9M 2020 RESULTS

5 NOVEMBER 2020

BANCA GENERALI

AGENDA

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

- [x] **Preliminary remarks**
- [ ] **9M 2020 Results**
- [ ] **Net Inflows, Assets and Recruitment**
- [ ] **Business update**
- [ ] **Appendix**

9M 2020 RESULTS: EXECUTIVE SUMMARY

HEALTHY AND SUSTAINABLE DELIVERY

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 items[1]. 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% <u>including</u> 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% <u>excluding</u> 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

Note 1) Extraordinary items accounted for €6.2m charges, of which €4m linked to the change in the discount rate applied to actuarial reserves and €2.2m linked to the extraordinary contribution to the Interbank Deposit Protection Fund

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%**
Cost /Income Ratio	*31.2%*	*31.4%*	*0.2 p.p.*
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%
Tax rate	*17.4%*	*22.0%*	*4.6 p.p.*
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 costs[1] inflated by the change in perimeter (€14.5m). Core operating costs instead posted a limited increase (+2.0%).

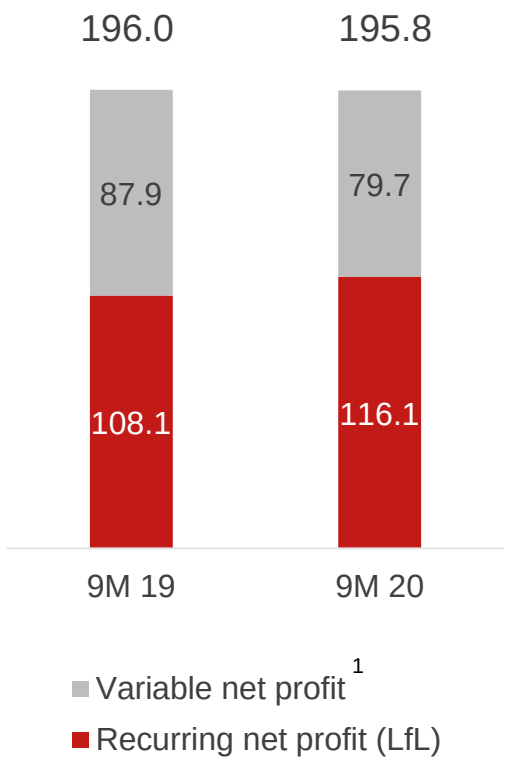
Net profit in line with record result of last year amid higher provisions and higher tax charge

- 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

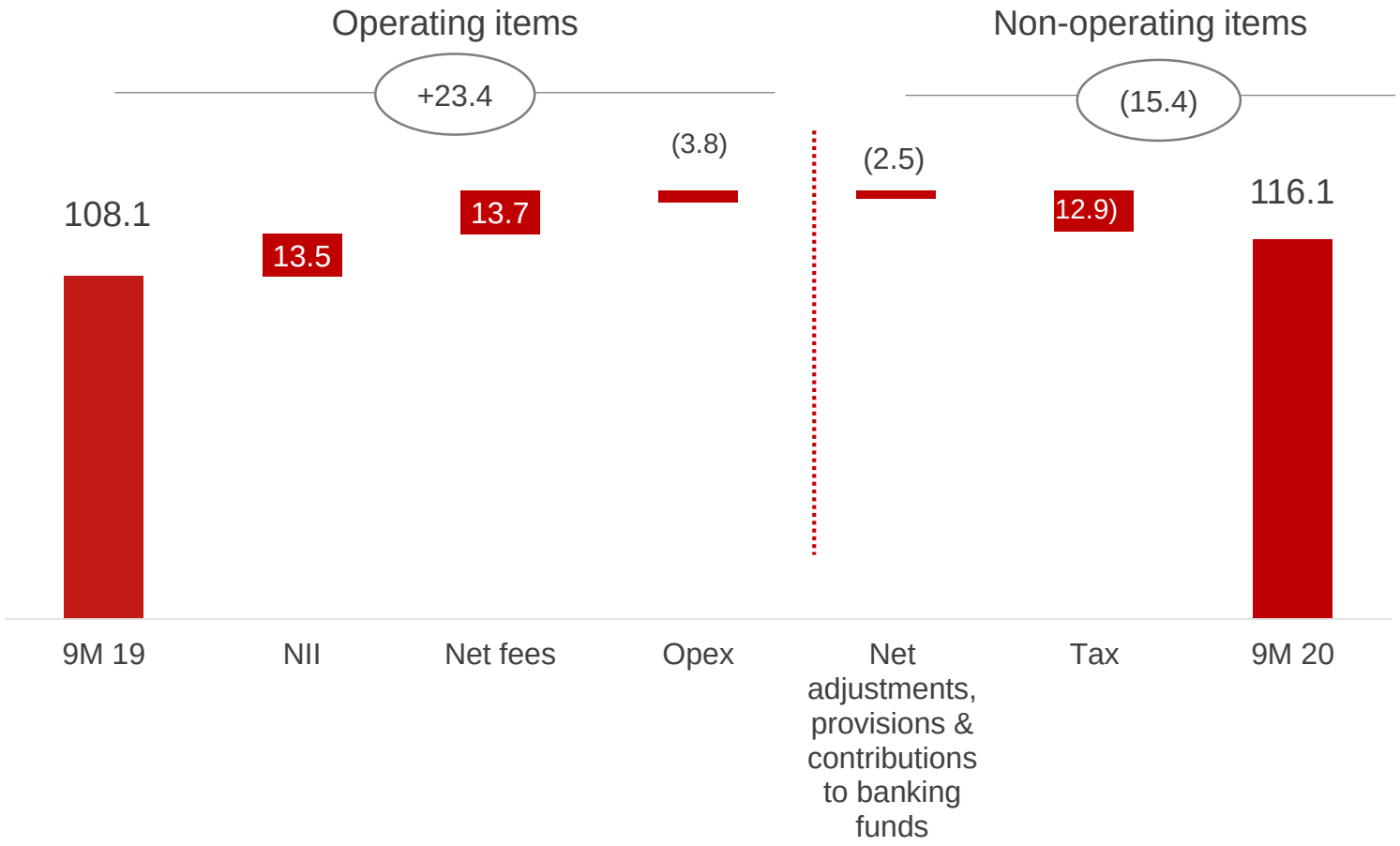
NOTE: Reported 9M 2020 results included consolidation of Nextam and Valeur for the entire period, 9M 2019 results included consolidation of Nextam only from August 2019; 1) Headline operating costs for 9M19 and 9M20 have been reclassified stripping out contributions for banking funds to better represent the evolution of costs linked to the bank's operations rather than the amount of systemic charges incurred. The reclassification is in line with the most widespread market practice

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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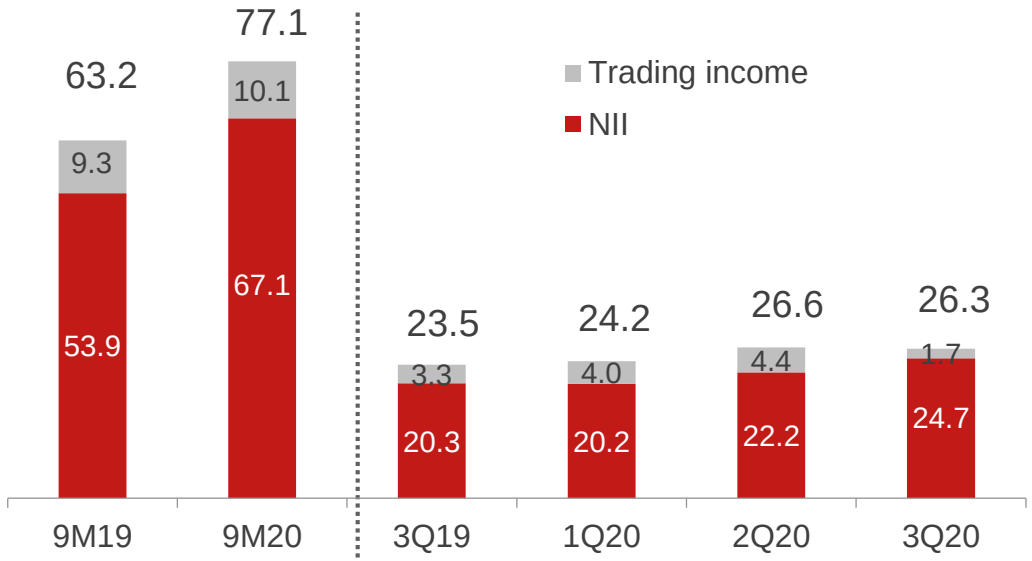
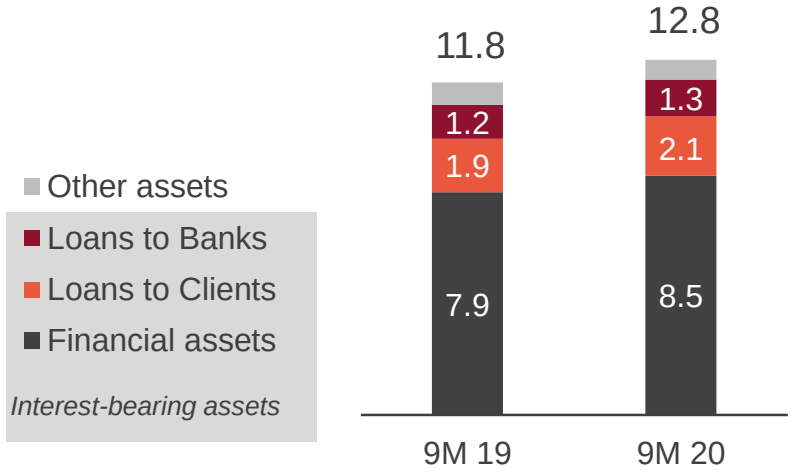
NET FINANCIAL INCOME
NET INTEREST INCOME MOVING HIGHER

Net financial income m/€



	9M19	9M20	3Q19	1Q20	2Q20	3Q20
Total Yield	0.88%	0.91%	0.94%	0.88%	0.93%	0.91%
NII yield	0.75%	0.79%	0.81%	0.74%	0.77%	0.86%[1]

