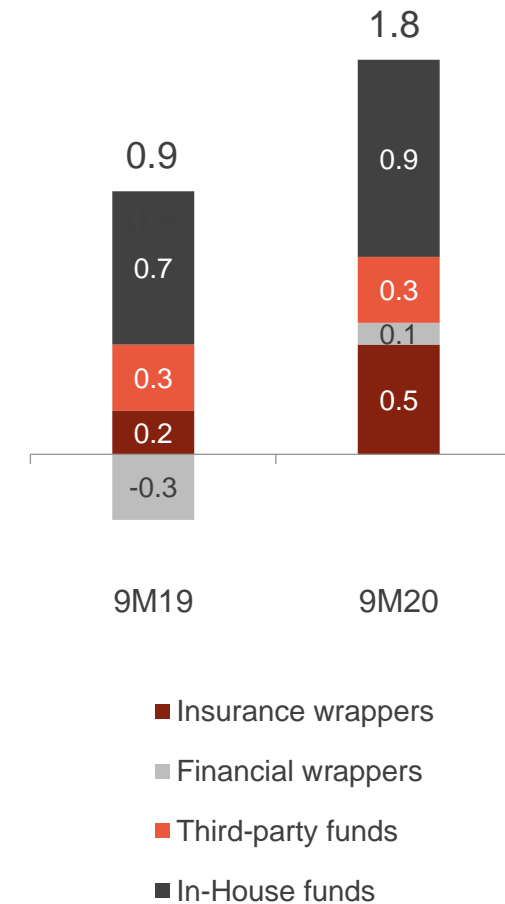
HIGHER VOLUMES AND BETTER PRODUCT MIX



Total Net Inflows bn/€



Focus on managed solutions bn/€



Net inflows ahead of 9M 2019 levels both by volumes and mix.
3Q flows +30% YoY

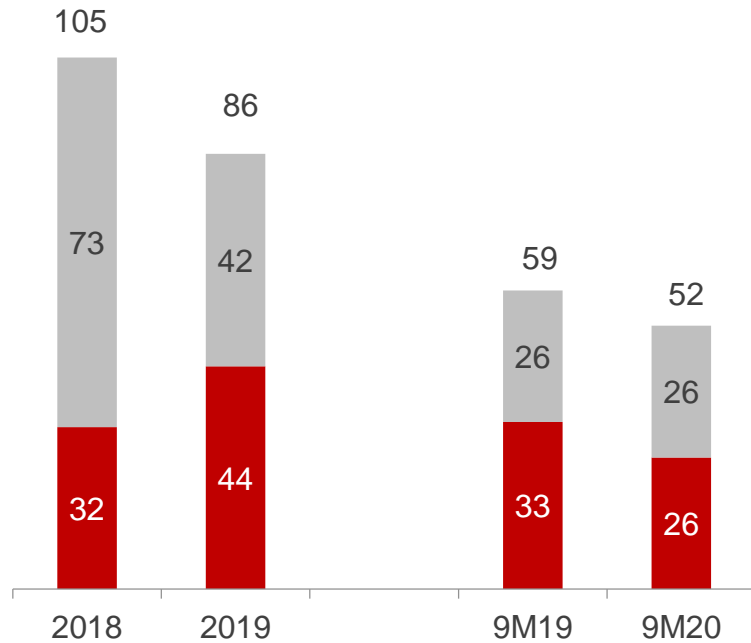
Net inflows in managed solutions more than doubled YoY driven by In-house funds and insurance

NET INFLOWS BY CHANNEL

NET INFLOWS DRIVEN BY EXISTING FA NETWORK

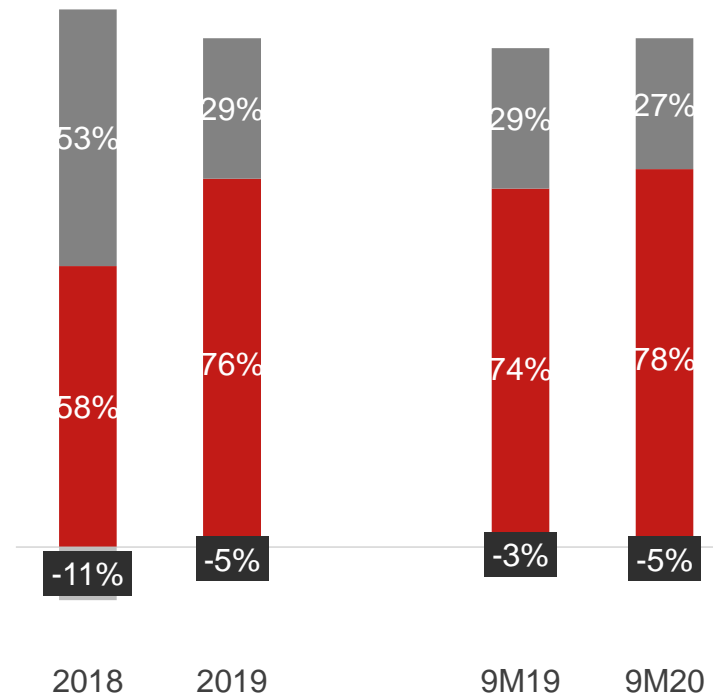


Recruitment trend (# of Recruits)



■ From other FA Networks ■ From Retail and Private Banks

Total net inflows by acquisition channel



■ Existing FA network ■ FA Out ■ New recruits

Total net inflows in the nine months driven by existing FAs amid the pandemic and reduction in recruiting

