

# Investor Presentation

**9M22 RESULTS**  
4 November 2022



To be the No. 1 private bank, unique by  
**value of service, innovation** and  
**sustainability**

**9M 2022 Financial Results**

**Balance Sheet & Capital Ratios**

**Net Inflows, Assets and Recruiting**

**Business Update and Closing Remarks**

**Annex**



**Resilient commercial results** despite challenging financial markets conditions, supported by an in-depth review of the value proposition to clients to reflect the new macro environment



Solid **9M 2022 recurring results - above the 3Y Business Plan target** - leveraging on higher interest rates, resilient recurring fees and tight cost control



**Sound balance sheet**, with no debt exposure, favorably exposed to rising interest rates and solid capital ratios well above regulatory requirements



Strategic and financial targets of the **2022-2024 Business Plan overall confirmed** with a new mix reflecting radical changes of business context since its inception

# RECURRING NET PROFIT

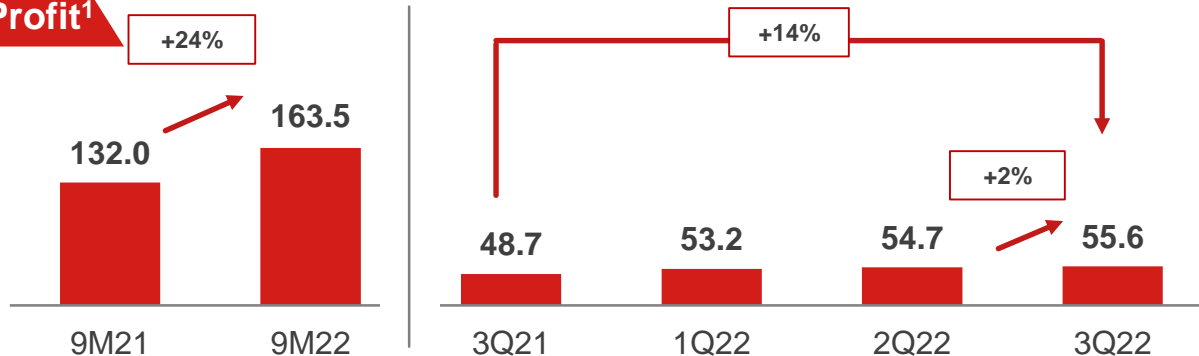
## SOLID RECURRING RESULTS AMID TOUGH MARKET CONDITIONS AND TAX ONE-OFF



### Net Profit €\m

#### Recurring Net Profit<sup>1</sup>

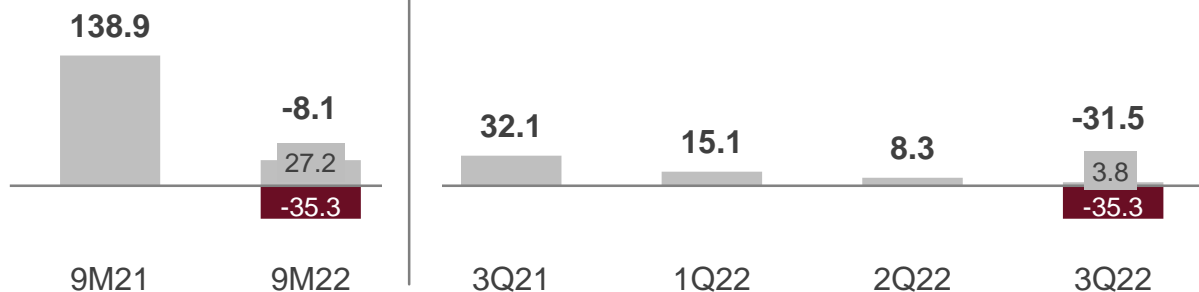
€\m



#### Variable Net Profit

€\m

- Tax one-off
- Other variable components



▶ **9M 2022 recurring net profit (+24%)** supported by higher recurring revenues (NII and gross fees) and tight cost discipline amid volatile financial market conditions

▶ **9M 2022 variable net profit hit by €35m one-off charge** for the settlement of pending tax claims with the Tax Revenue Agency

### Net Profit

€\m

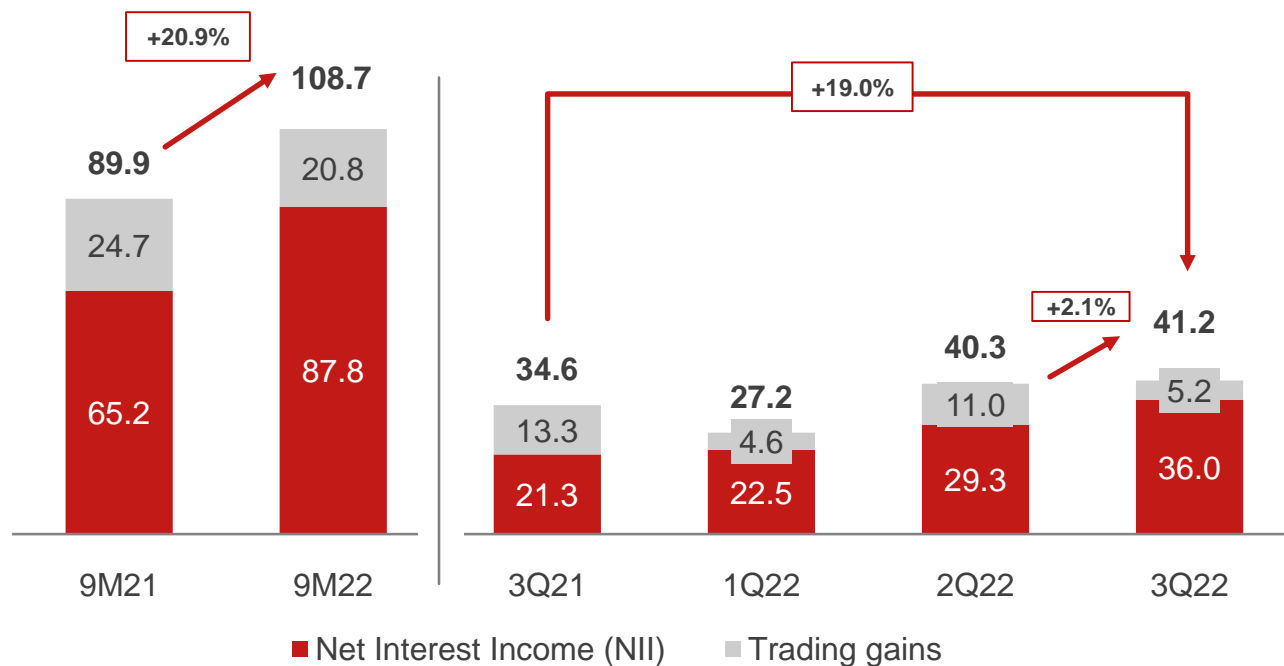


# NET FINANCIAL INCOME

## MAJOR BENEFICIARY OF THE ONGOING INTEREST RATES HIKE



### Net Financial Income (NFI) €m



► **9M 2022 net financial income (+21%)** benefitted from the strong NII expansion (+35%) leveraging on an ongoing acceleration in the last three quarters driven by rising interest rates

► **3Q 2022 NII (+69%)** benefitted from the ongoing repricing of its interest-bearing assets: +9bps YoY (from 66 bps to 75bps) and +14bps QoQ (from 75bps to 89bps)

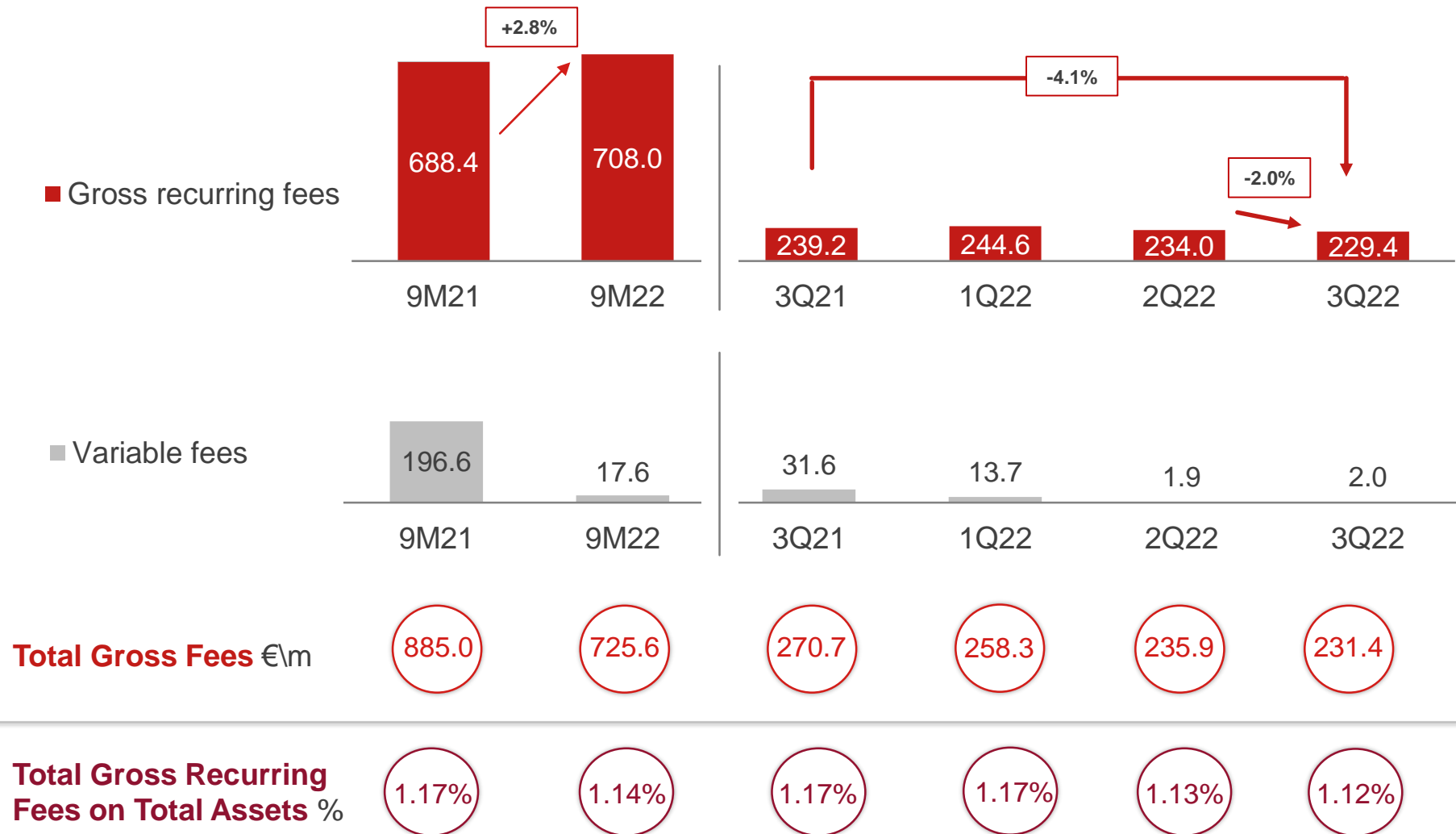
	9M21	9M22	3Q21	1Q22	2Q22	3Q22
<b>Total NFI Yield<sup>1</sup></b>	0.90%	0.93%	0.97%	0.72%	1.04%	1.02%
<b>Total NII Yield<sup>1</sup></b>	0.66%	0.75%	0.60%	0.60%	0.75%	0.89%

# TOTAL GROSS FEES

## RECURRING FEES PROVED RESILIENT AMID CHALLENGING BUSINESS CONDITIONS



### Total Gross Fees €\m



▶ **9M 2022 gross recurring fees proved sticky in absolute value (+2.8% YoY) despite negative market conditions throughout most 3Q22 and lower clients' activity in the period due to seasonality**

▶ **Contribution from variable fees remained negligible and with an unfavorable YoY comparison**