Interest-bearing Assets bn/€



	9M 19	9M 20
Yield – Loans to Banks	-0.13%	-0.04%
Yield – Loans to Clients	1.13%	1.07%
Yield – Financial Assets	0.83%	0.82%

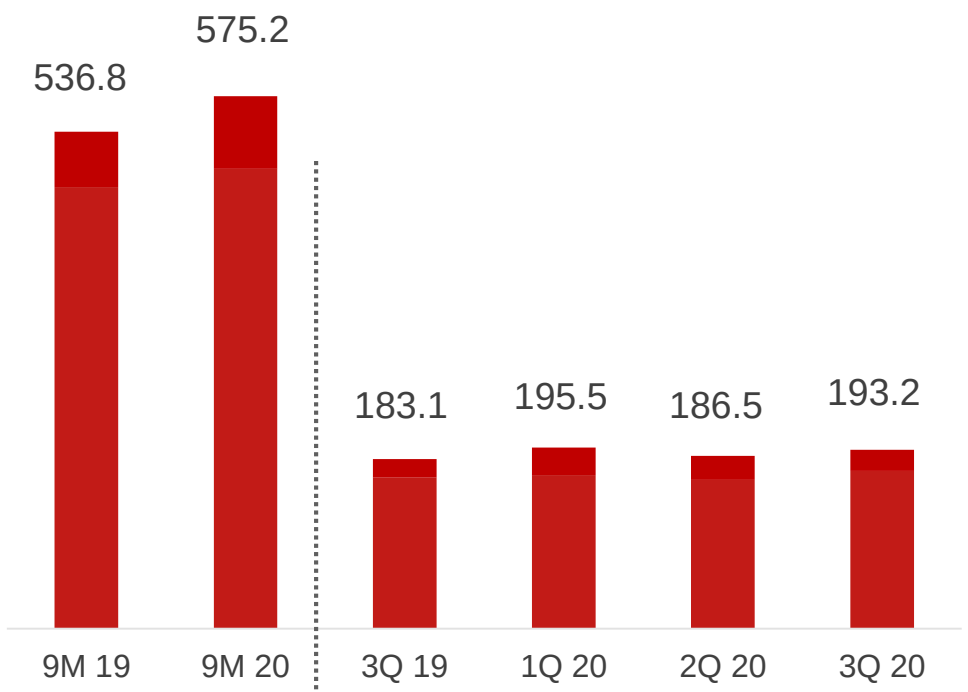
NII increased both YoY and QoQ driven by higher assets, sticky investment return and €1.3m contribution from the €500m TLTRO loan in 3Q

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

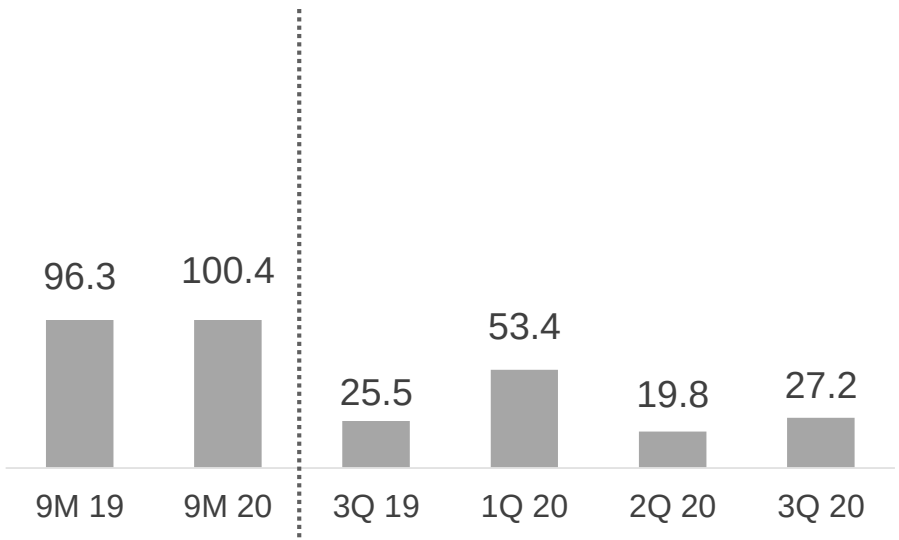
Note 1) 4bps related to TLTRO loan initiation

GROSS FEES (1/3)
POSITIVE CONTRIBUTION FROM ALL REVENUE LINES

Gross recurring fees m/€



Variable fees m/€



On Total Assets[1]

9M 19	9M 20	3Q 19	1Q 20	2Q 20	3Q 20
1.16%	1.13%	1.14%	1.15%	1.12%	1.13%
0.21%	0.20%	0.16%	0.32%	0.12%	0.16%

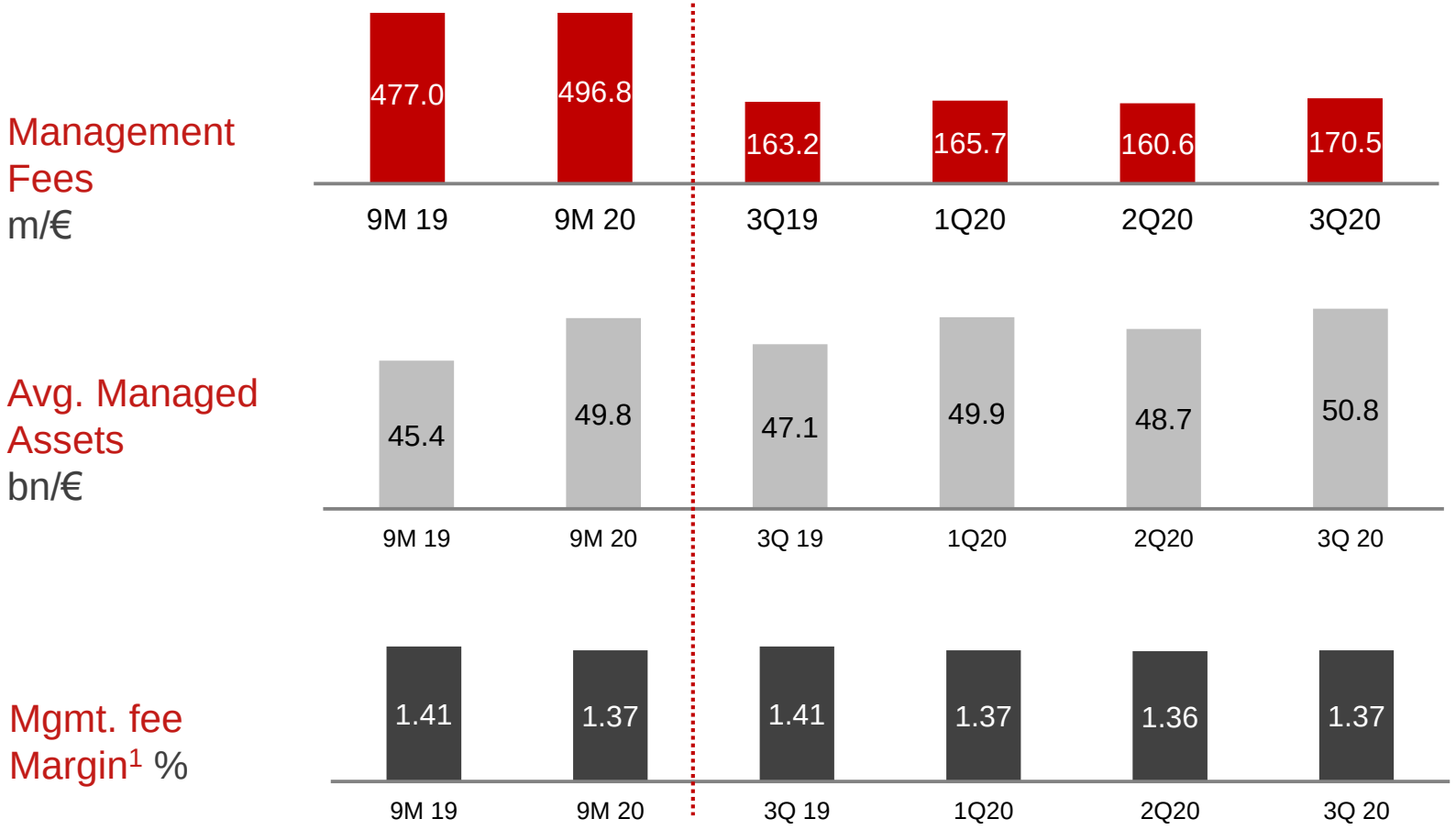
Sound increase in recurring fees (+7% YoY, +4% QoQ) driven by higher managed assets and more revenue streams

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

NOTE: Fee margins based on average assets on an annualized basis; 1) Fee margin calculation excluding Nextam and Valeur on a like-for-like basis