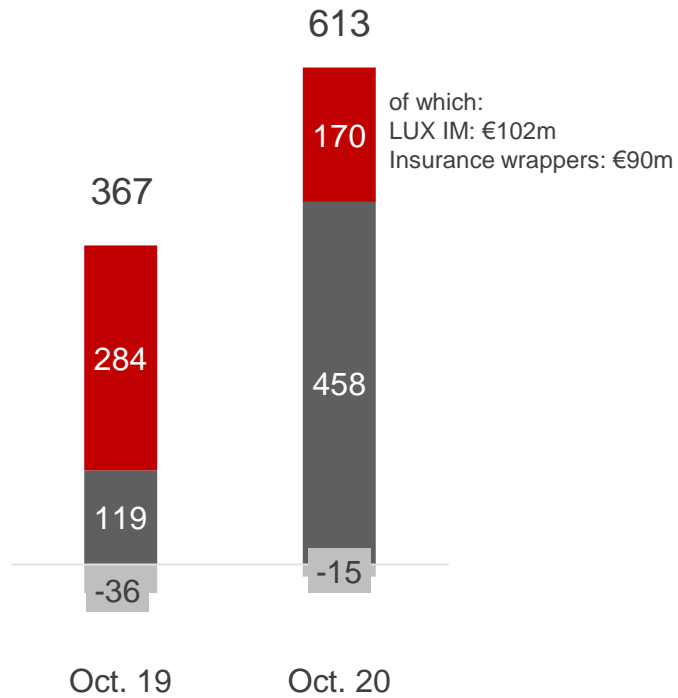
Recruiting restarted from June with **24 new recruits in 3Q** to a total of **52 professionals YTD**

OCTOBER NET INFLOWS

STRONG MONTHLY DATA AND SOLID MIX OVERALL

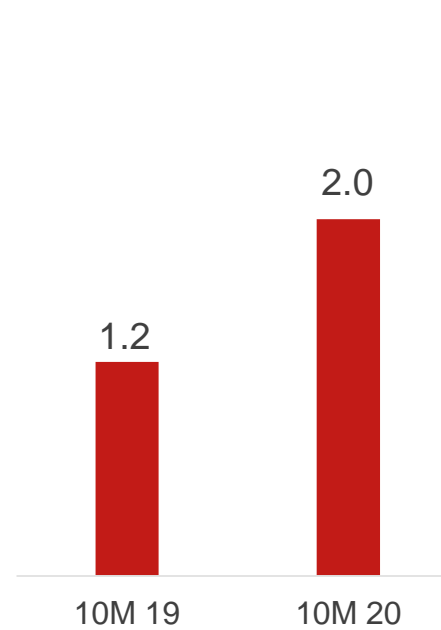


Monthly net inflows m/€

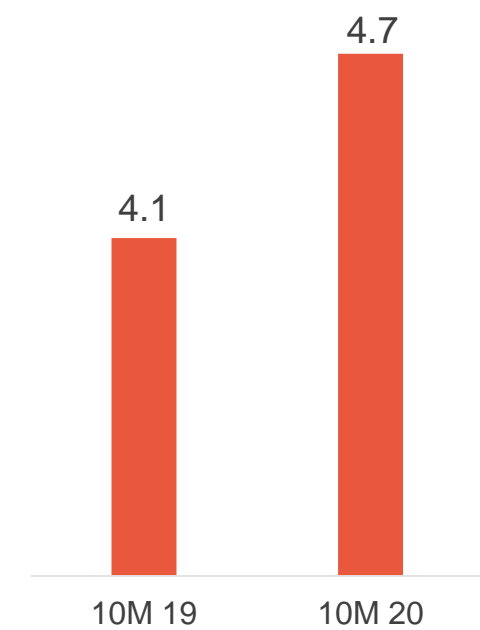


- Managed products
- Traditional insurance policies
- Banking products

Managed solutions bn/€



Total Net Inflows bn/€



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Appendix

RECIPE FOR TOUGH TIMES

QUALITY OF THE NETWORK ALWAYS COMES FIRST



REPLY - a well-known listed management consultant firm – recently conducted an FA industry study that analyses data from 2008 to the present. Results show that Banca Generali tops the ranks in terms of network growth and quality, which happen to be key pillars of Banca Generali’s distribution model:

GROWTH

Banca Generali’s has a strong track record in terms of asset growth (AUM growth) and expansion of the FAs’ portfolio (AUM/FA), as confirmed by recent sector reports

QUALITY

Growth is not just strong but also high-quality. Indeed, Banca Generali has been steadily expanding its FA network (#) whereas the sector moved to downsizing over the same period.

POSITIONING

Growth has been concentrated on private clients looking for advisory on their entire wealth, suggesting how upwards market positioning is bearing fruits

RECOGNITION

Banca Generali won several awards that testify the quality of its network



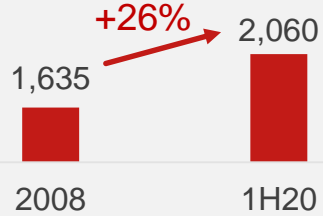
GROWTH COMING WITH QUALITY AT BANCA GENERALI

AVG. FA PORTFOLIO TRIPLED (AND 50% HIGHER THAN SECTOR AVERAGE)



Banca Generali

No. of FAs (#)



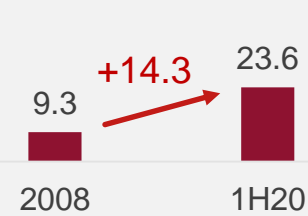
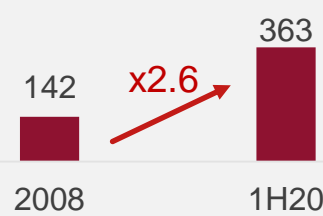
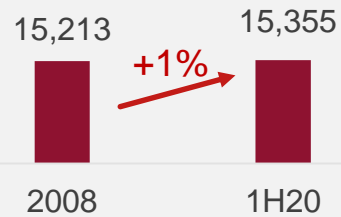
Assets (bn/€)