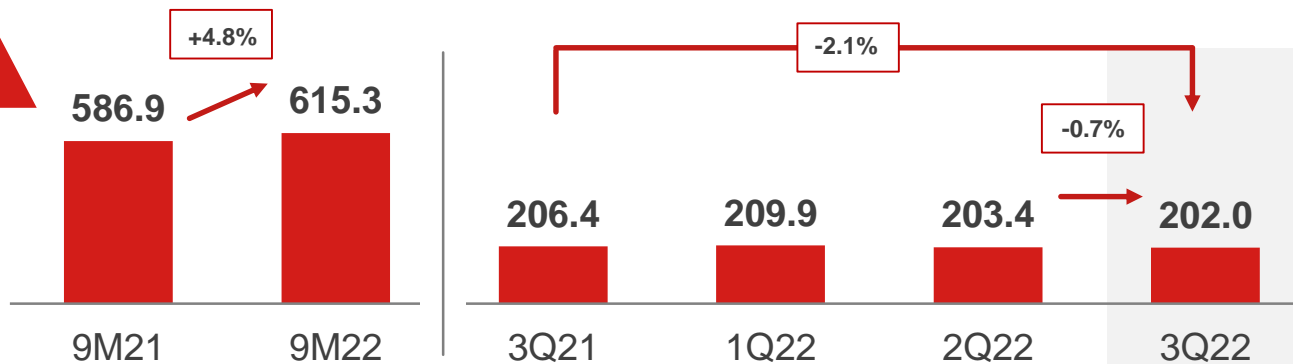
# MANAGEMENT FEES

## MANAGEMENT FEES PROVING STABLE IN VALUE



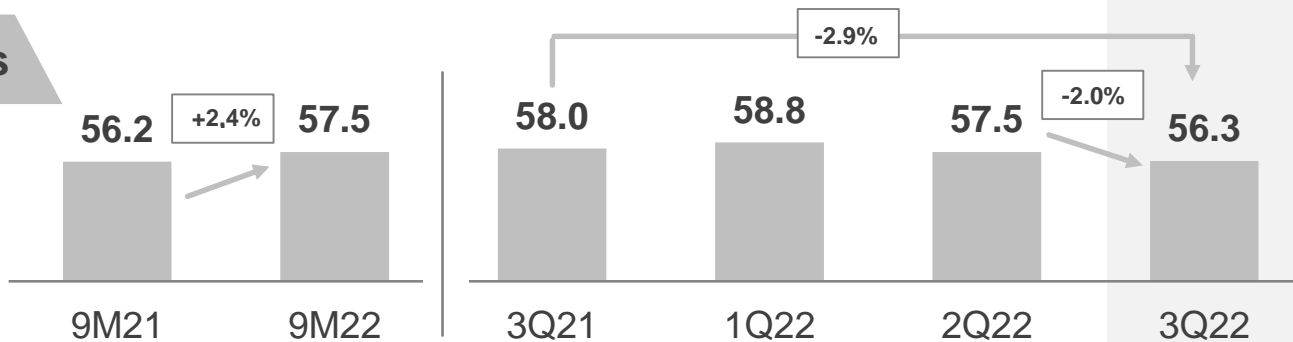
### Management Fees

€m



### Avg. Managed Assets

€bn



### Management Fees on Managed Assets

%



### Management Fees on Total Assets

%



▶ **9M 2022 management fees (+4.8% YoY)** posted a small increase. At quarterly level, management fees were resilient both compared to the previous quarter and YoY

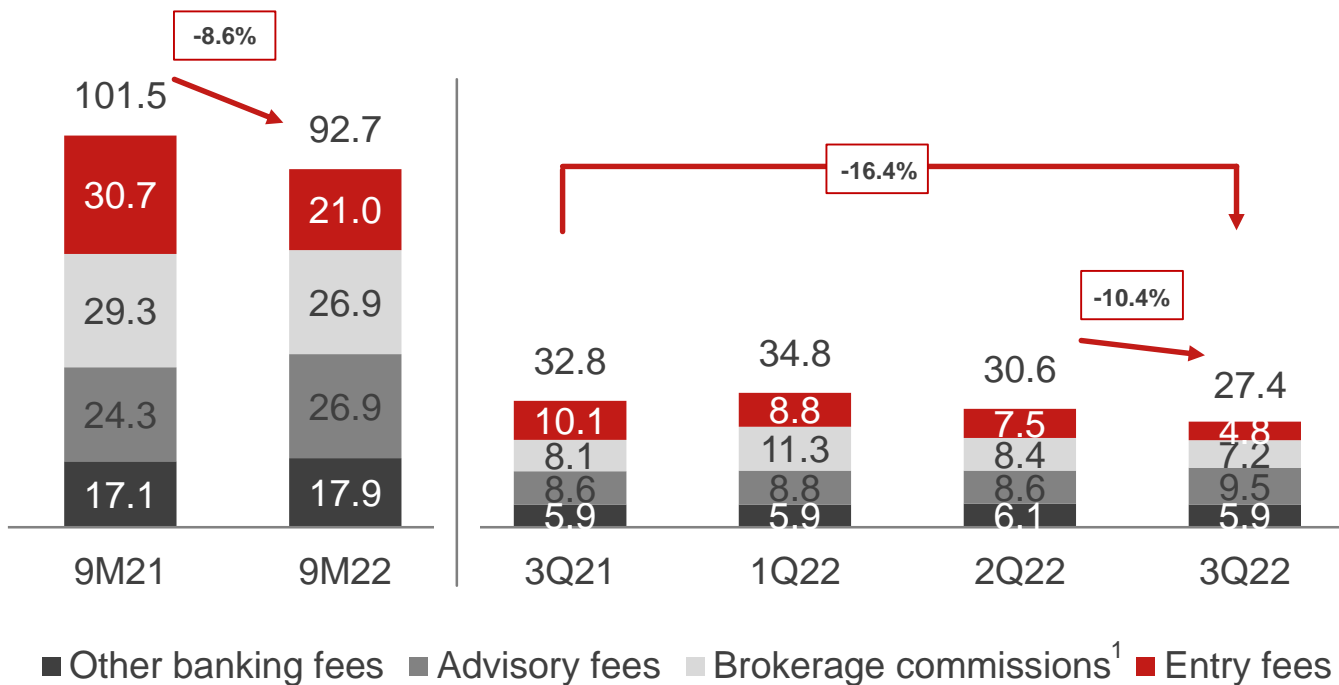
▶ **9M 2022 management fee margin (1.42%)** held up despite mounting pressure due to financial markets' high volatility and poor trend

# BANKING AND ENTRY GROSS FEES

CYCLICAL COMPONENTS ACCOUNT FOR 65% OF THE DECREASE



## Banking and Entry Gross Fees €\m



- ▶ **9M 2022 entry fees** fell by €9.7m, of which €6.5m due to front fees from managed products (cyclical component) and €3.2m on lower primary placements
- ▶ **9M 2022 advisory and other banking fees** increased (+8%) despite poor financial markets' trend
- ▶ **9M 2022 brokerage commissions** (-8%) fell on lower quality mix despite higher volumes in the period
- ▶ **9M 2022 total banking and entry fees** were broadly stable when stripping out the cyclical component (€6.5m)

Banking and Entry Gross Fees on Total Assets %



- of which Excl. Cyclical Component<sup>2</sup> %



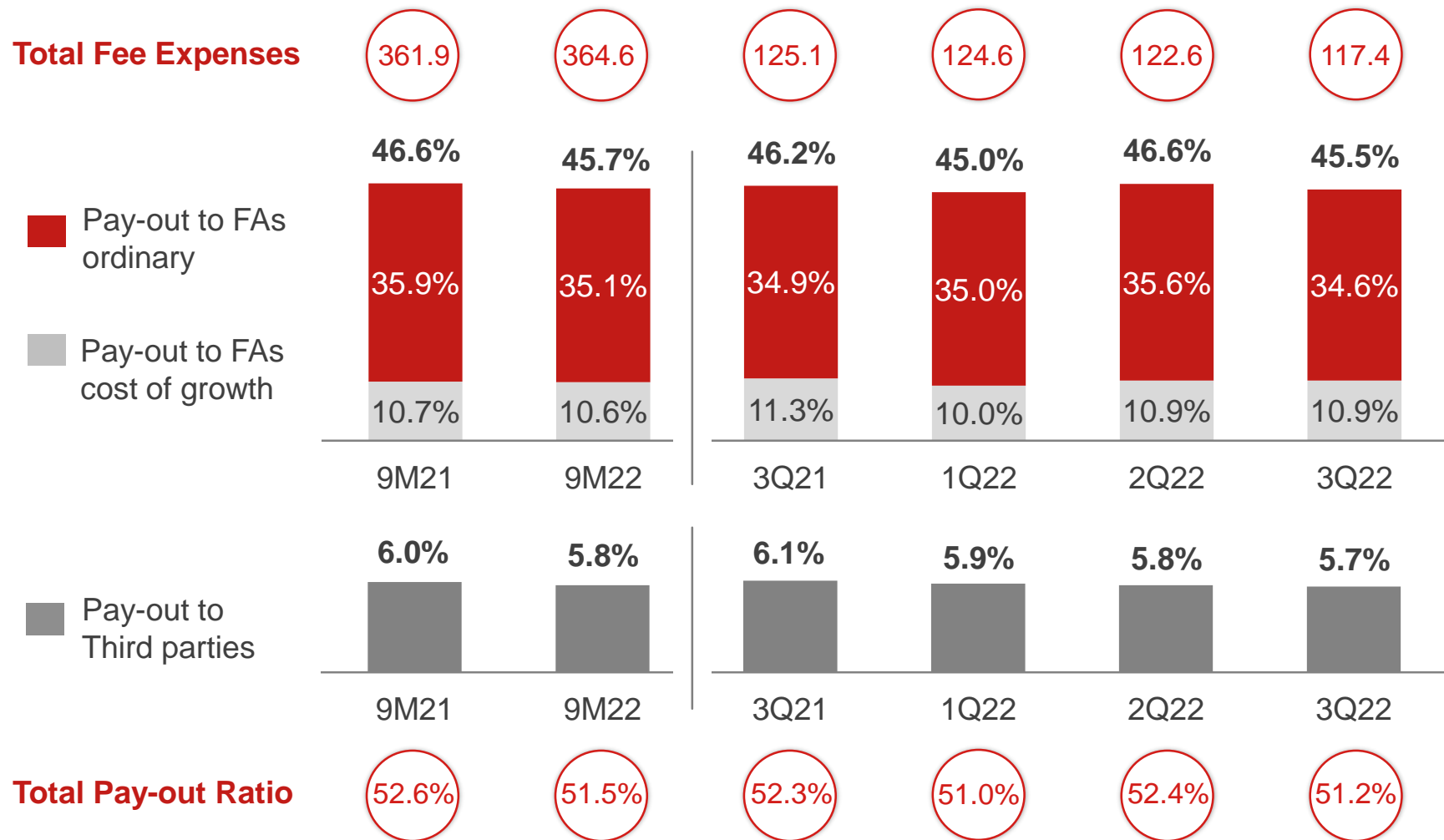


# TOTAL PAY-OUT RATIO

## PAY-OUT RATIO IMPROVED FURTHER ON CYCLICAL COMPONENTS



### Total Pay-out Ratio and Fee Expenses €m



▶ **9M 2022 fee expenses (+0.7%)** were little changed in absolute value reflecting the structural flexibility of the business model