GROSS FEES: MANAGEMENT FEES (2/3)
ACCELERATION AT QUARTERLY LEVEL

Quarterly trend m/€



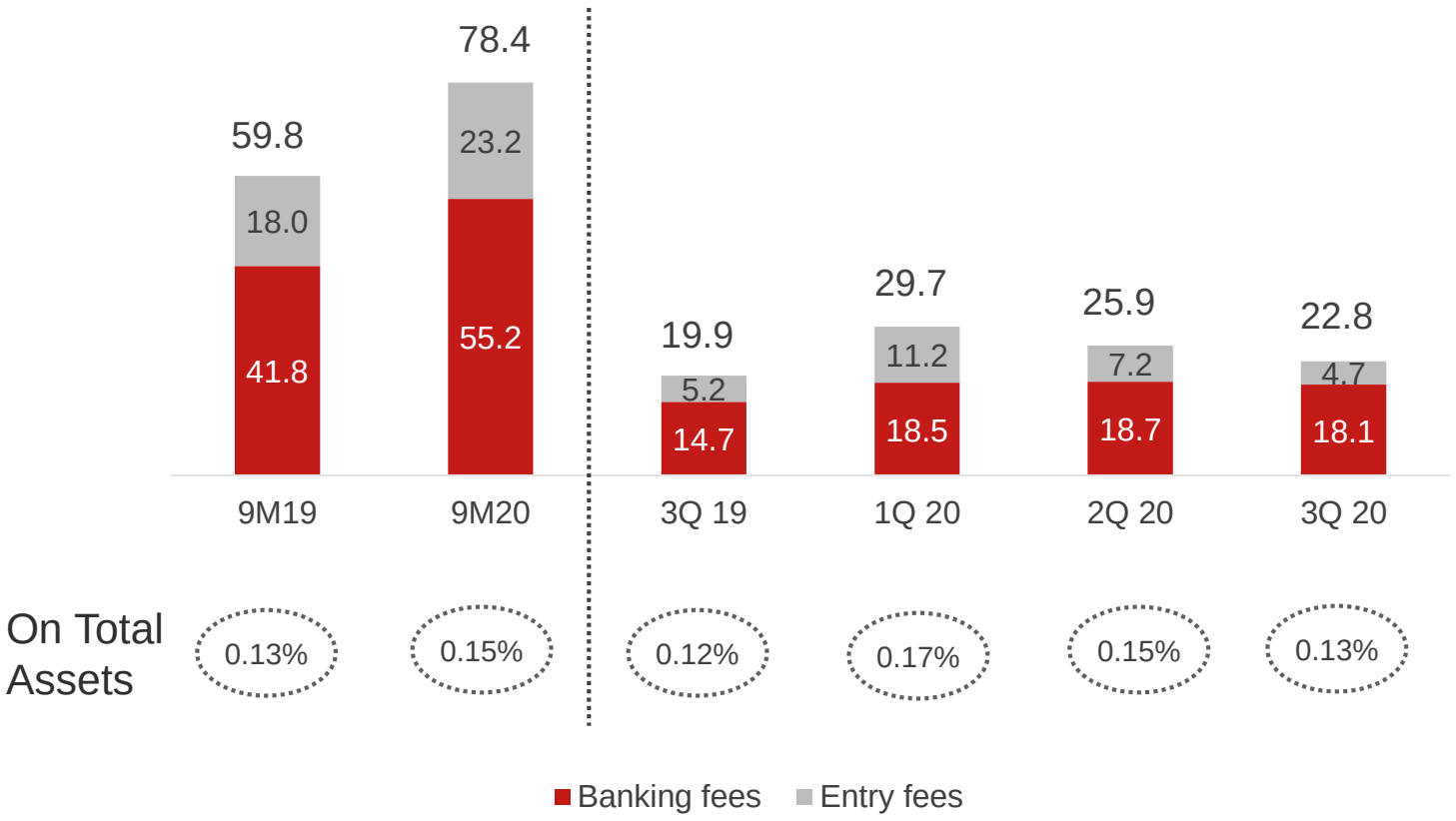
Quarterly management fees above pre-crisis level in absolute terms (+6% QoQ) boosted by higher volumes and improving margins

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

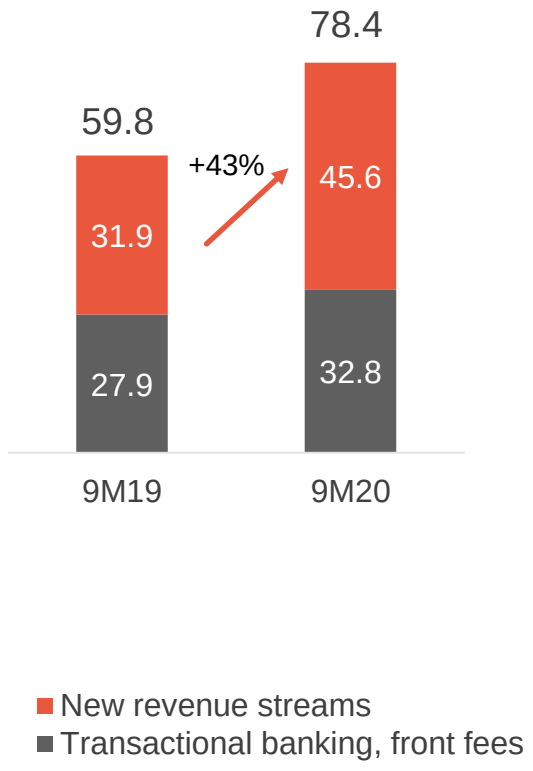
NOTE: Fee margins based on average assets on an annualized basis; 1) Fee margin calculation excluding Nextam and Valeur on a like-for-like basis

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)

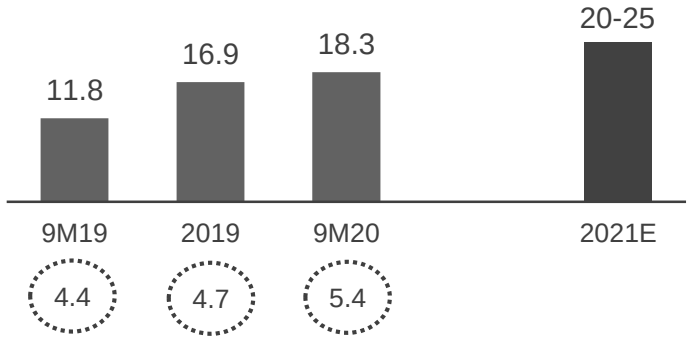
Transactional banking and entry fees (+18%) boosted by institutional brokerage

NOTE: Fee margins based on average assets on an annualized basis; 1) Fee margin calculation excluding Nextam and Valeur on a like-for-like basis

FOCUS ON NEW REVENUE STREAMS
GROWTH TREND ABOVE PLAN ACROSS THE BOARD

New revenue streams m/€

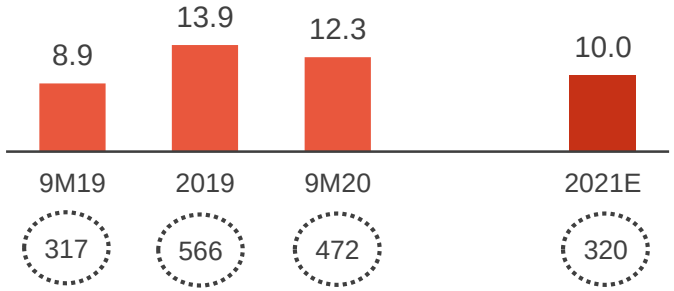
BGPA ROAD



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)

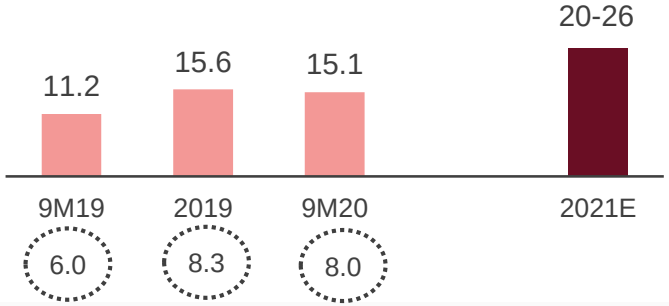
BG | CERTIFICATEhub



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

BG SAXO



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

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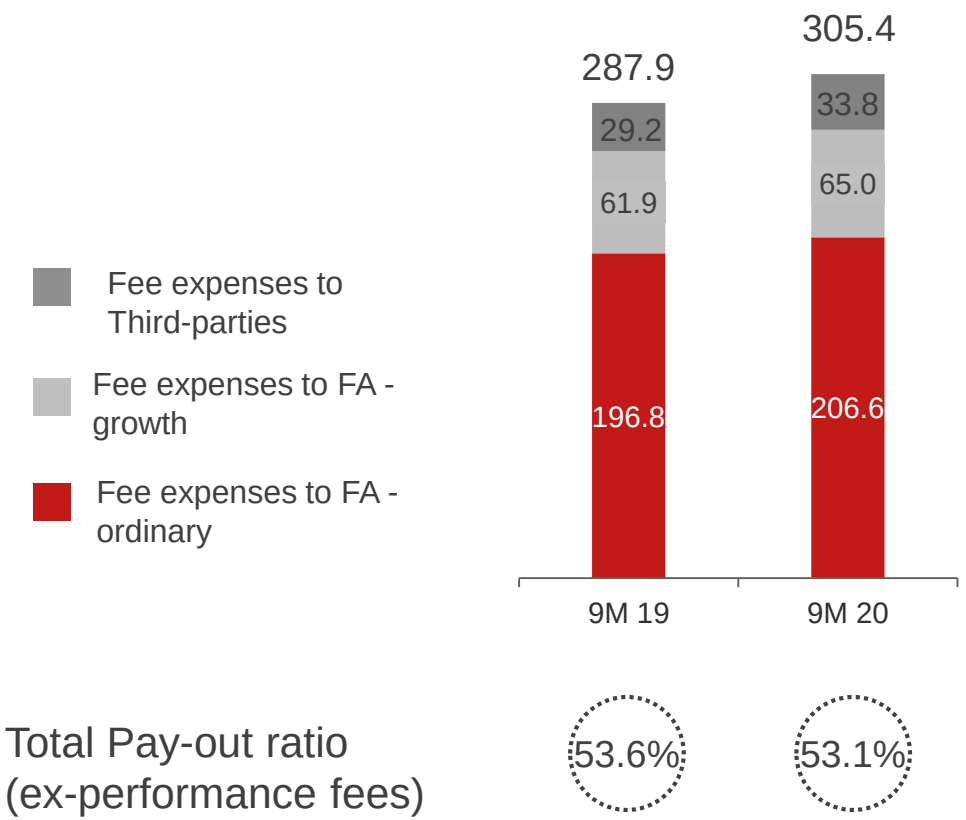
FEE EXPENSES