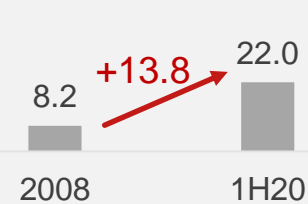
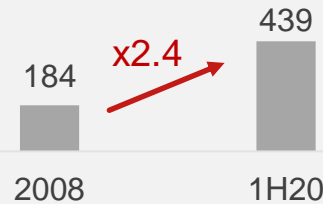
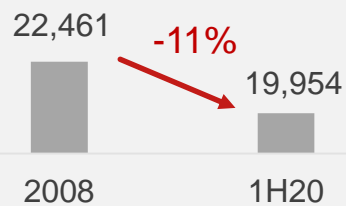
Assets/FA (m/€)



Top 5¹



Sector¹



BG's growth outpacing sector peers by key metrics:

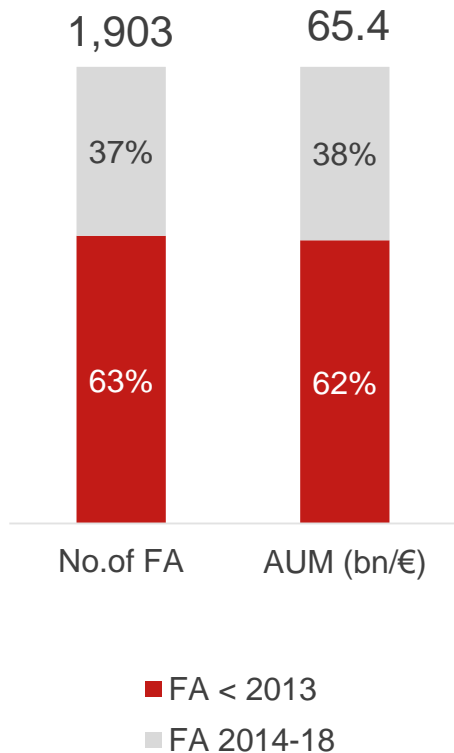
- Expansion in the **number of FAs** (+26%)
- **Size of assets** more than tripled (x3.5)
- **Advisors' portfolio** increased by €21m per FA

WELL-BALANCED QUALITY OF FAS ACROSS DIFFERENT 'VINTAGES'

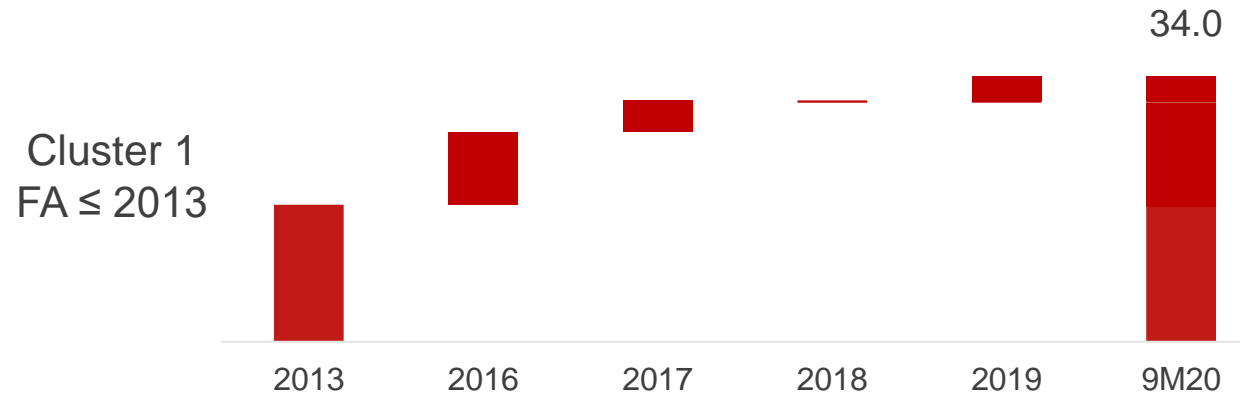
EXISTING FAS SET THE TARGET FOR NEW RECRUITS



Asset breakdown by cluster of FAs



Portfolio build-up by cluster (m/€)



Portfolio growth is building up over time reflecting client and asset acquisitions



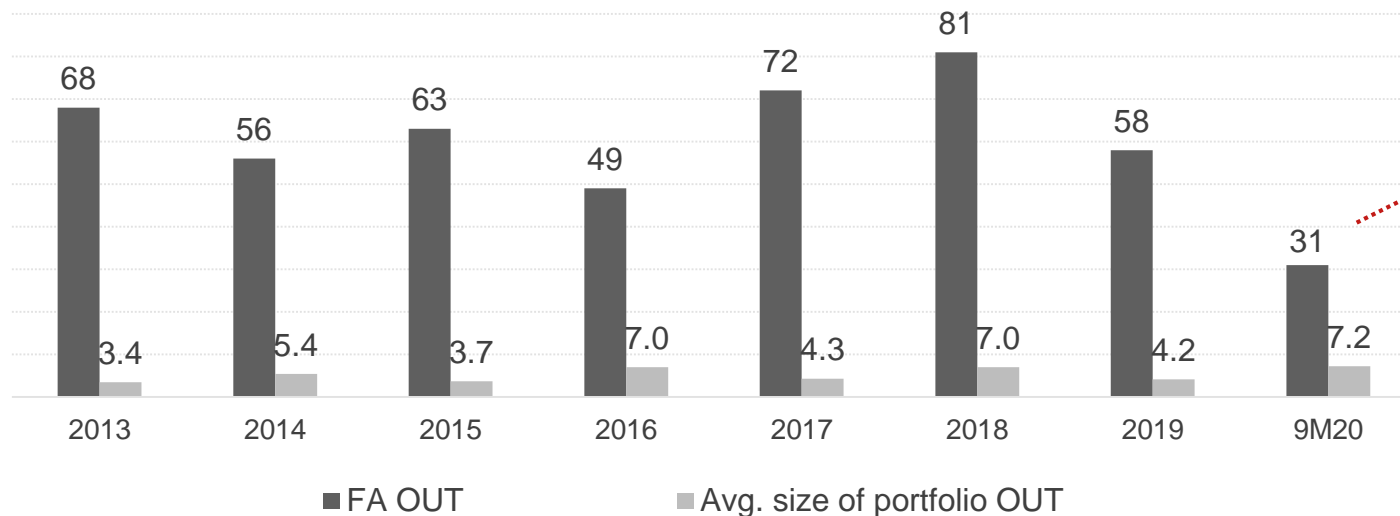
Contribution of FAs across different 'vintages' tend to revert to the same portfolio size