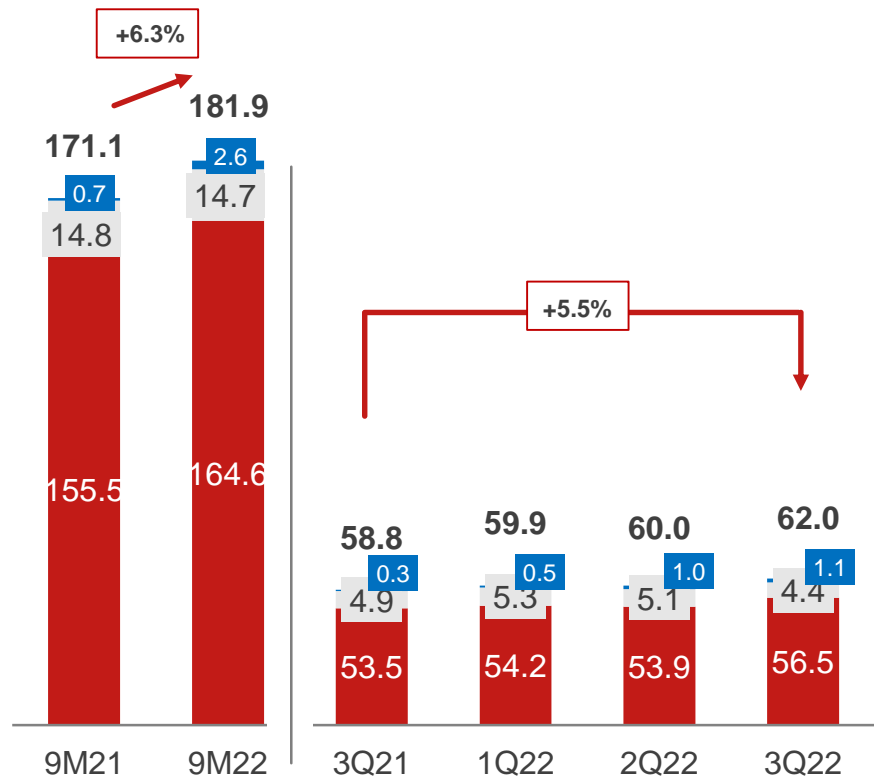
▶ **9M 2022 pay-out ratio on third-party business** and higher internalization and optimization of trading activities

# OPERATING COSTS (1/2)

## COSTS TREND FULLY IN LINE WITH GUIDANCE

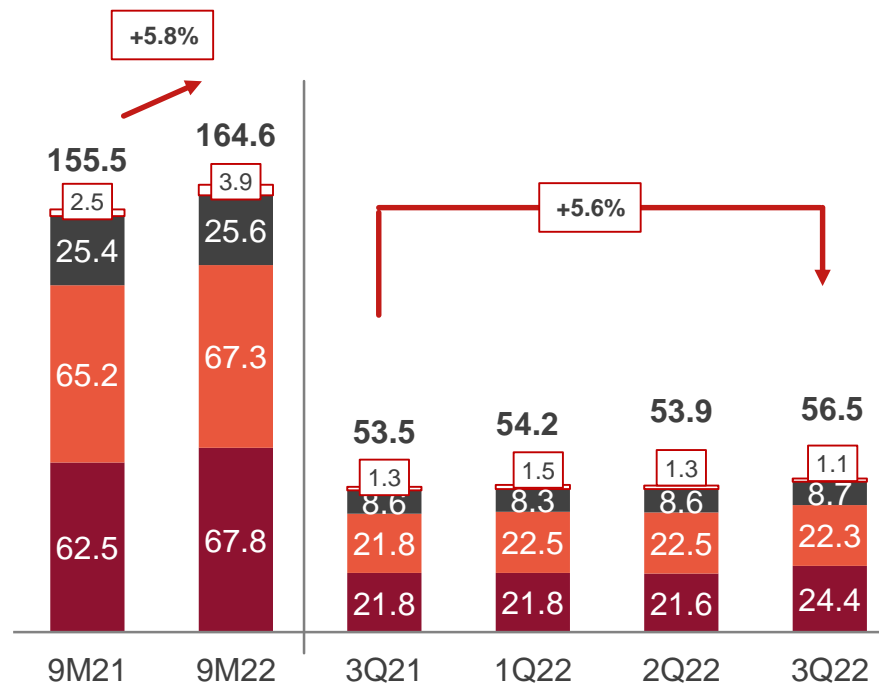


### Total Operating Costs<sup>1</sup> €\m



- One-off items
- Sales personnel
- Core operating costs (incl. BG Suisse)

### Breakdown of Core Operating Costs<sup>1</sup> €\m



- G&A
- Staff cost
- Depreciation
- BG Suisse

▶ **9M 2022 total operating costs** (+6.3%) included €2.6m related to one-off development projects (+5.3% ex- one-offs)

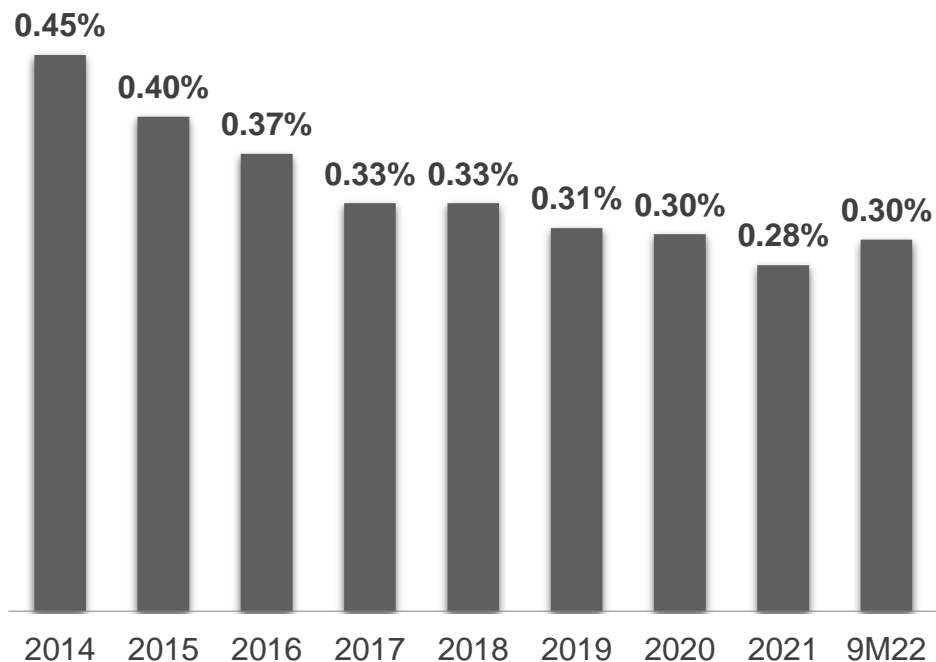
▶ **9M 2022 core operating costs** (+5.8%) increased with a spike in G&A in 3Q22 linked to the acceleration of selected key projects. 2022-2024 guidance of CAGR 5.0-6.0% confirmed

# OPERATING COSTS (2/2)

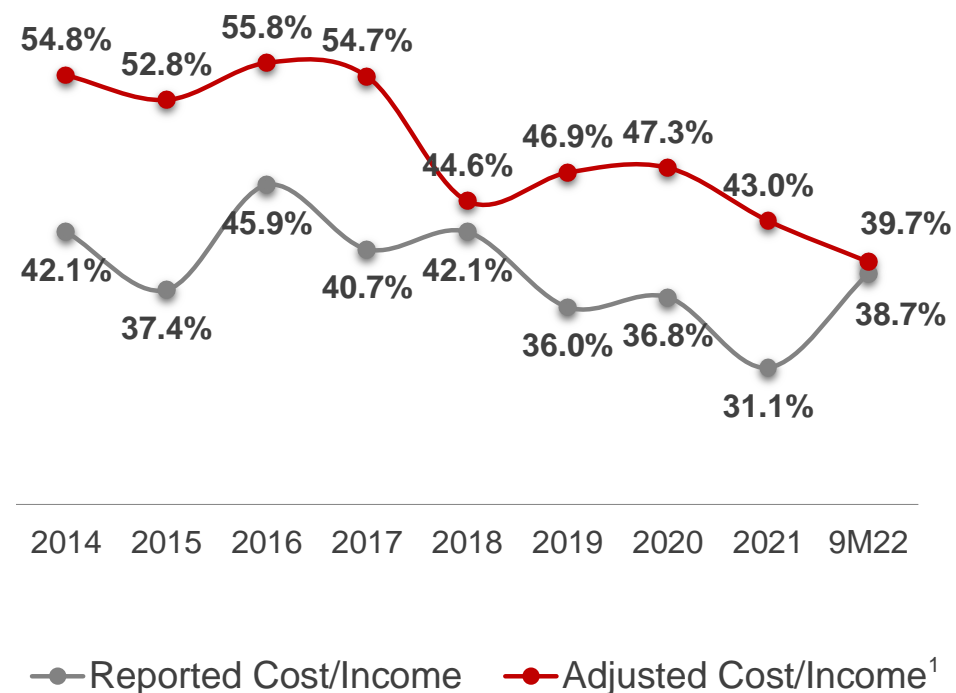
## BEST IN CLASS LEVELS FOR COST RATIOS



### Operating Costs / Total Assets



### Cost / Income Ratio



(€ m)	9M 21	9M 22	% Chg
<b>Net Financial Income</b>	<b>89.9</b>	<b>108.7</b>	<b>20.9%</b>
<b>Net recurring fees</b>	<b>326.4</b>	<b>343.4</b>	<b>5.2%</b>
Variable fees	196.6	17.6	-91.1%
<b>Total Banking Income</b>	<b>612.9</b>	<b>469.7</b>	<b>-23.4%</b>
Core operating costs	-155.5	-164.6	5.8%
<b>Total operating costs</b>	<b>-171.1</b>	<b>-181.9</b>	<b>6.3%</b>
<b>Operating Profit</b>	<b>441.8</b>	<b>287.8</b>	<b>-34.9%</b>
<b>Operating Profit ex. Performance fees</b>	<b>245.2</b>	<b>270.2</b>	<b>10.2%</b>
Net adjustments for impair.loans and other assets	-4.3	-7.5	74.6%
Net provisions for liabilities and contingencies	-26.2	-11.0	-58.0%
Contributions to banking funds	-14.5	-17.0	17.1%
Extraordinary provision	-79.9	0.0	n.m.
Gain (loss) from disposal of equity investments	-0.2	-0.1	-36.2%
<b>Profit Before Taxation</b>	<b>316.7</b>	<b>252.2</b>	<b>-20.4%</b>
Direct income taxes	-45.9	-61.5	33.9%
Extraordinary Tax agreement	0.0	-35.3	n.m.
<i>Tax rate</i>	<i>14.5%</i>	<i>24.4%</i>	<i>9.9 p.p.</i>
<b>Net Profit</b>	<b>270.9</b>	<b>155.4</b>	<b>-42.6%</b>
<b>Recurring Net Profit<sup>2</sup></b>	<b>132.0</b>	<b>163.5</b>	<b>23.8%</b>

## Comments

- ▶ **Operating result ex. performance fees (+10%)** reflecting progress in NII and resilient business margin
- ▶ **Total non operating charges (excl. one-off items)<sup>1</sup>** fell overall reflecting Fair Value changes of pension provisions and other contractual indemnities to FAs linked to the review of the discount rate prompted by higher interest rates. These changes more than offset higher contributions to banking funds and other conservative adjustments
- ▶ **One-off tax charge of €35m** linked to the settlement with the Tax Revenue Agency as disclosed on 20 September 2022
- ▶ **Recurring net profit (+24%)** posted a significant increase even after a higher ordinary tax rate (24% +9.9ppt YoY) than last year

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9M 2022 Financial Results

**Balance Sheet & Capital Ratios**

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Business Update and Closing Remarks