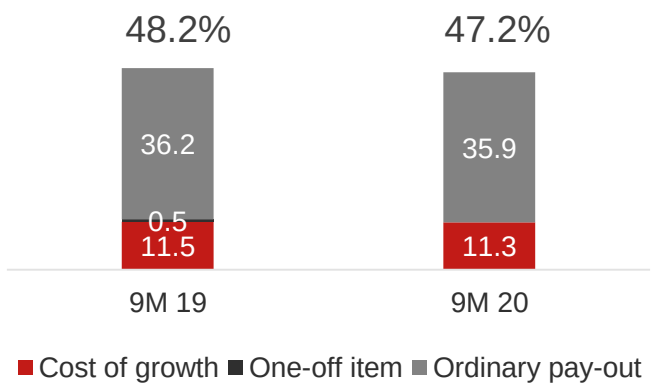
TOTAL PAY-OUT RATIO IMPROVING FURTHER

Total Fee Expenses m/€



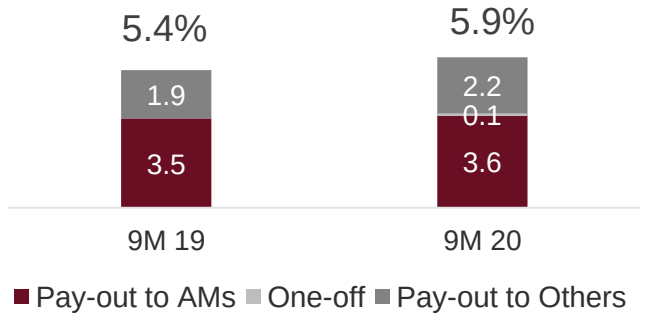
Total Pay-out ratio (ex-performance fees)

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

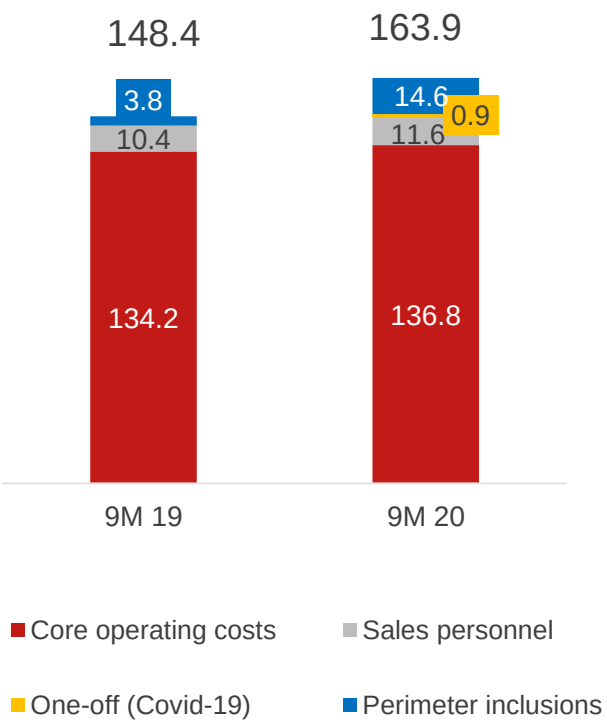
Pay-out to Third-parties %



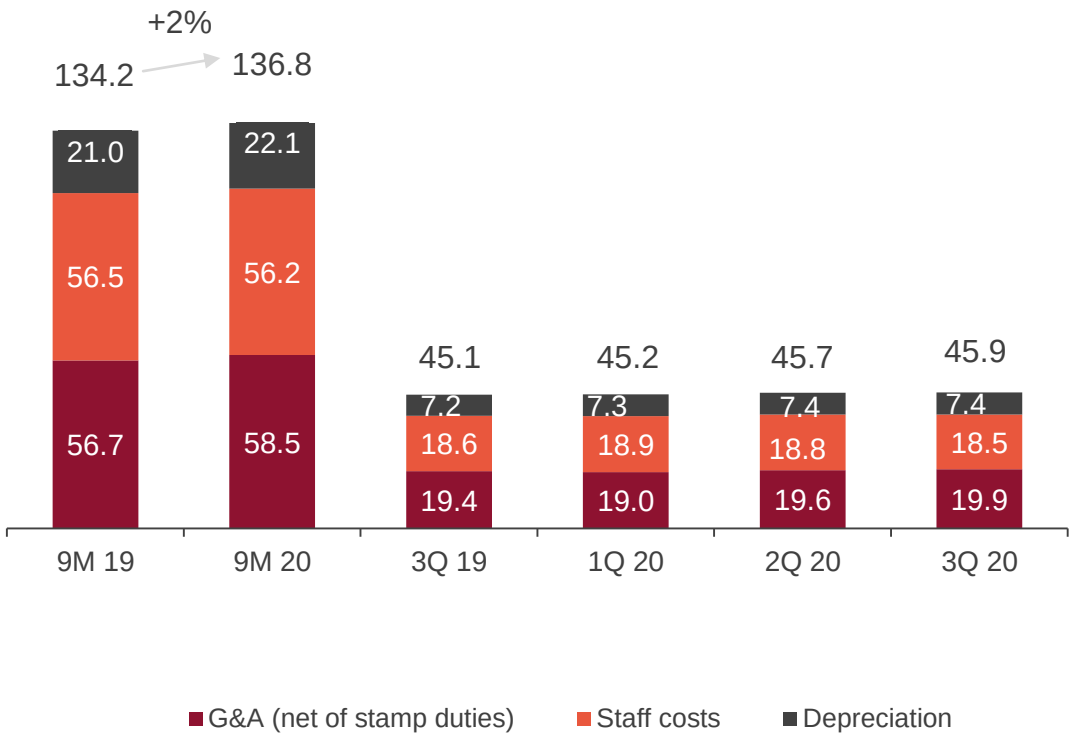
Pay-out to AMs was broadly stable **while pay-out to others** reported a temporary spike driven by an acceleration in advisory fees for Robo4AD. The spike expected to be reabsorbed in the coming quarters

OPERATING COSTS (1/2)
TIGHT CONTROL ON CORE OPERATING COSTS

Total operating costs[1] m/€



Breakdown of core operating costs[2] m/€



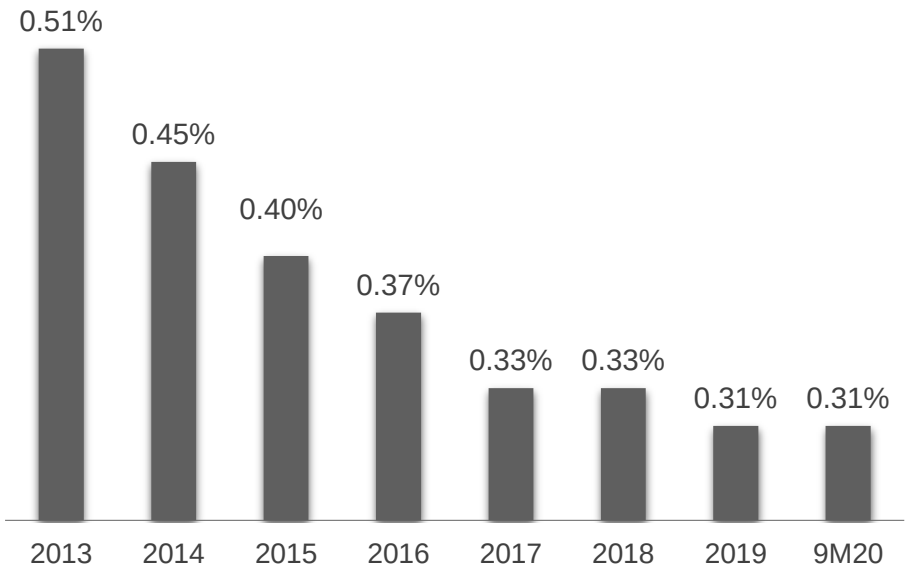
Starting from 9M20, **compulsory contributions to banking funds (DSGD, BRRD directives)** were classified in a dedicated heading below operating result. This reclassification allows to better represent the evolution of operating costs more closely linked to the bank's operations rather than the amount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

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

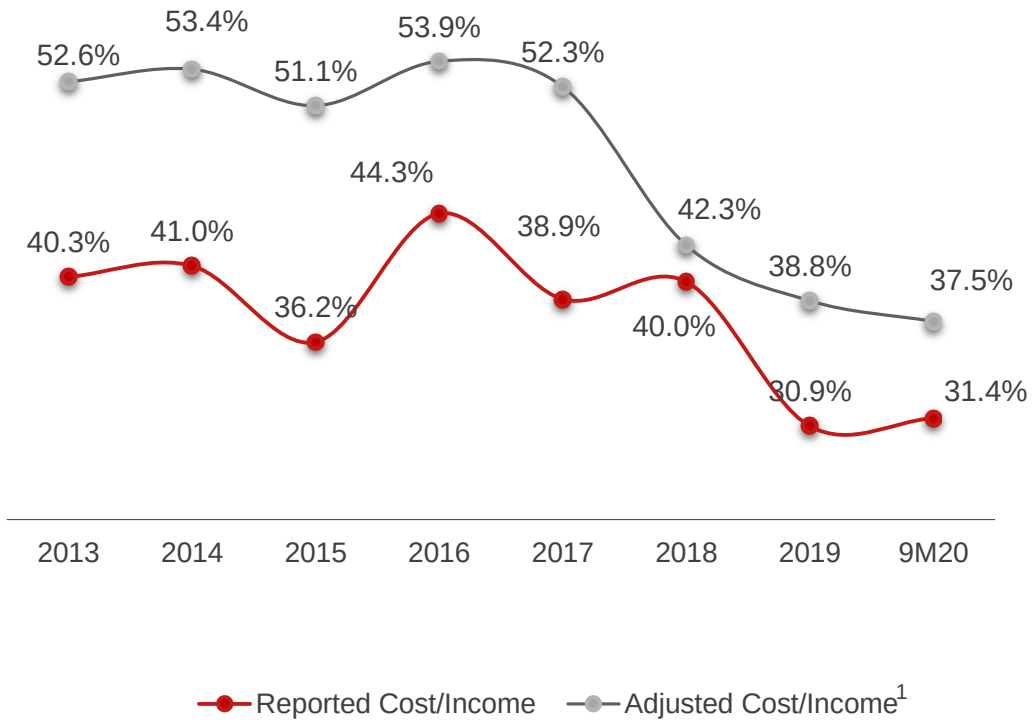
NOTE: 1) Headline operating costs for 9M19 and 9M20 have been reclassified stripping out contributions for banking funds of €7.3m and 11.1m, respectively 2) Core operating costs computed as operating costs ex-sales personnel, based on a like-for-like basis (excluding Nextam and Valeur)