FA RETENTION AT RECORD-HIGH LEVELS

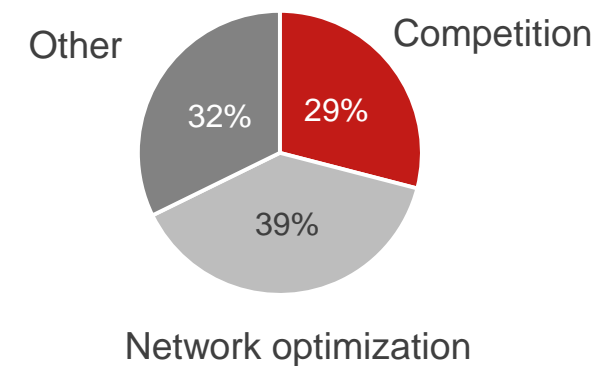
STEADY DECREASE IN THE NUMBER OF EXITS ACROSS FAS



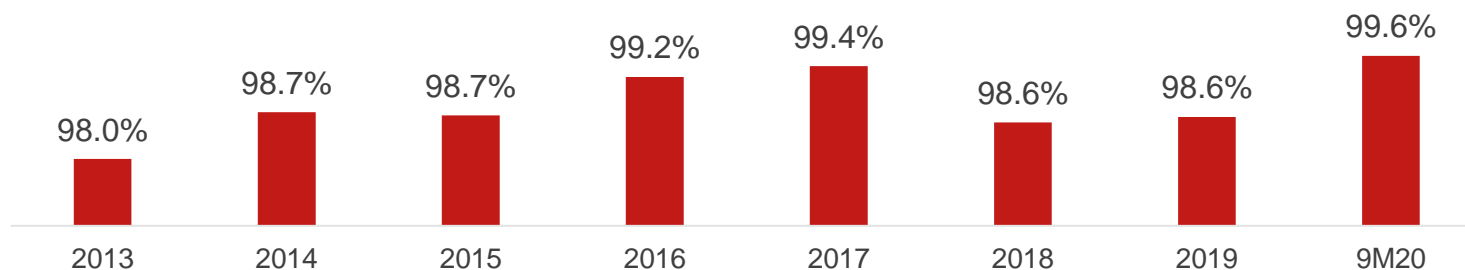
Trend in FA exit (#, m/€)



Breakdown of FA OUT in 9M20 by cause



FA 'CORE' Retention level¹



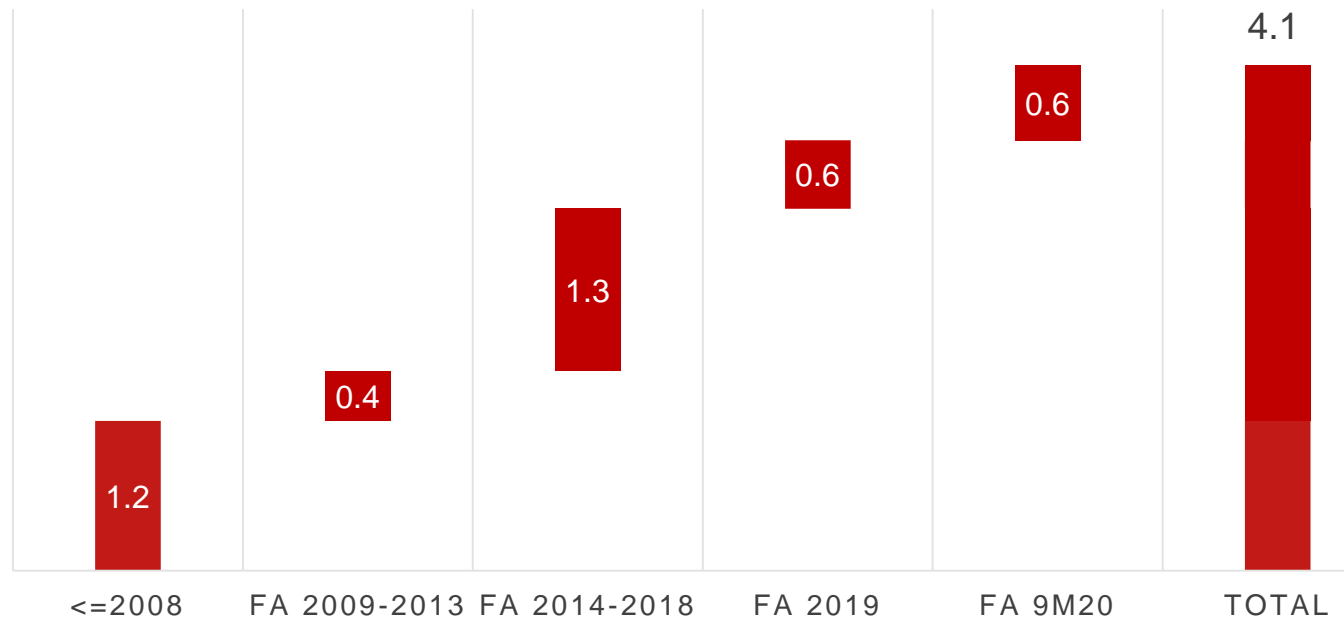
In 9M 20, 'CORE' churn-rate¹ at 0.4% and headline churn-rate² at 1.5%