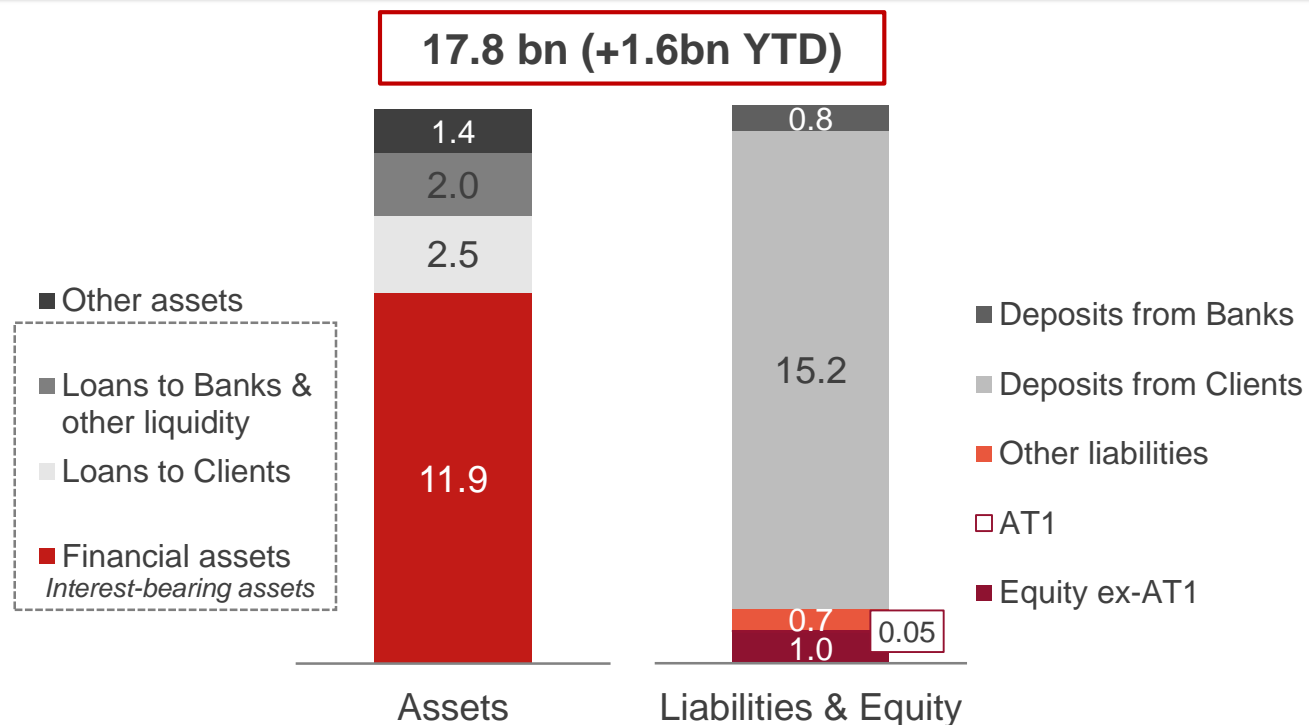
Annex

# BALANCE SHEET (1/2)

## SIMPLE AND LOW RISK BALANCE SHEET



### 9M 2022 Balance Sheet - Assets and Liabilities €



**Clients' Deposits** 15.2bn (+1.6bn YTD)

**Interest Bearing Assets (IBA)** 16.3bn (+1.3bn YTD)

▶ **Total balance sheet** increased by €1.6bn (+10% YTD) to €17.8bn driven by the expansion of retail deposits due to clients' higher risk aversion amid complex financial markets

▶ **Interest bearing assets** reached €16.3bn (+8.5% YTD) driven by expansion of Financial Assets' portfolio €11.9bn, +12% YTD)

**Loan book** reached €2.5bn (+2.2% YTD) confirming a negligible CoR at 3bps and NPL exposure (net of indemnity) at 4bps

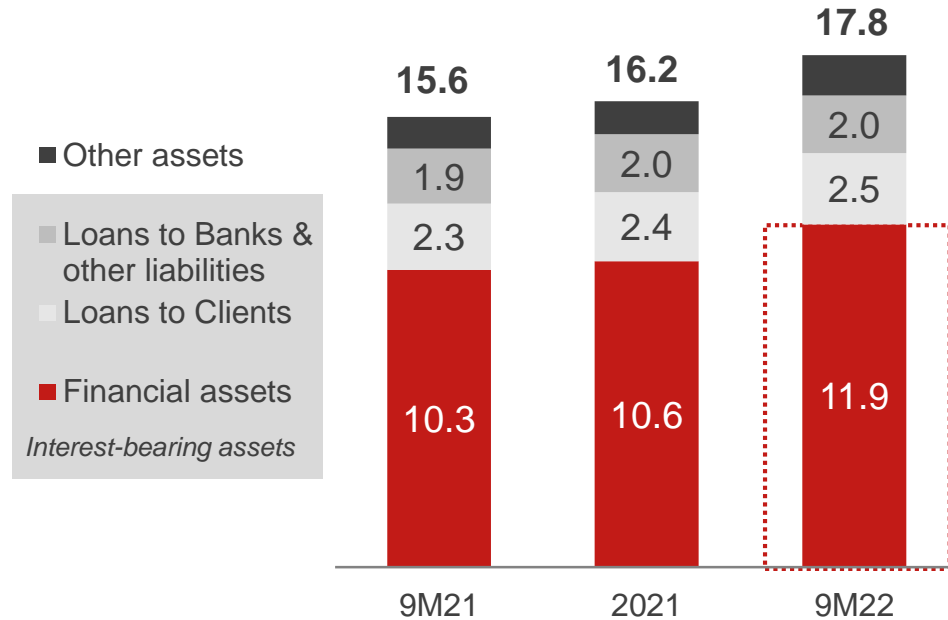
▶ The bank has **no debt exposure** (only €50m AT1 note)

# BALANCE SHEET (2/2)

## FINANCIAL ASSETS EXPLOITING HIGHER INTEREST RATES



### Total Assets and Interest-Bearing Assets €\bn

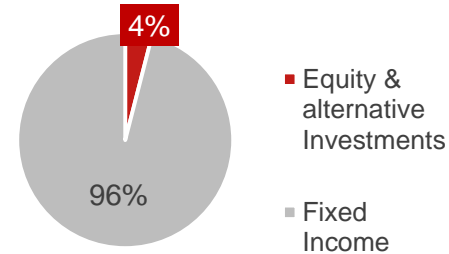


### Yield – On Interest Bearing Assets

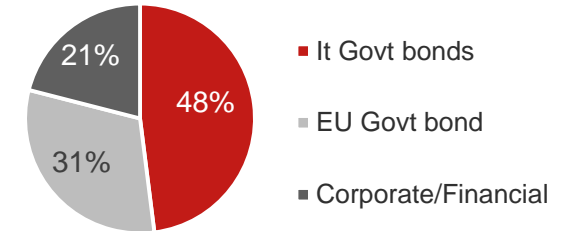
	9M21	2021	9M22
<b>Yield – On Interest Bearing Assets</b>	<b>0.60%</b>	<b>0.57%</b>	<b>0.73%</b>
o/w Loans to Banks	-0.24%	-0.26%	-0.07%
o/w Loans to Clients	1.07%	1.07%	1.11%
o/w Financial Assets	0.62%	0.58%	0.76%
<b>Cost of Funding (incl. TLTRO)</b>	<b>-0.06%</b>	<b>-0.04%</b>	<b>-0.02%</b>

### Focus on Financial Assets (Banking Book) €\bn

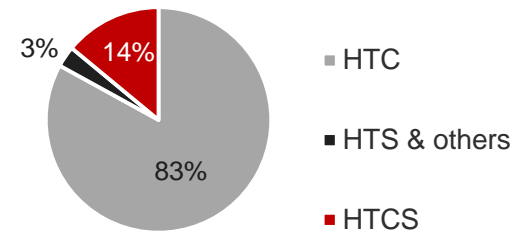
#### Total PTF Classification



#### Bond PTF Classification

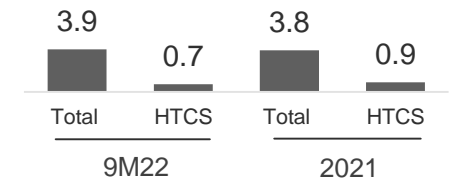


#### Total PTF - IFRS Classification

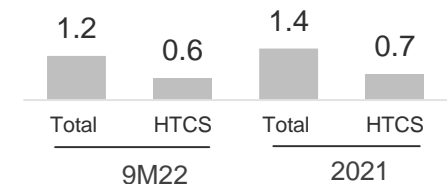


Floating rate bonds 53%, Fixed rate bonds and zero coupon 47%

#### Bond PTF Maturity



#### Bond PTF Duration

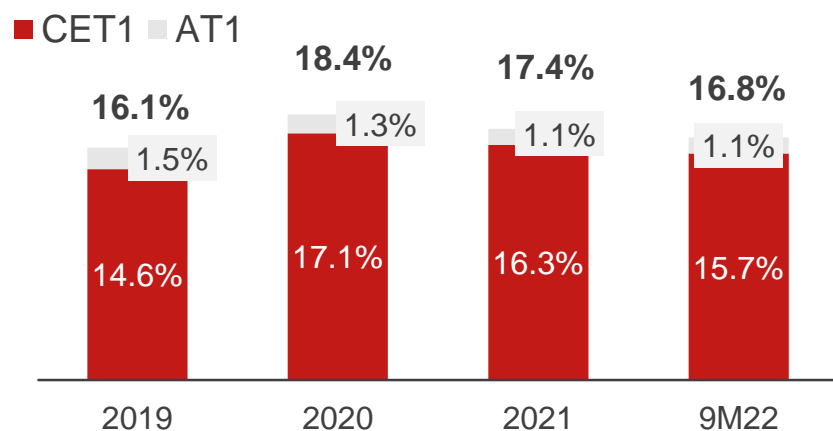


# CAPITAL AND LIQUIDITY RATIOS

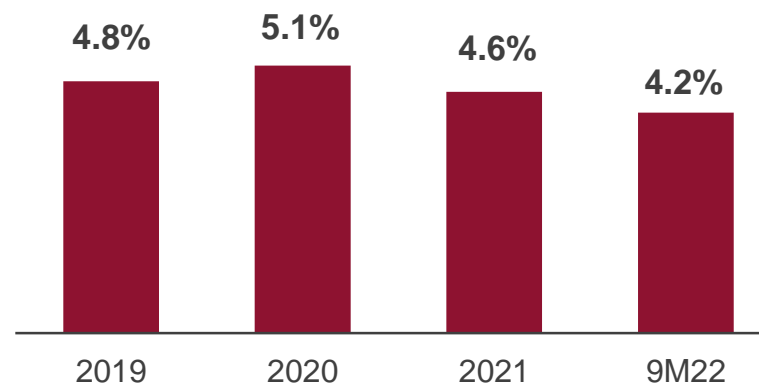
## SOLID CAPITAL POSITION CONFIRMED



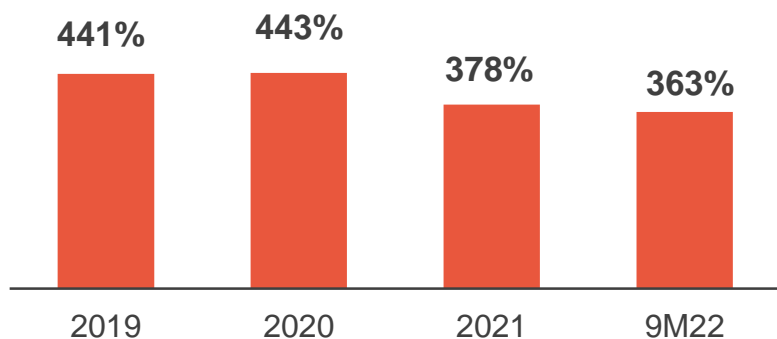
### Total Capital Ratio %



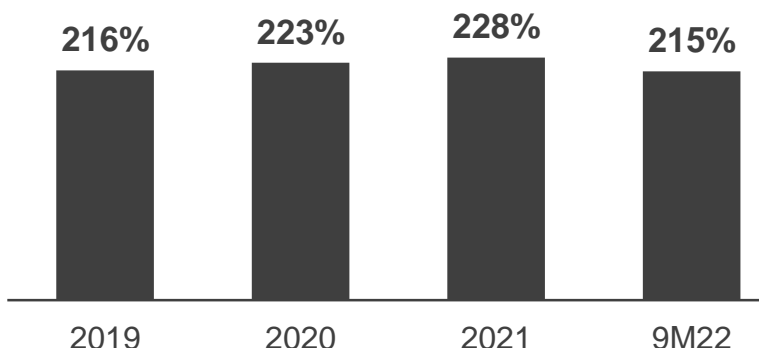
### Leverage Ratio %



### Liquidity Coverage Ratio €bn



### Net Stable Funding Ratio %



▶ Capital ratios above **SREP requirements** (CET1 8.0% and TCR 12.3%)

▶ Changes in 9M 2022 capital ratios reflected primarily the impact of **higher RWA** for the expansion of the business volumes and the diversification of the banking book.