OPERATING COSTS (2/2)
OVERALL BEST IN CLASS COST RATIOS

Operating costs/Total assets



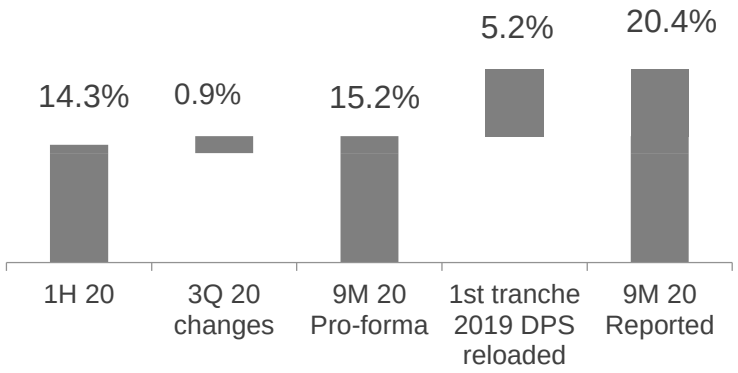
Cost/Income ratio



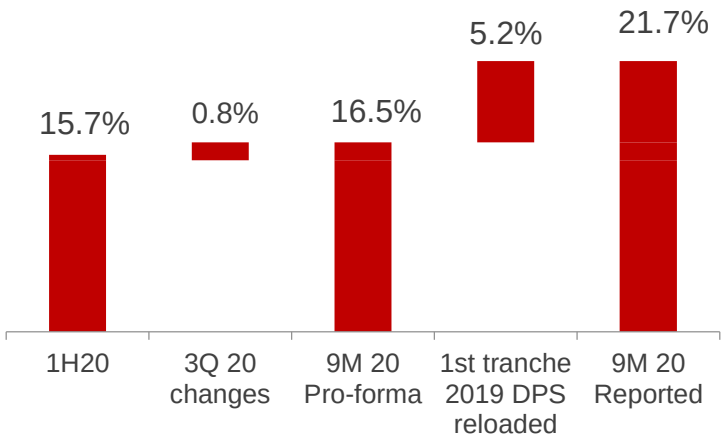
NOTE: Current cost ratios have been rebased excluding contributions to banking funds.; 1) Excluding performance fees and M&A

CAPITAL POSITION
STRONG CAPITAL POSITION IN ANY DIVIDEND SCENARIO

CET1 ratio



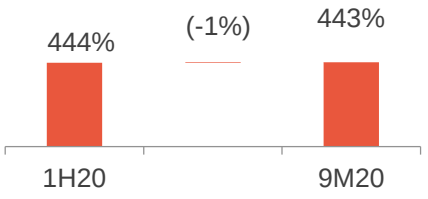
TCR ratio



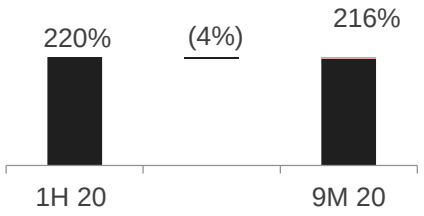
Pro-forma 9M 2020 Capital ratios assuming:

- 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 BoD[1]

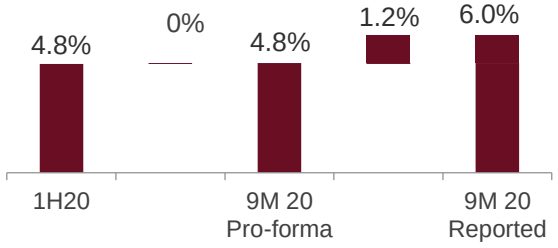
LCR ratio



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

NOTE: 1) 2019-21 dividend policy is based on a 70-80% earnings' pay-out ratio with a yearly DPS floor at €1.25. The dividend floor distribution is subject to the level of TCR within the RAF and it must not exceed a 100% earnings' pay-out

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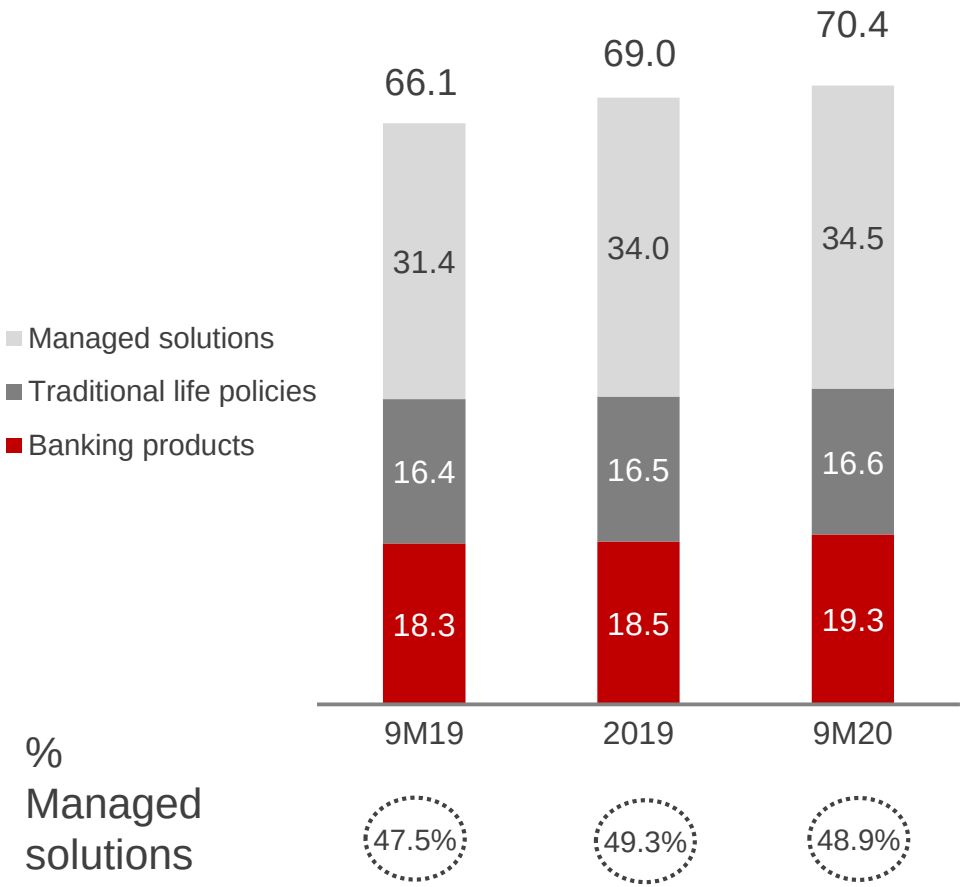
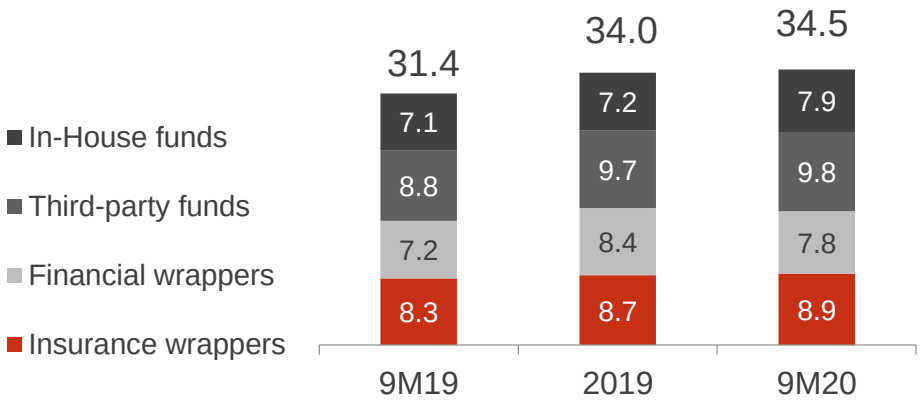
TOTAL ASSETS
TOTAL ASSETS ABOVE PRE-CRISIS LEVEL

Total Assets bn/€

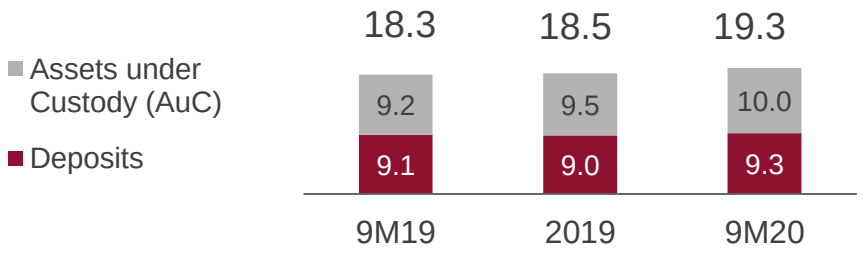


Managed Solutions bn/€



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

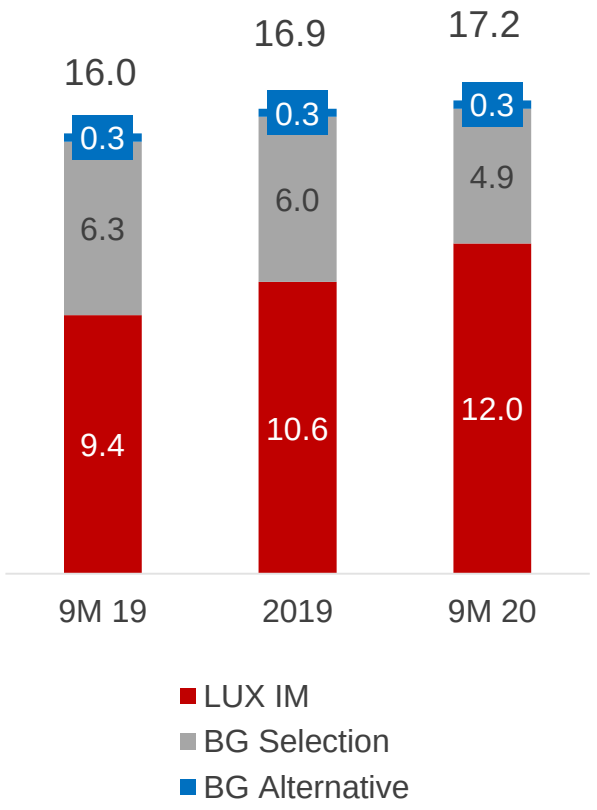
Banking products bn/€



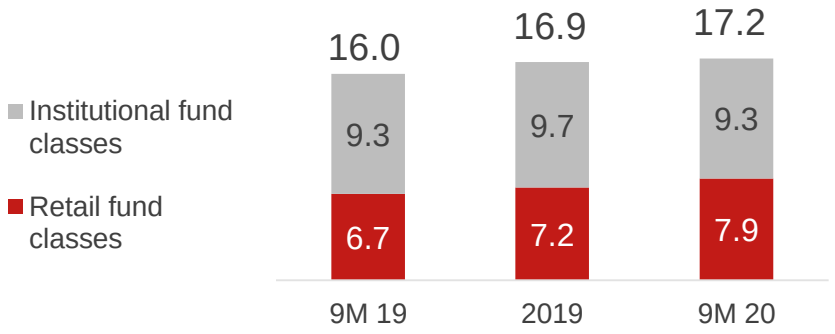
Assets under Custody (AuC) growth (+9%) driven by dedicated service and the acquisition of the clients