FIRST 9M INFLOWS: CONTRIBUTION BY FAs 'VINTAGE'

HIGH PRODUCTIVITY ACROSS DIFFERENT FA CLUSTERS



Build-up of 9M 2020 net inflows by FAs' vintages



All FAs' vintages show similar trends in terms of clients' profile:

- 50% net inflows come from private clients (assets €500k to €5m)
- 39% net inflows from HNWI clients (assets > €5m)
- 11% of net inflows from mass to middle affluent (- assets <€ 500K)

All cluster are showing a **pruning in the mass affluent clients** (i.e. assets <€50K) offset by positive net inflows in lower affluent to middle-affluent clients

Vintage	Net Inflows (M/€)	Cumulative Total (M/€)
<=2008	1.2	1.3
FA 2009-2013	0.4	1.5
FA 2014-2018	1.3	1.9
FA 2019	0.6	5.1
FA 9M20	0.6	7.6
TOTAL	4.1	1.9

NET INFLOWS PER FA BY CLUSTER (M/€)

FIRST 9M INFLOWS: CLIENT CLUSTER CONTRIBUTION

GROWING SHARE OF WALLET FROM EXISTING CLIENTS



Build-up of 9M 2020 net inflows by client cluster



39% of total growth coming from **expansion of the share of wallet from existing clients**. This figure is net of exits (4%), reflecting pruning of non-active, mass clients

61% of total growth coming from **brand-new clients and re-activated clients** thanks to dedicated actions

# 299.1K	# 12.9K	# 4.8K	# 8.0K	# 308.8K	# NO. OF CLIENTS
223.4	150.0	115.5	20.7	224.1	NET INFLOWS PER CLIENT (M/€)
ASSETS/CLIENT				ASSETS/CLIENT	

Our Mission:
To Be the
No.1 Private
Bank
by Value of
Service,
Innovation and
Sustainability



Preliminary remarks



9M 2020 Results



Net inflows, Assets and Recruitment

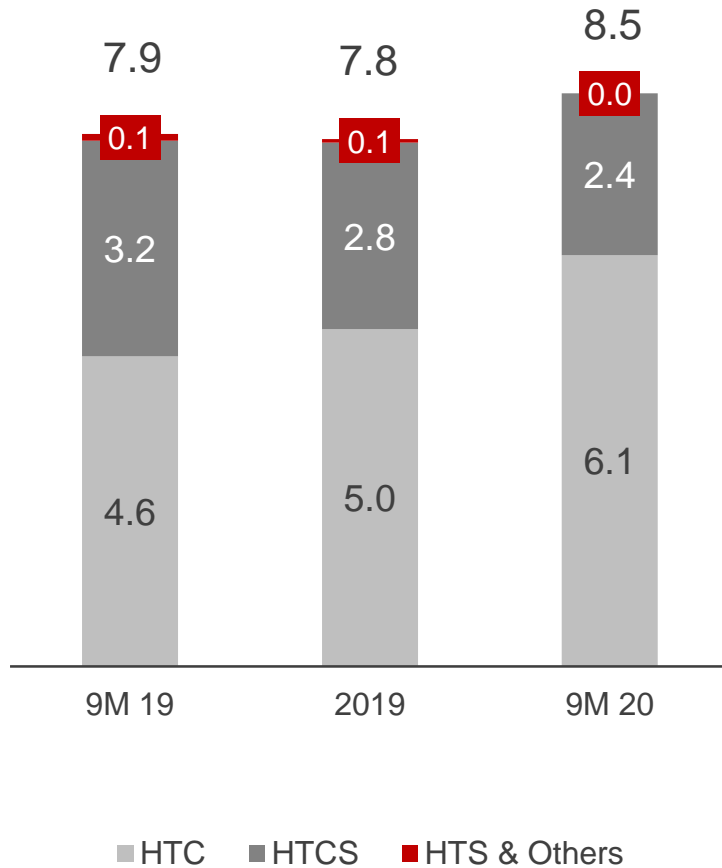


Business update

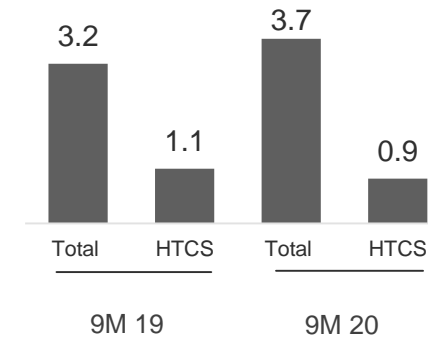


Appendix

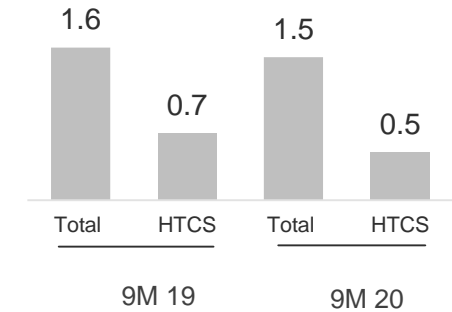
Financial Assets by IFRS classification bn/€