On the other hand, capital ratios were supported by higher retained profits

▶ Capital ratios are calculated on the base of an implied **79% dividend pay-out** exploiting full flexibility in accordance with the new outstanding dividend policy



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Balance Sheet & Capital Ratios

**Net Inflows, Assets and Recruiting**

Business Update and Closing Remarks

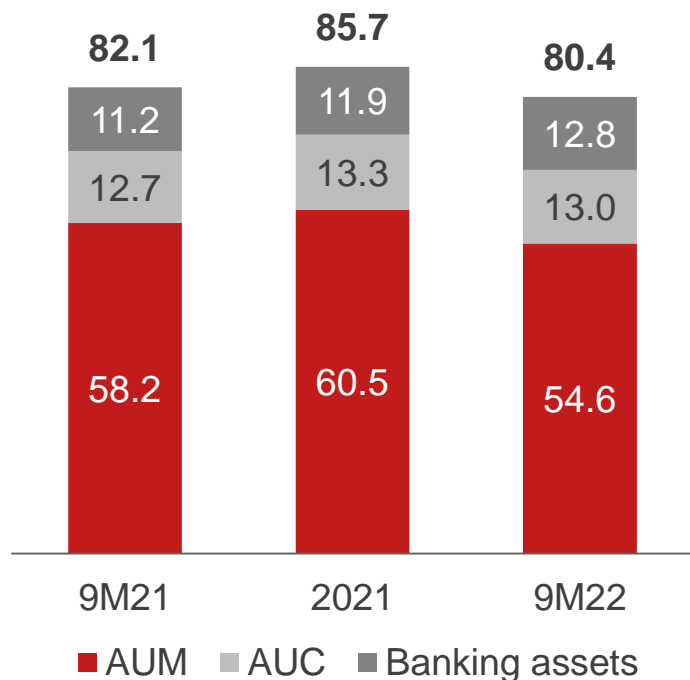
Annex

# TOTAL ASSETS

## CHALLENGING FINANCIAL MARKETS DRIVING RISK AVERSION HIGHER



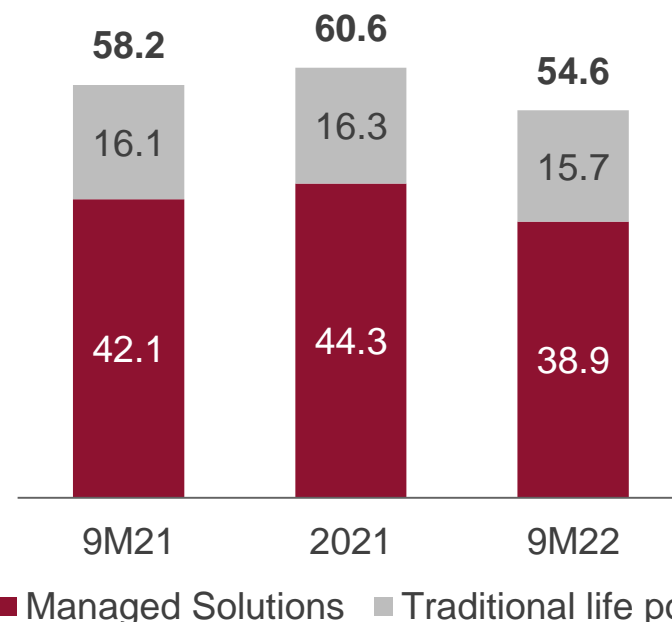
### Total Assets €\bn



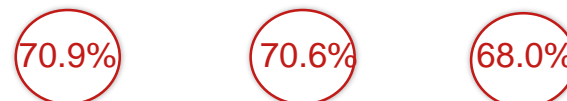
### Assets under Advisory / Total Assets



### AUM €\bn



### AUM / Total Assets



### Managed Solutions / Total Assets



▶ **Financial markets declined also in September** driving 9M 2022 financial markets' performance lower:

Euro govt bonds: -18.3%,  
Euro Stoxx 50: -22.8%,  
MSCI World: -26.4%

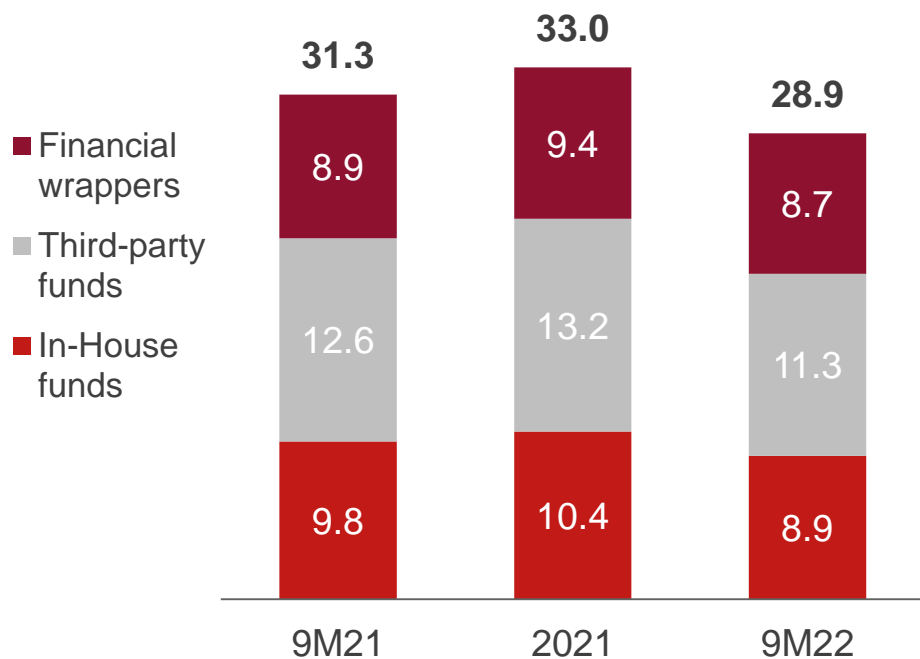
▶ **9M 2022 assets at €80.4bn (-6% YTD, -2% YoY)** with product mix moving in favor of more defensive solutions (deposits and AuC) and advanced advisory services amid market performance and higher risk aversion

# AUM BREAKDOWN

## IN HOUSE SOLUTIONS SUPPORTED BY RESILIENT FINANCIAL WRAPPERS



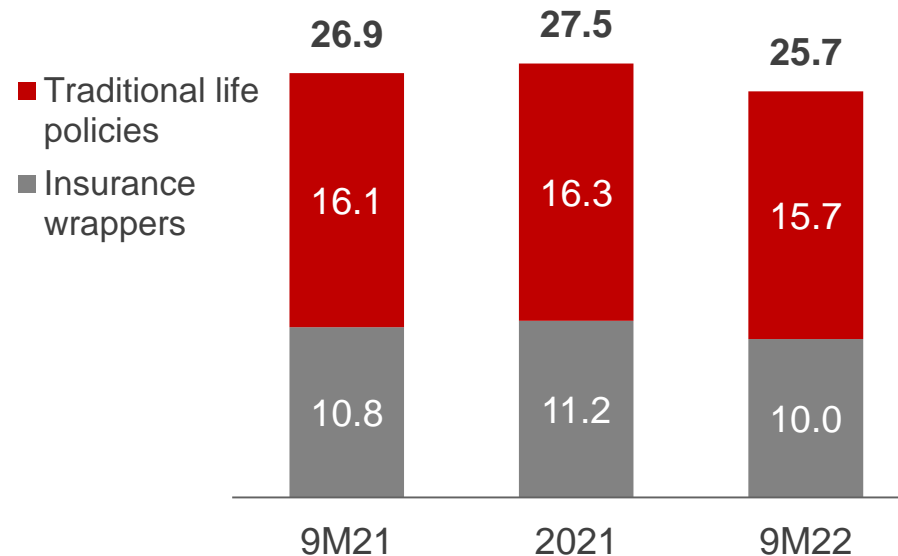
### AM Products €\bn



### In-house Solutions (In-house Funds + Financial Wrappers) / Total Assets



### Insurance Products €\bn



### Insurance Wrappers / Total Assets



▶ **9M 2022 AM solutions** (-7.7% YoY) driven mostly by third-party funds (-10.3%) while in-house products (-5.9%) were supported by financial wrappers (-2.4%)

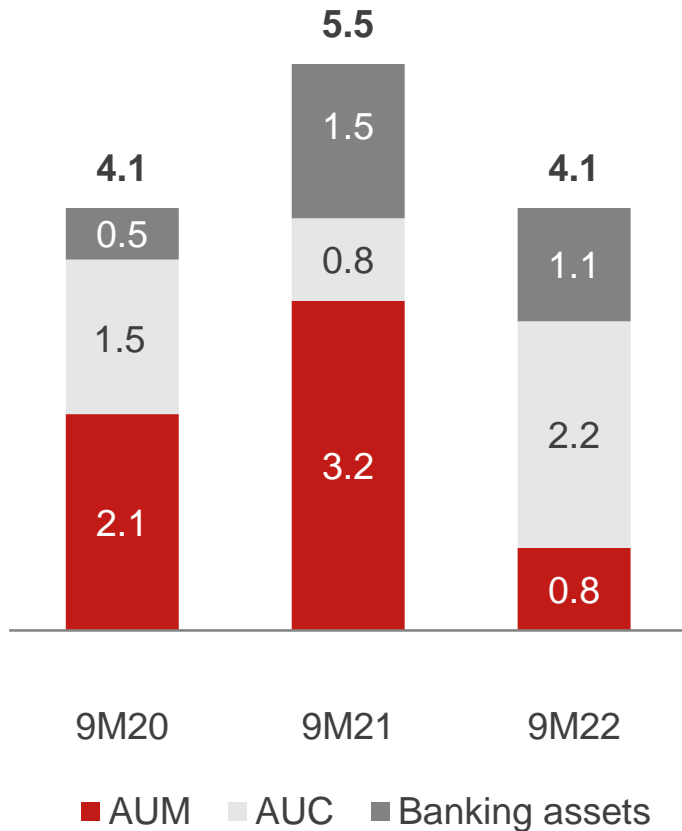
▶ **9M 2022 insurance solutions** posted a small decrease on total assets due to portfolio restructuring amid IT migration and restructuring of the offer

# NET INFLOWS

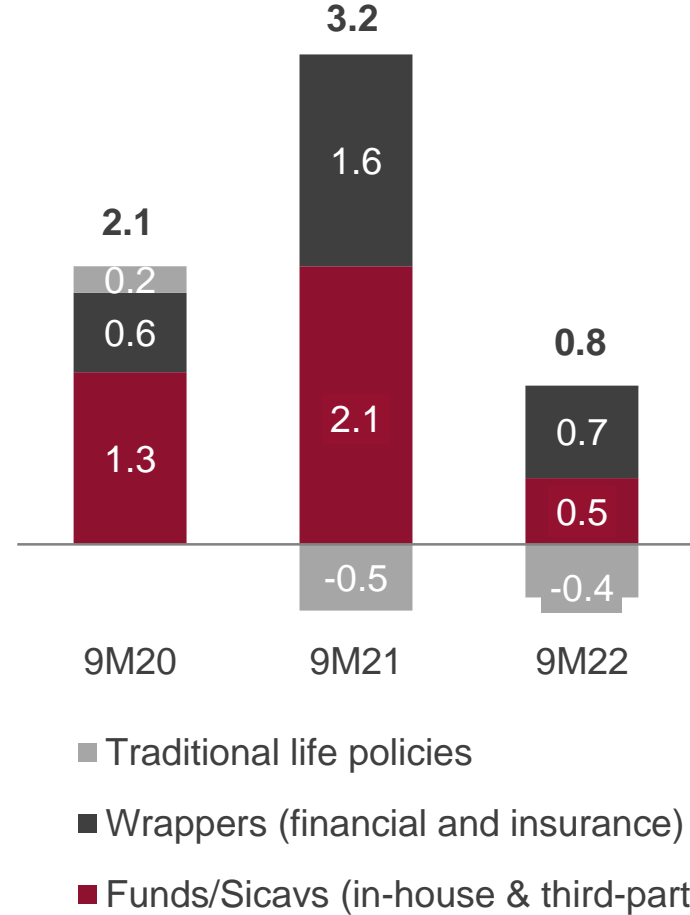
SOUND VOLUMES, MORE DEFENSIVE PRODUCT MIX