BG FUND MANAGEMENT LUX
STEADY ASSET GROWTH

BG FML - Assets by SICAV bn/€

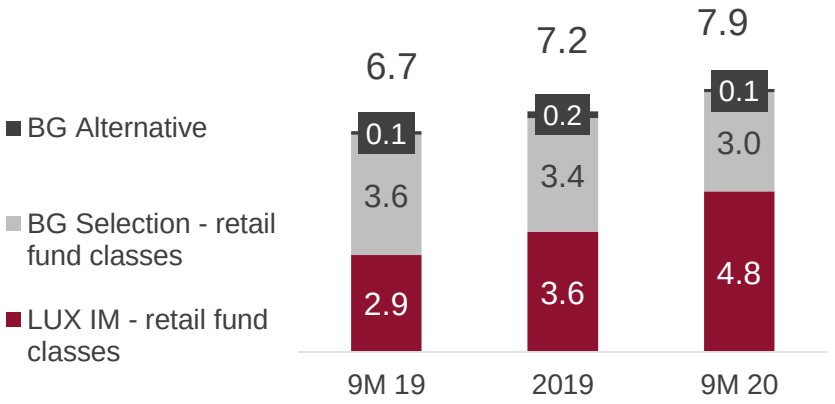


BG FML - Total Assets, bn/€



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

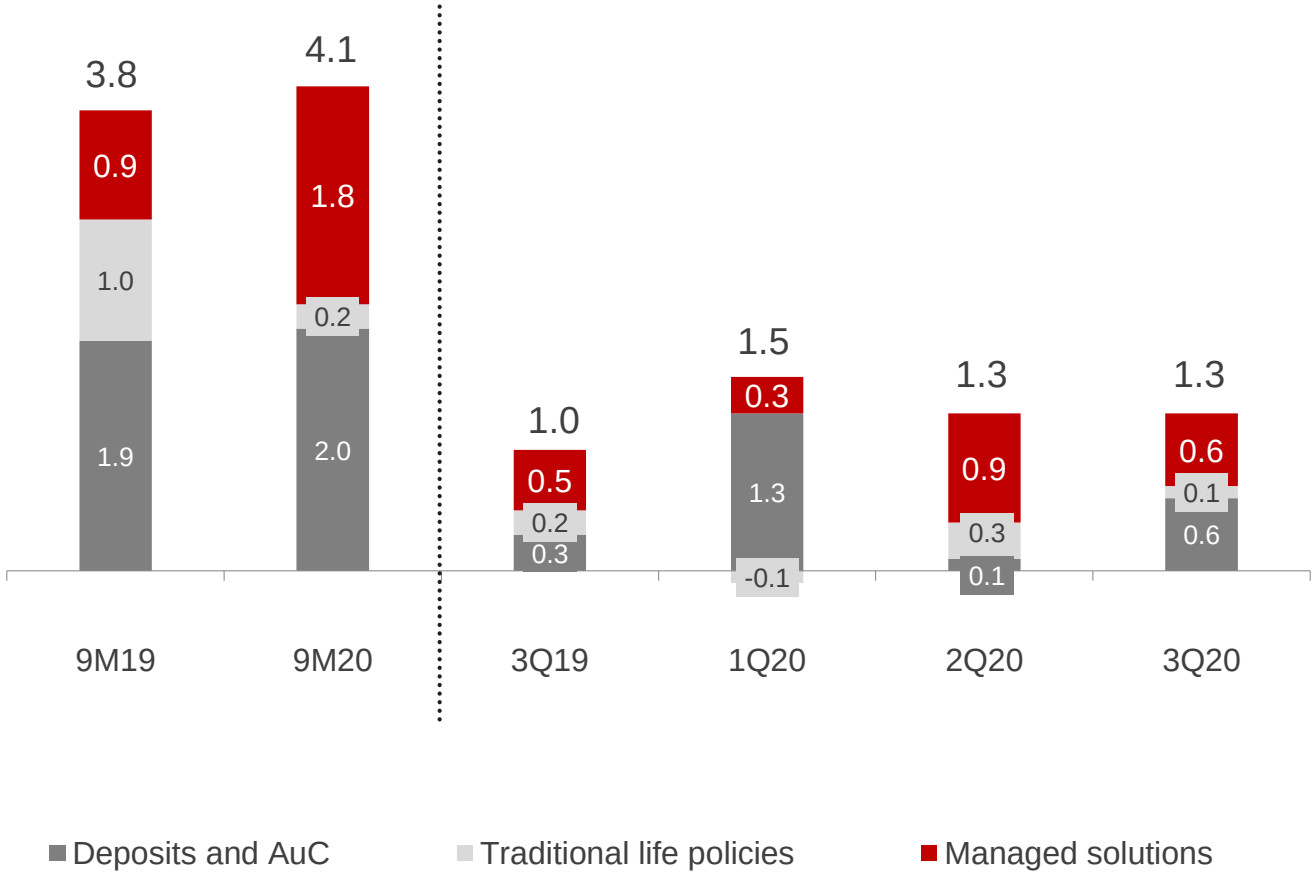
BG FML - Retail fund classes bn/€



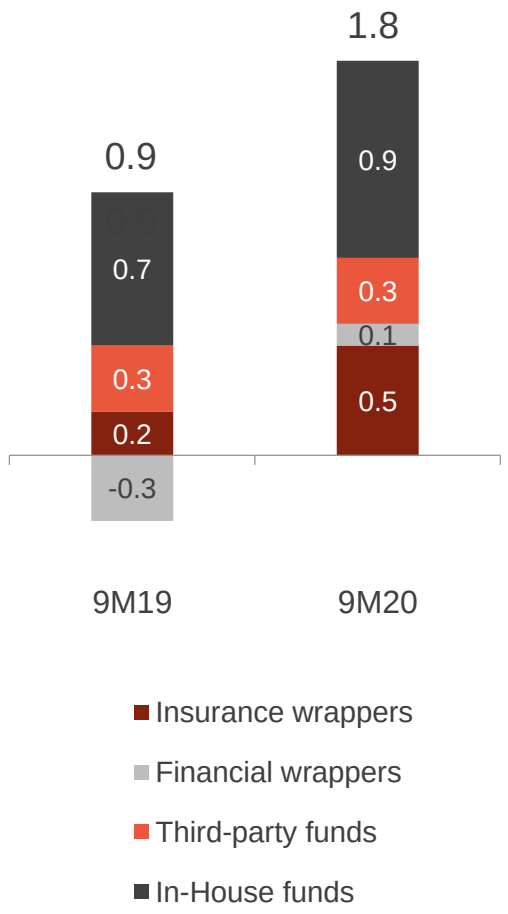
Lux IM at 61% of total in-house retail fund classes enhancing the overall financial sustainability

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.