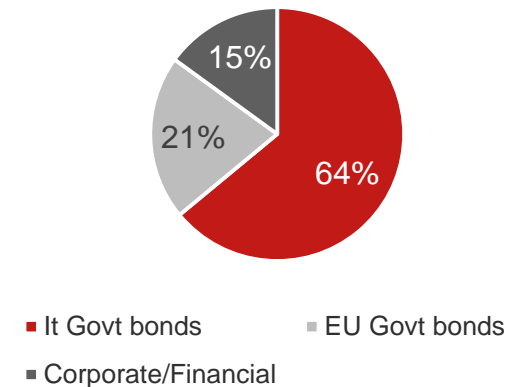
Maturity (Bonds)



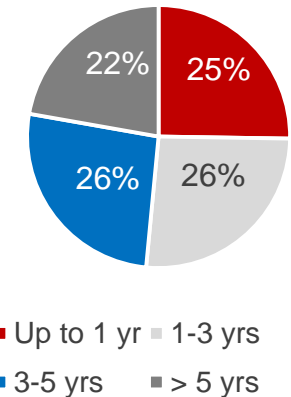
Duration (Bonds)



Bond Classification



Bond breakdown by maturity

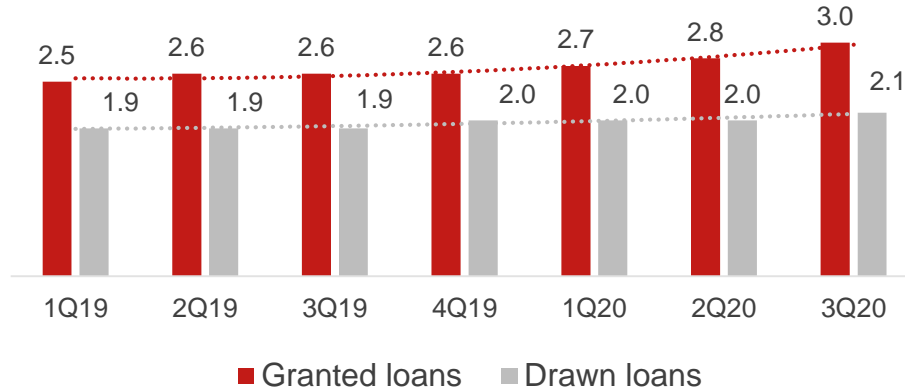


FOCUS ON LENDING

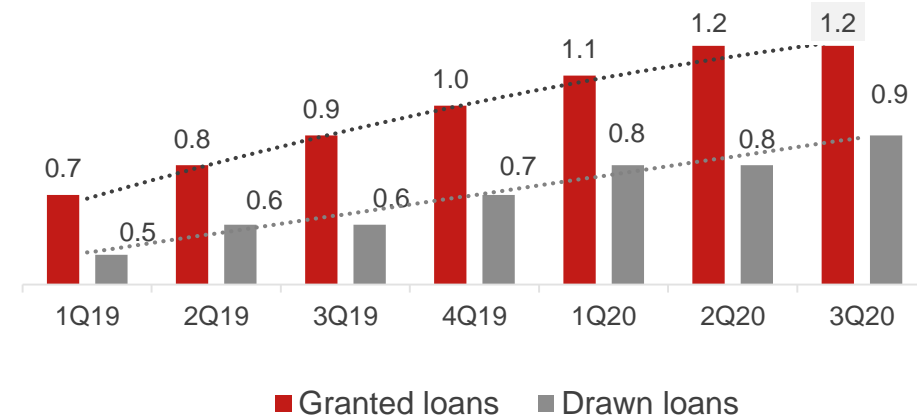
LOAN VOLUMES PICKING UP



Loan portfolio m/€



Lombard loan trend m/€



New lending initiatives

Covid-19	<ul style="list-style-type: none"> Government-linked initiatives measures – Funding with State Guarantee to SMEs Other initiatives - Funding w/out State Guarantee
Business development	<ul style="list-style-type: none"> Lombard Plus Trade Finance Mini Lombard
Green Lending	<ul style="list-style-type: none"> Ecobonus