**Total Net Inflows** €\bn



**AUM Net Inflows** €\bn



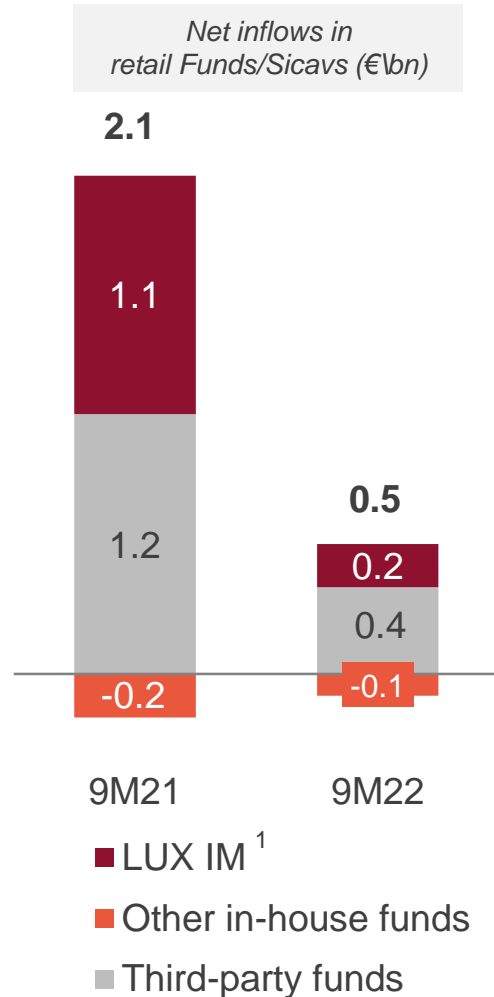
- ▶ **9M 2022** net inflows posted results off 2021 peak's levels, yet solid in terms of volumes
- ▶ **9M 2022** net inflows mix was affected by clients' higher risk aversion, conservative view on the outlook for financial markets

# NET INFLOWS IN RETAIL FUNDS/SICAV

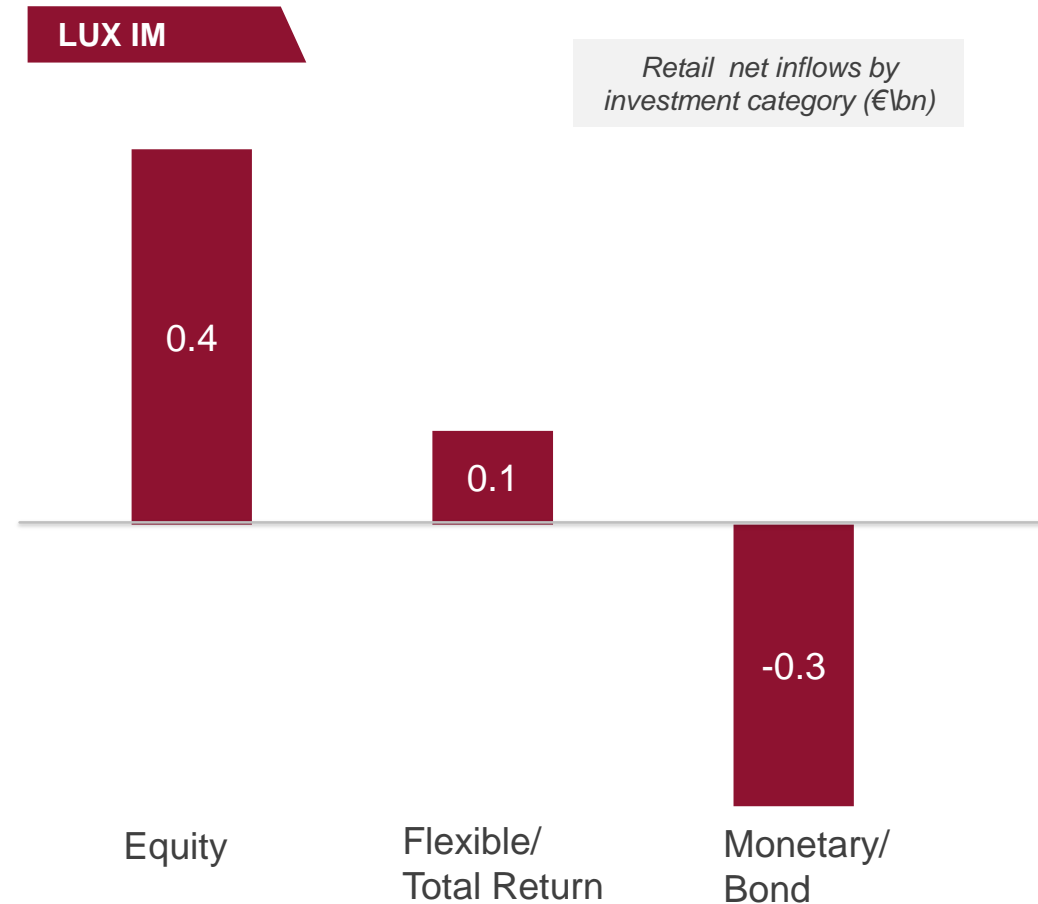
## LUX IM IMPROVES MIX, YET VOLUMES REMAIN LOW



### Focus on Net inflows in Retail Funds/SICAV €\bn



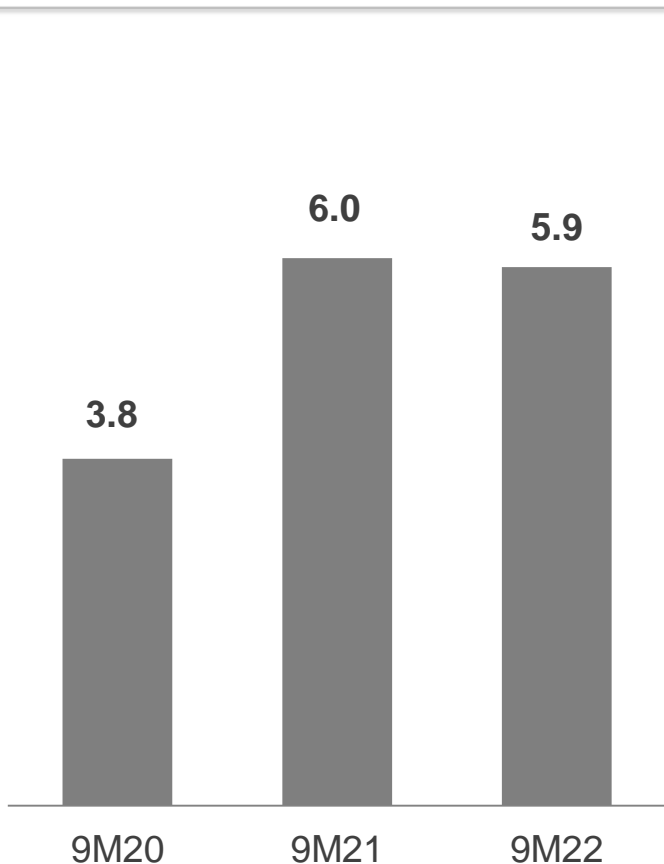
### Focus on 9M22



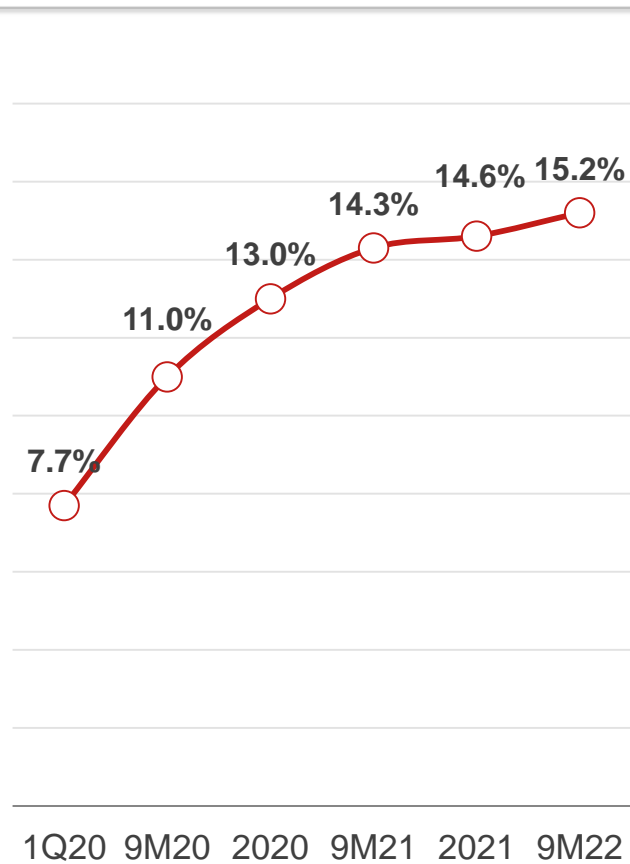
➤ **9M 2022 LUX IM net inflows were high quality** - while weak compared to last year volumes. They were dragged down by outflows from low margin monetary and bond funds whereas net inflows concentrated on equity and total return sub-funds

➤ **9M 2022 third-party funds** supported by the launch of selected fixed income/target loans funds in 1H 2022

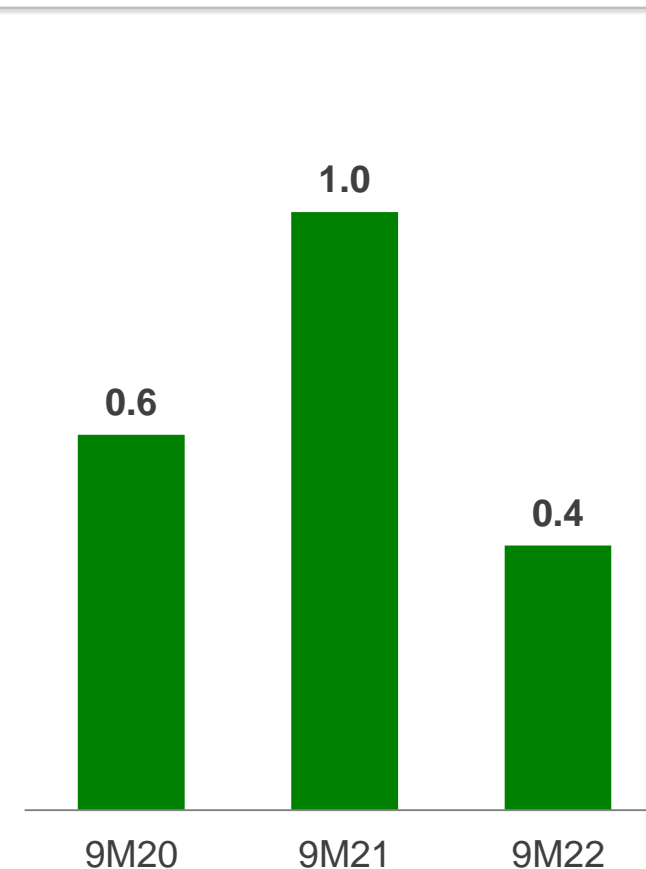
### Assets in ESG Products €\bn



### ESG as % of Managed Solutions



### Net Inflows in ESG Products €\bn

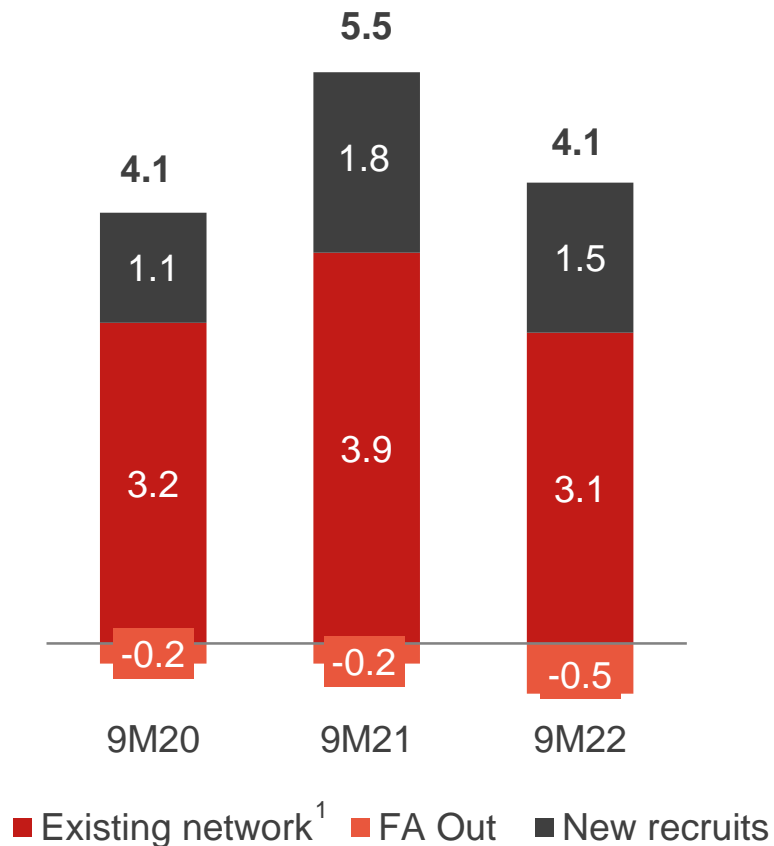


# NET INFLOWS BY ACQUISITION CHANNEL

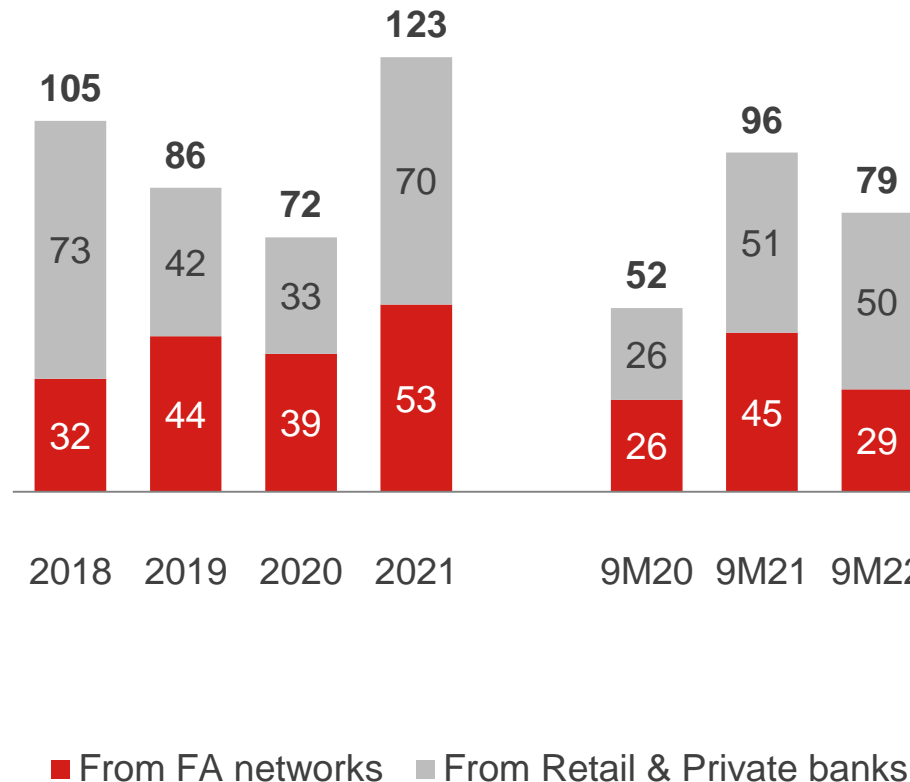
## SOLID CONTRIBUTION FROM EXISTING FAs



**Net Inflows by Acquisition Channel** €\bn



**Recruitment Trend** # of new recruits



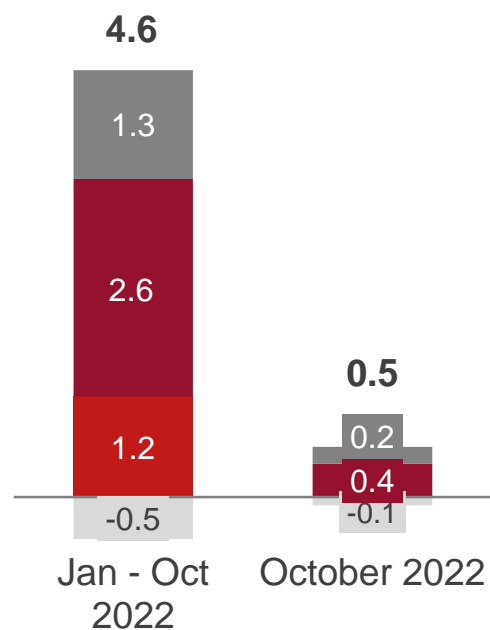
▶ **Net inflows driven by existing FAs** (75% of total net inflows)

▶ **Continued focus on younger profiles**

- out of the 79 new recruits, 20 are ≤40 years old
- 9 junior profiles in addition to 79 recruits (no recruiting package)

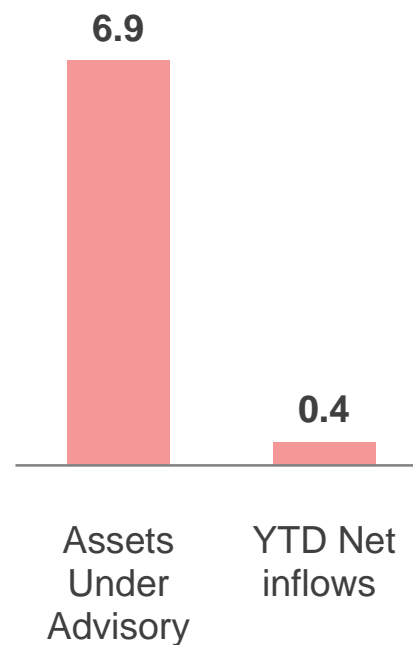
▶ **3Y Plan recruiting targets confirmed**

### Total Net Inflows €\bn

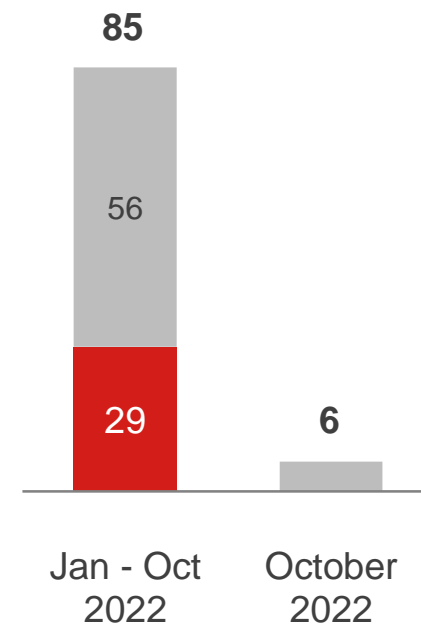


- Banking assets
- AUC
- Traditional life insurance
- Managed solutions

### Advanced Advisory €\bn



### Recruitment # of new recruits



- From retail & private banks
- From FA Networks



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9M 2022 Financial Results

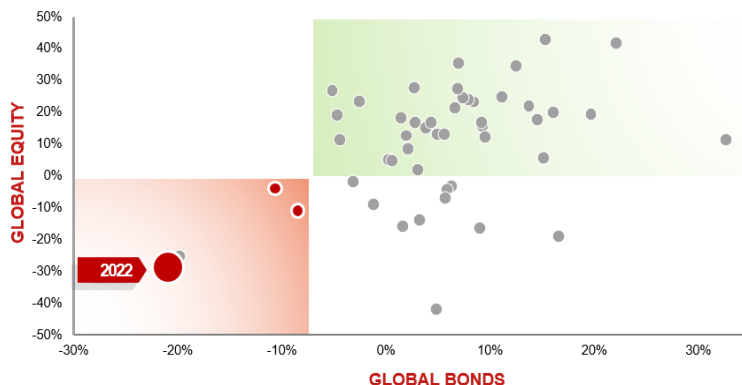
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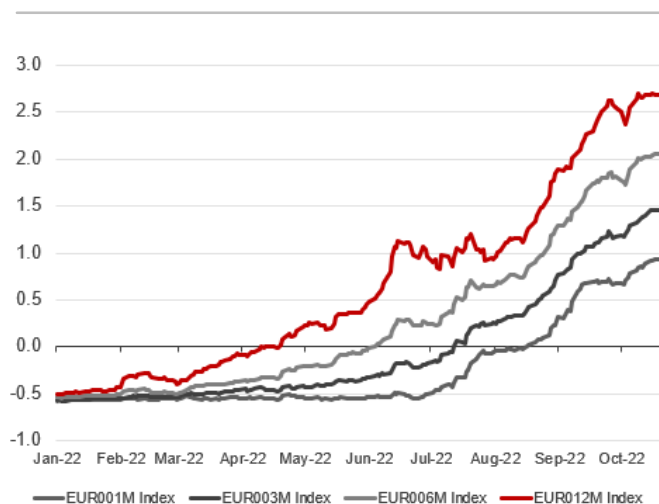
**Business Update and Closing Remarks**

Annex

# NEW MACRO AND INVESTMENT ENVIRONMENT SINCE THE LAUNCH OF THE PLAN DRIVING BUSINESS AND FINANCIAL ADJUSTMENTS



Global equity vs. global bonds - Annual returns, 1977-2022<sup>1</sup>



Euribor 1M, 3M, 6M, 12M – 2022 YTD Yields<sup>2</sup>

## Rethinking of the offer

- Seizing new investment opportunities leveraging on bonds
- Investing in equity with flexible portfolio and savings/switch plans
- Deploying excess liquidity parked in current accounts

## Assessing implications to 3Y financial targets

- Different revenue mix reflecting the normalisation of the interest rates environment
- Key targets of consistent, profitable and remunerative growth confirmed

# NEW MANAGED SOLUTIONS LAUNCHED IN 4Q 2022 (1/2)

## INVESTMENT SOLUTIONS TO CAPTURE OPPORTUNITIES IN THE CURRENT MARKET



**€10m per day net inflows since inception (from 13 October)**

### 4Q 2022 New Product Offer

#### Liquidity Management

- ▶ New in-house Lux Treasury fund
- ▶ New financial wrapper focused on short term liquidity management
- ▶ New financial wrapper focused on global bonds
- ▶ Advanced Advisory on bonds
- ▶ New current account offer **due in 1H23**



#### Active Managed Solutions

- ▶ New in-house Lux funds within BG Collection
- ▶ New financial wrappers solutions
  - Dynamic solution (ETF and single stocks) with automatic rebalancing
  - Smart Target with capital preservation and potential upside mechanism
  - 'Recovery' solution with buy and hold approach
- ▶ Extension of Advanced Advisory approach to ETFs
- ▶ Financial Wrappers platform optimization (dynamic hedging, forex, etc.) **due in 1H23**