2020 Target

Live
Live

Live
Live
WiP

Live

Go Live

April 2020
April 2020

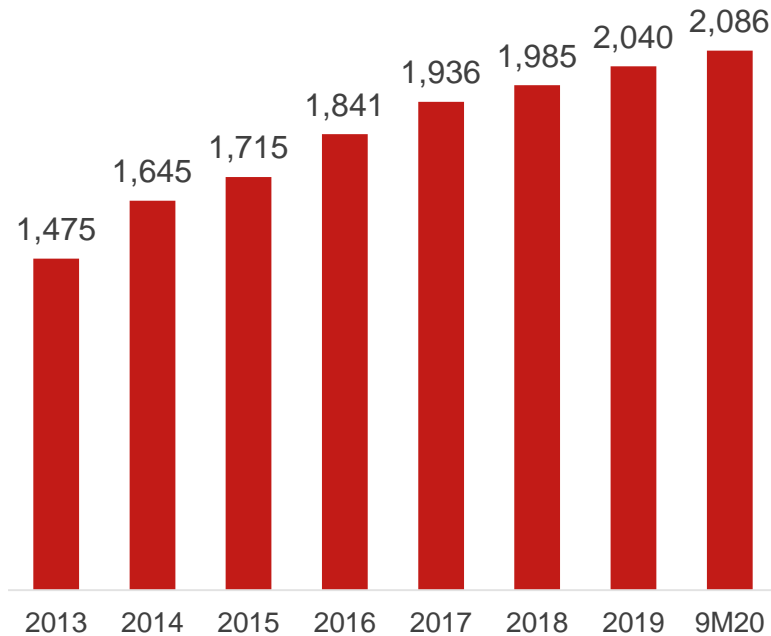
March 2020
3Q 2020
4Q 2020

4Q 2020

2020 Target

+ €200m
new granted loans
by 2020 YE

Financial Advisor Network, # FAs



- Headline FA retention at 98.5%
- Core FA retention at 99.6%

FA Network, by portfolio size and skills

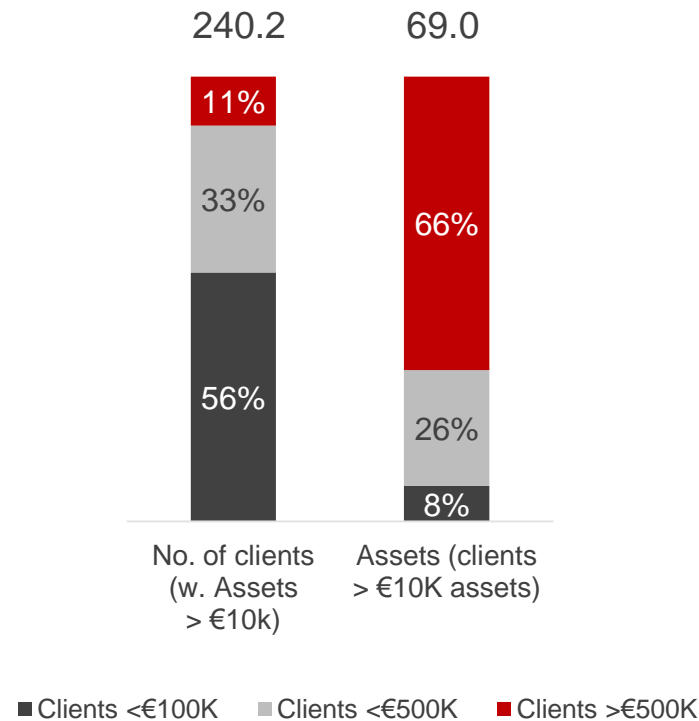
	Clusters	(% of Assets)	No. of FAs	Assets per FA
Financial Advisors	Wealth Managers (>€50m)	35%	330 ¹	82.2 m/€ ²
	Private Bankers (€15-50m)	52%	1,236 ¹	30.1 m/€ ²
	Financial Planners (<€15m)	6%	372 ¹	11.7 m/€ ²
Employees	Relationship Managers	7%	72 ¹	73.8 m/€ ²

CLIENT BASE

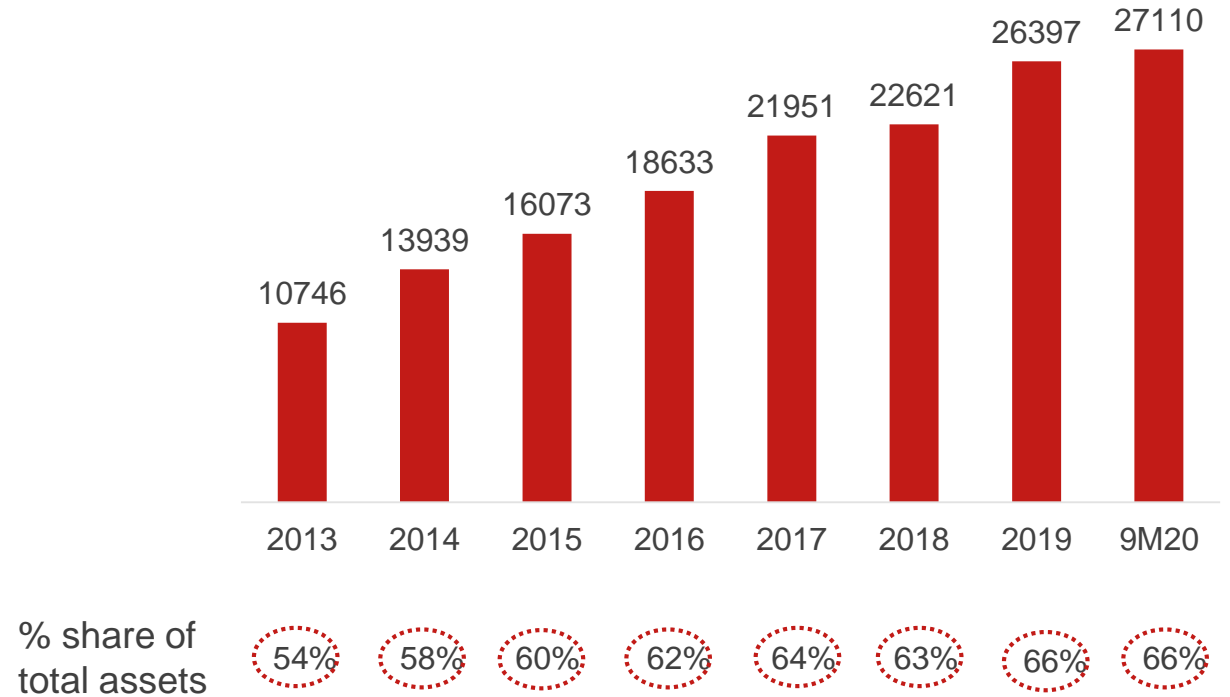
GROWING PRIVATE POSITIONING



Clients' breakdown by cluster¹, #, bn/€



No. of Clients with assets >500 k/€¹,



2020 KEY BUSINESS DRIVERS

SIGNIFICANT OPPORTUNITIES WITHIN MANAGED SOLUTIONS

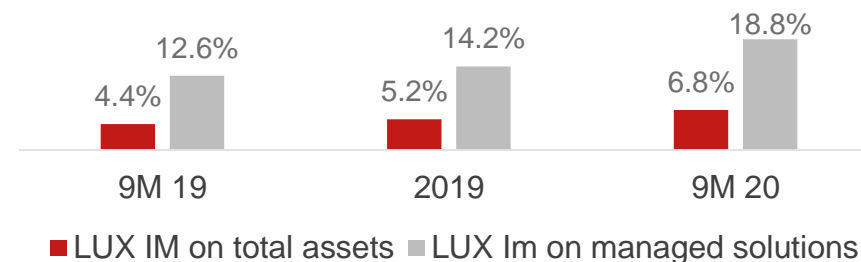


Diversification and sustainability

- Worldwide economic disruption
- New investment paradigm
- Lower-for-longer interest rate environment
- Direct investments into real economy, real assets
- Enhanced awareness over Sustainable investments