#### Accumulation Plans

- ▶ Push on accumulation and switch plans
- ▶ New release of the accumulation plan digital platform **due in 1H23**



The normalisation of the interest rates environment opens the way to the return of traditional life insurance

### Phase 1: 4Q 2022



Reopening the offer of **Traditional Life policies** after the halt of the last few years due to the negative interest rate environment



**€5m per day**  
since inception from 13 October

### Phase 2: 2023






Launch of a **New insurance platform** combining insurance, investment and protection features with multiple ancillary services

# CLOSING REMARKS

## KEY TARGETS CONFIRMED OVER THE PLAN HORIZON



Objectives and KPIs	2022-24 Guidance	2022 Guidance	2023 Guidance
 <p><b>Consistent growth</b> Cumulated net inflows 2022-2024</p>	<p>€18bn–€22bn</p>	<ul style="list-style-type: none"> <li>- Net Inflows guidance seen at €5.5–€6.0bn by year end</li> <li>- Growing recovery of managed and insurance solutions continuing through 4Q 2022 driven by new product launches</li> </ul>	<ul style="list-style-type: none"> <li>- Net Inflows guidance seen at €6.0–€6.5bn <b>confirmed</b></li> <li>- Steady improvement in the product mix expected</li> </ul>
 <p><b>Profitable growth</b> Increase of recurring net profit 2021-2024</p>	<p>10%–15% CAGR</p>	<ul style="list-style-type: none"> <li>- Recurring net profit expected to grow above targets to 15%-20% by year-end</li> <li>- NII expected to grow to €130-€135m by year-end more than offsetting the impact of market turbulence on AUM</li> </ul>	<ul style="list-style-type: none"> <li>- NII expected to grow to €180-€190m<sup>1</sup> offsetting any pressure on gross fees linked to lower financial markets</li> <li>- Guidance for pay-out and operating costs confirmed</li> </ul>
 <p><b>Remunerative growth</b> Cumulated DPS<sup>2</sup> 2022-2025 (cash view<sup>3</sup>)</p>	<p>€7.5–€8.5 p.s.</p>	<p><b>Confirming the DPS 2022-2025 target</b> thanks to the flexibility of our current dividend policy guidelines, i.e.</p> <p>70%-80% of recurring net profit 0%-100% of variable net profit</p>	

To be the No.1 private bank, unique by  
**value of service, innovation** and  
**sustainability**

9M 2022 Financial Results

Balance Sheet & Capital Ratios

Net Inflows, Assets and Recruiting

Business Update and Closing Remarks

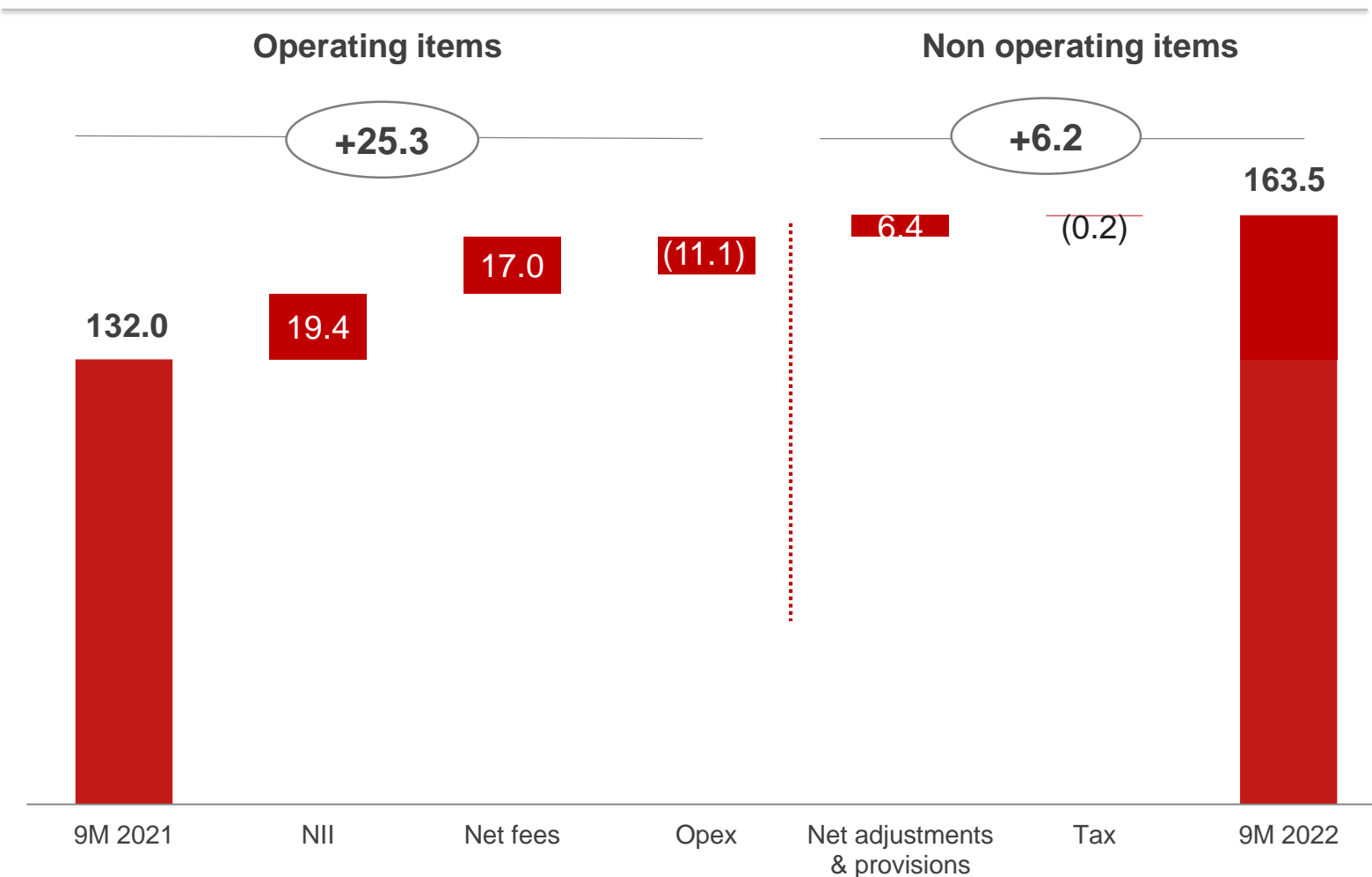
**Annex**

# RECURRING NET PROFIT

## RUN RATE OF RECURRING NET PROFIT ABOVE 2022-2024 TARGET



### Build up of Recurring Net Profit<sup>1</sup> €\m



**Higher 9M 2022 recurring net profit (+24% YoY)** driven by higher recurring revenues (NII and net fees) leveraging on positive exposure to interest rates' hike, resilient in-house solutions and diversification in the AUM component.

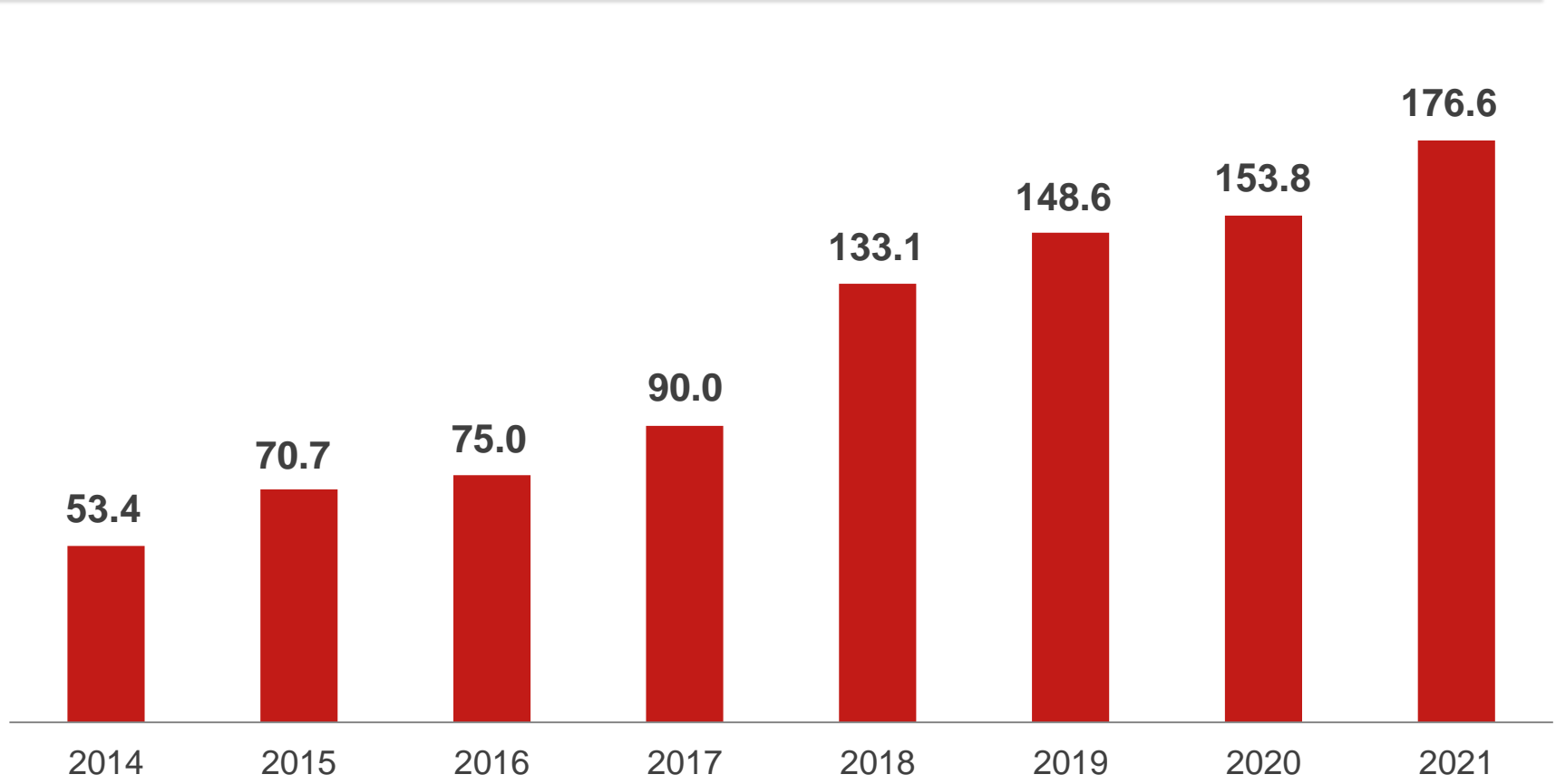
**Positive contribution from non operating items** leveraging on the upwards revision of discount rates in the calculation of Fair Value of actuarial provisions

# RECURRING NET PROFIT – YEARLY TREND

## EARNINGS' QUALITY AND SUSTAINABILITY STEADILY GROWING



Recurring Net Profit<sup>1</sup> €\m



▶ **2021 recurring net profit** increased by 3x since 2014 and almost 2.0x since 2017

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▶ Asset growth and new revenue streams more than offset **2018-2020 product rebalancing** to enhance overall pricing sustainability



Banca Generali signed a **framework agreement** with the Italian Revenue Agency for the settlement of tax claims in relation to transfer pricing for the tax periods from 2014 to 2019. More in detail, the agreement recognized:

1

- ▶ **No penalties** for the Bank, due to the penalty protection regime
- ▶ The **suitability of the Transfer Pricing Model** and the Transfer Pricing Policy prepared by the Bank
- ▶ A **higher remuneration for the fiscal years 2014-2018** for the handover, carried out in 2008, to the newly established company BGFML of the delegated investment management of BG Sicav. The **actual charge** for the year has been **limited to €35 million**
- ▶ **No tax claims** for the **2019 tax period**

2

The agreement paves the way for **FULL IMPLEMENTATION OF THE COOPERATIVE COMPLIANCE PROCEDURES** to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period

*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.