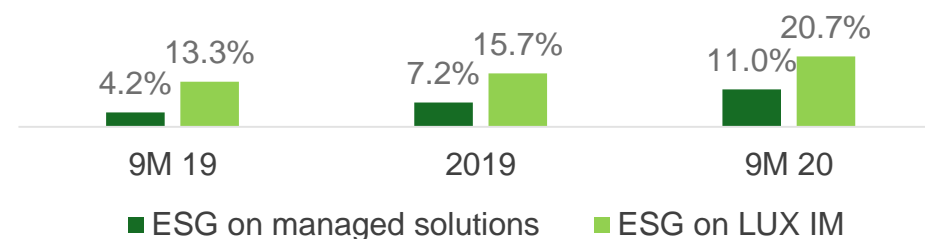
LUX IM

- Opportunity for further expanding position given still limited penetration on total assets (11%)
- Wide range of investment lines with a bias towards ESG (see below)



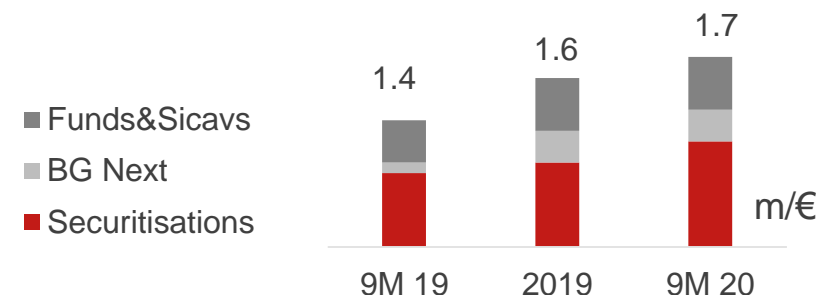
SBG*i*

- ESG asset on managed solutions at 11%, i.e. above 2021 target of 10%.
- Opportunity for expanding collaboration with Generali in other countries outside Italy



PRIVATE ASSETS

- Growing focus on portfolio diversification from private clients in a lower-for-longer yield environment
- Wide range of product offer ranging from FIA, ELTIF to securitization, alternative funds and portfolio management lines



Protection

- Enhanced need for wealth protection driven by the pandemic

- Enhanced focus on health and pension needs

- Growing restriction within State regulations

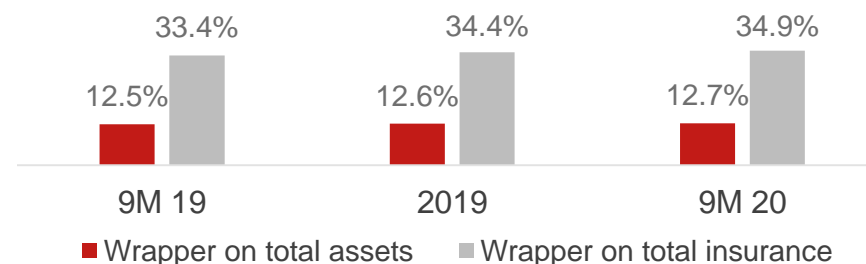
- Increased interest in diversification of booking centers

- Increased focus to protect real assets (real-estate and corporate)



LUX PROTECTION LIFE

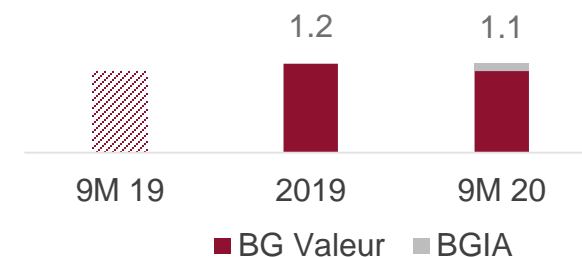
- Heightened clients' interest for insurance solutions (insurance covers, succession, pension needs, tax optimization)
- New private insurance already at €80m assets since inception



BG INTERNATIONAL ADVISORY

BG | Valeur

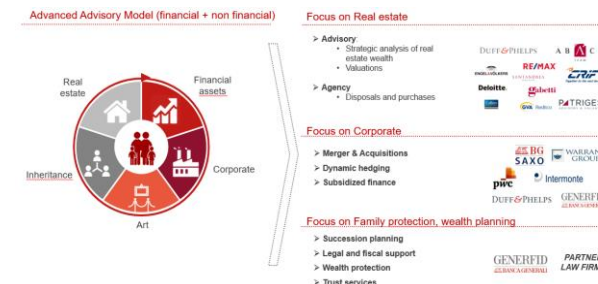
- Strategic relevance increased following new restriction on cross-border advisory
- BGIA providing a unique service for diversification of the booking center



WEALTH ADVISORY

BG Personal ADVISORY

- Wide range of agreements with sector specialists to provide best-in-class advisory on client and family protection and planning needs
- Boost on corporate offer linked to financials tools (lending, dynamic hedging)



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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