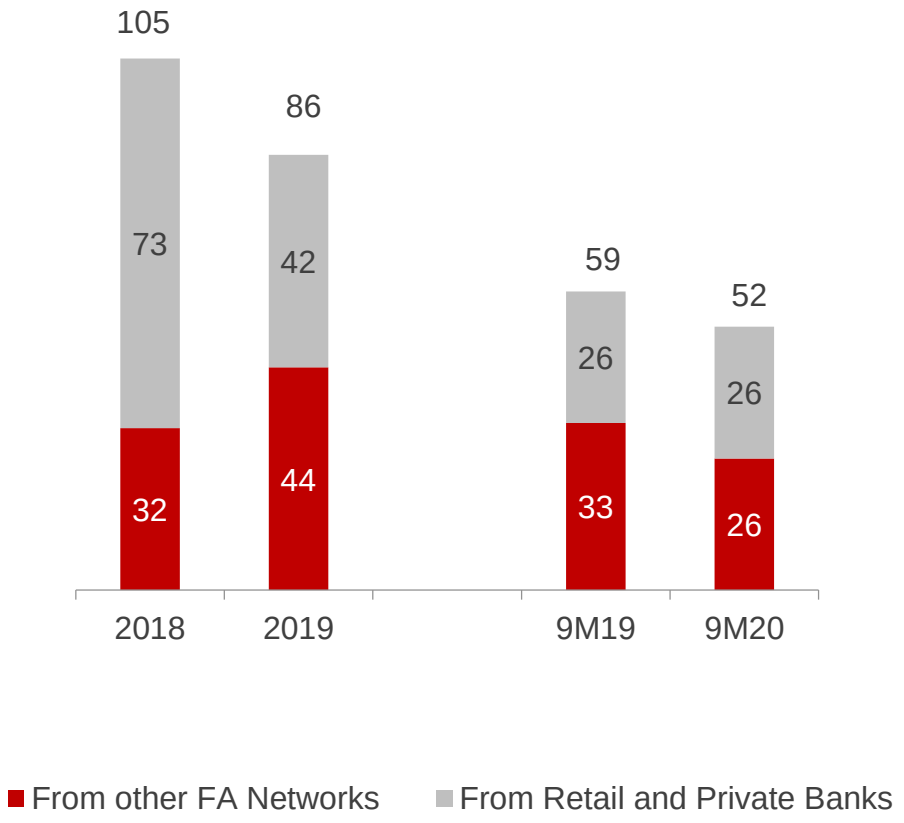
3Q flows +30% YoY

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

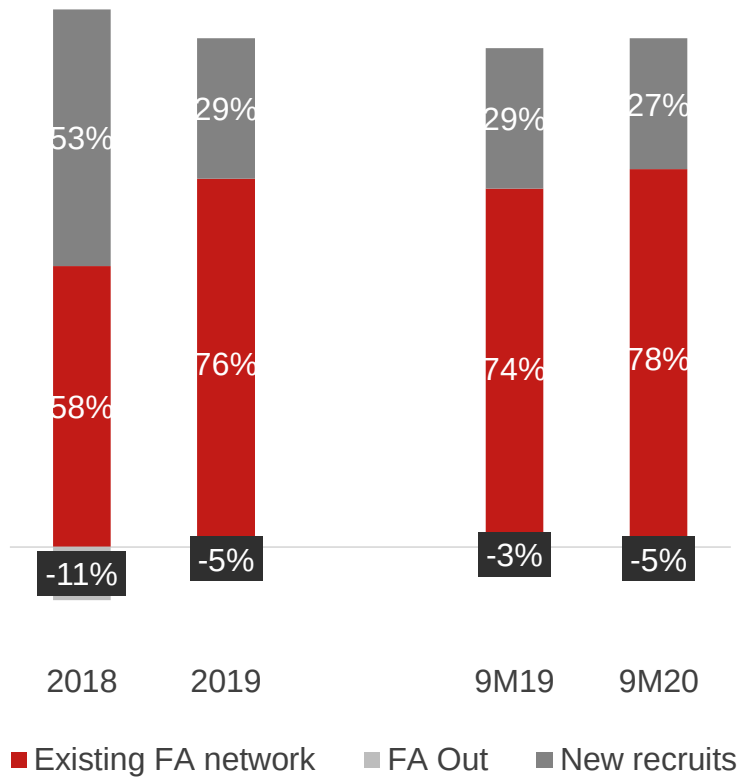
NET INFLOWS BY CHANNEL

NET INFLOWS DRIVEN BY EXISTING FA NETWORK

Recruitment trend (# of Recruits)



Total net inflows by acquisition channel



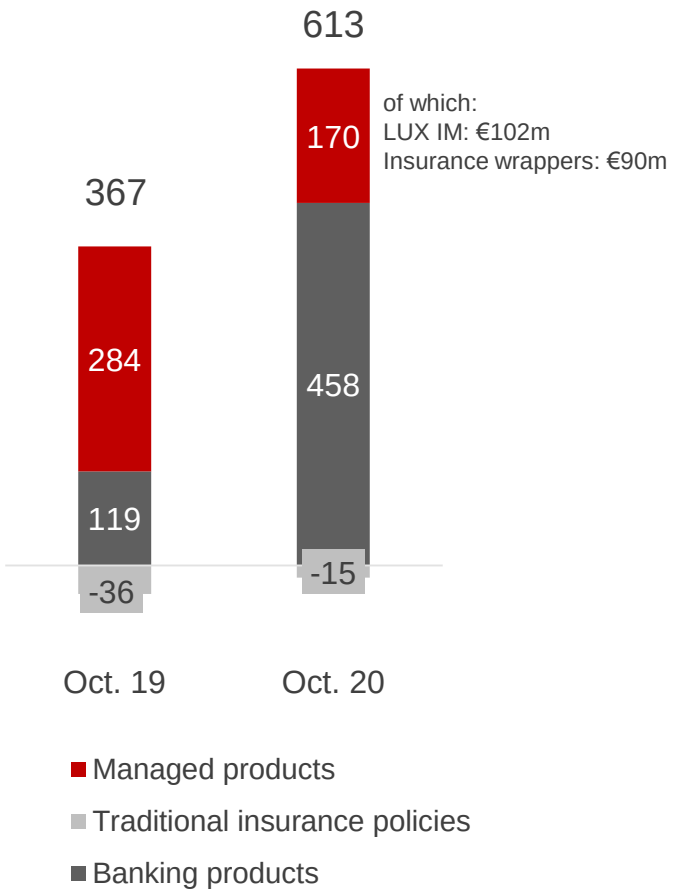
Total net inflows in the nine months driven by existing FAs amid the pandemic and reduction in recruiting

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

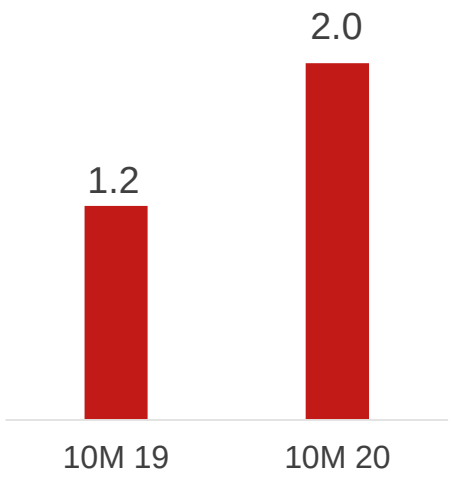
NOTE: 1) Financial Advisors within the Bank excluding new recruits of the year and year-1

OCTOBER NET INFLOWS
STRONG MONTHLY DATA AND SOLID MIX OVERALL

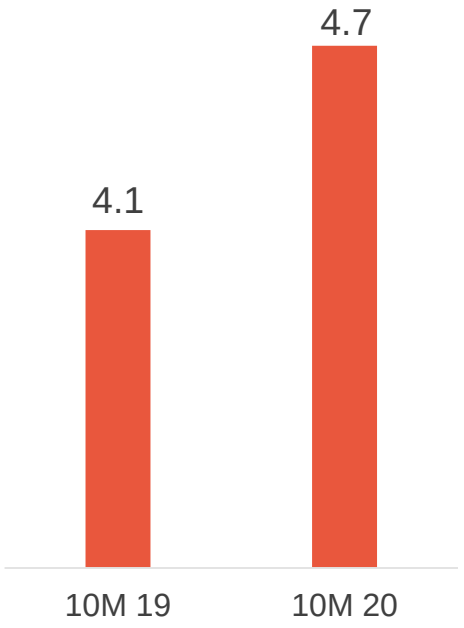
Monthly net inflows m/€



Managed solutions bn/€



Total Net Inflows bn/€



AGENDA

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
- [x] **Business update**
- [ ] Appendix

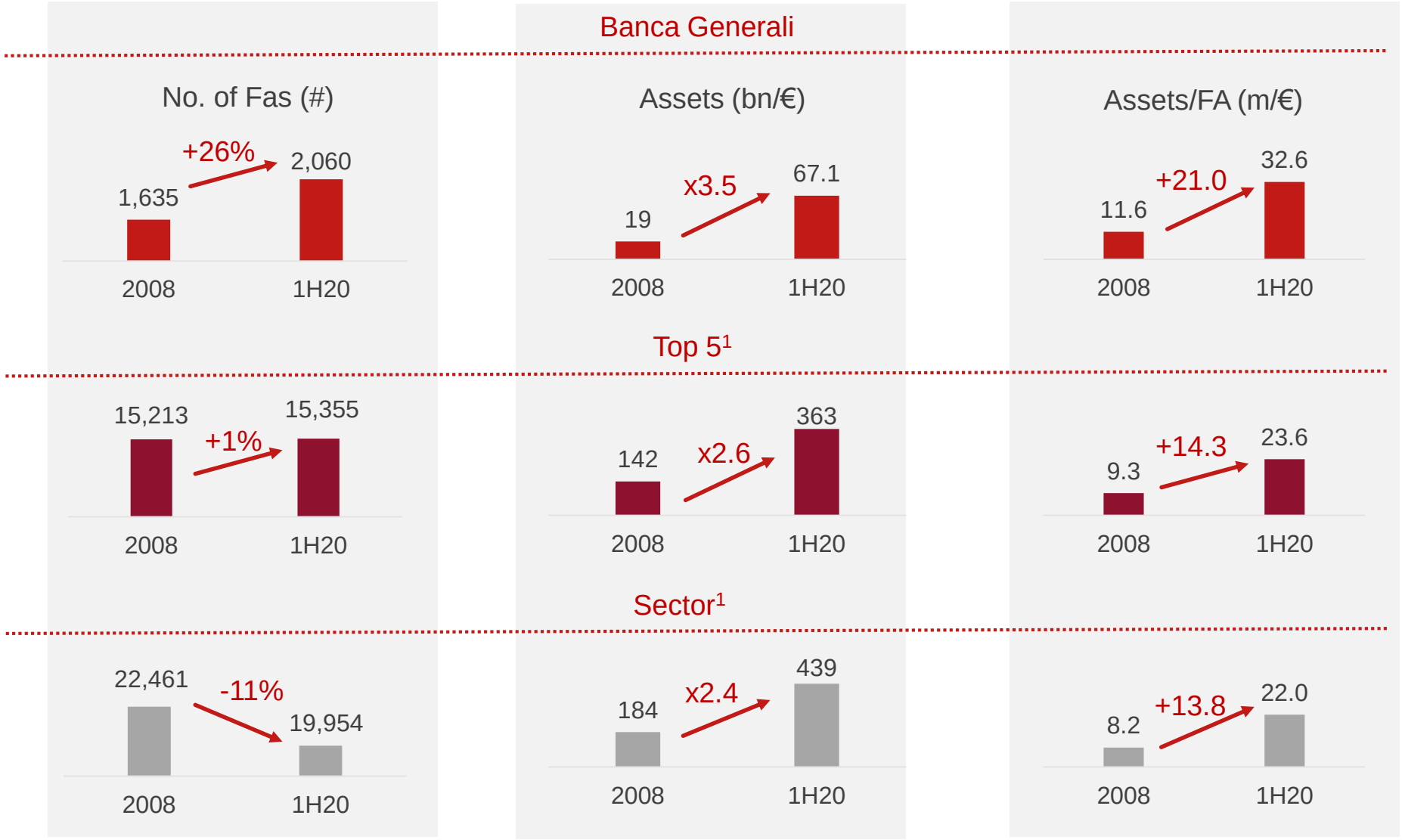
RECIPE FOR TOUGH TIMES
QUALITY OF THE NETWORK ALWAYS COMES FIRST

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)



BG's growth outpacing sector peers by key metrics:

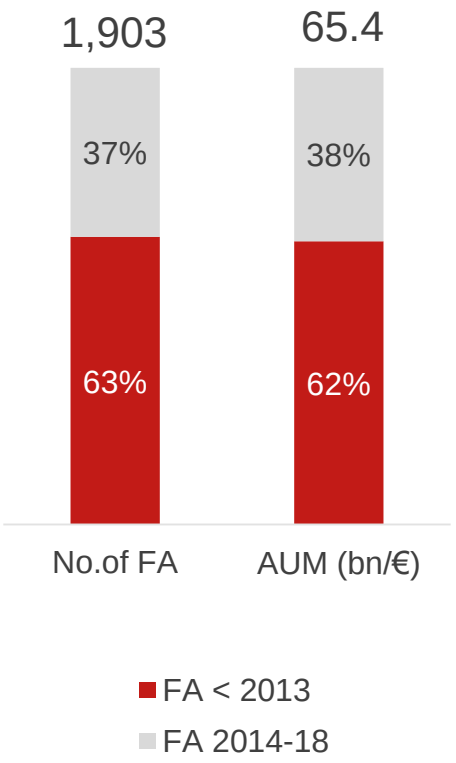
- Expansion in the **number of FAs** (+26%)
- **Size of assets** more than tripled (x3.5)
- **Advisors' portfolio** increased by €21m per FA

NOTES:1) Assoreti data excluding Banca Generali and ISPB; No. of FAs with assets >0

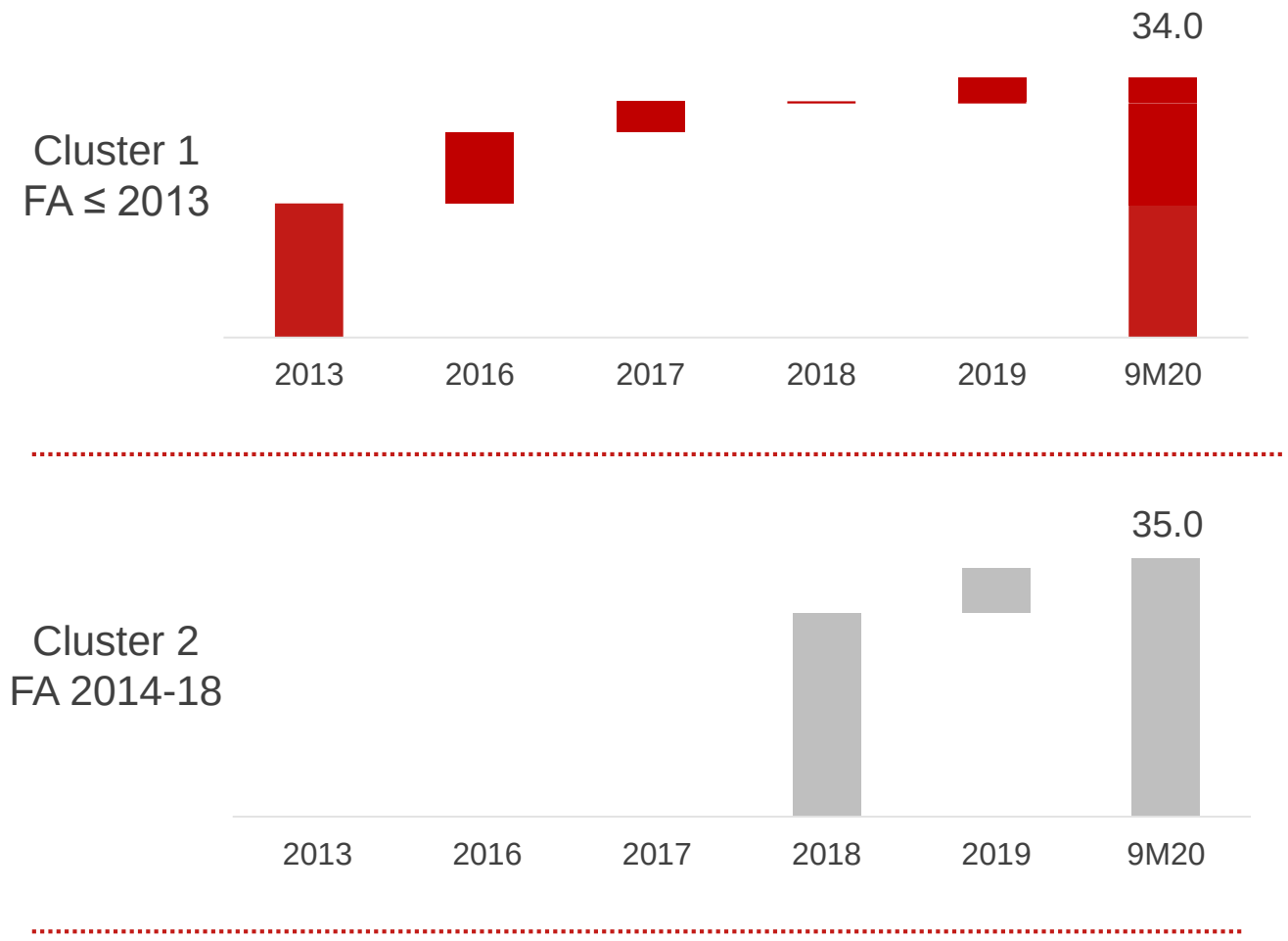
WELL-BALANCED QUALITY OF FAS ACROSS DIFFERENT 'VINTAGES'

EXISTING FAS SET THE TARGET FOR NEW RECRUITS

Asset breakdown by cluster of FAs



Portfolio build-up by cluster (m/€)



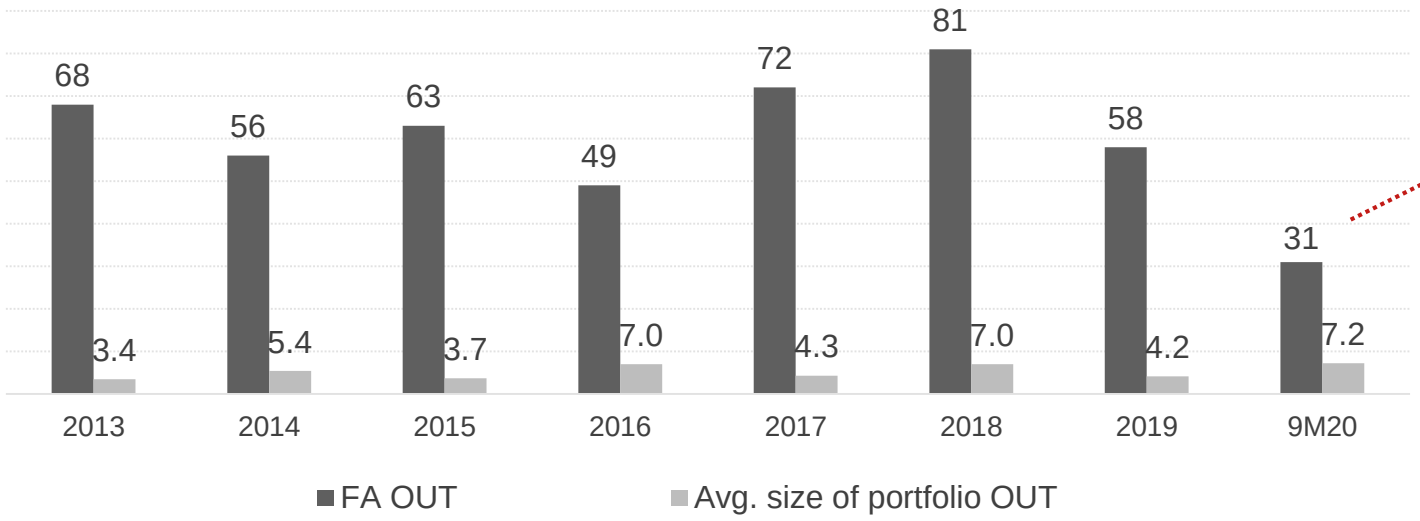
Portfolio growth is building up over time reflecting client and asset acquisitions

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

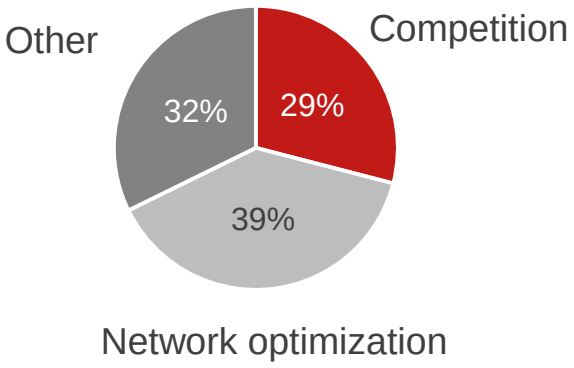
FA RETENTION AT RECORD-HIGH LEVELS

STEADY DECREASE IN THE NUMBER OF EXITS ACROSS FAs

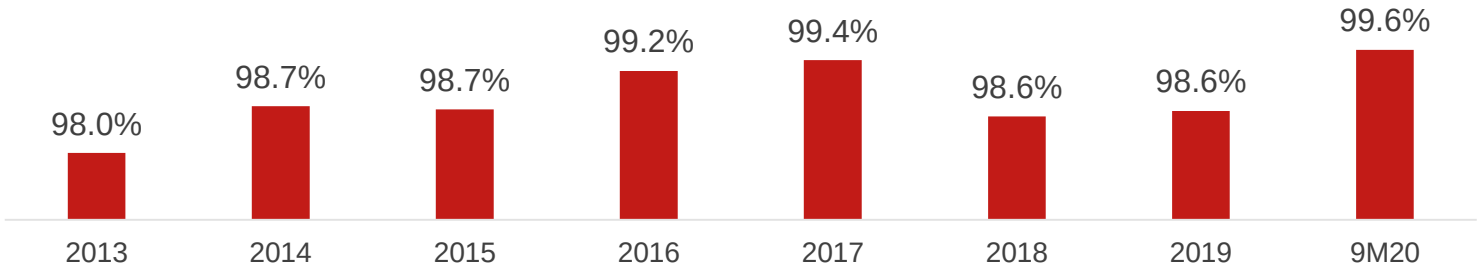
Trend in FA exit (#, m/€)



Breakdown of FA OUT in 9M20 by cause



FA 'CORE' Retention level[1]



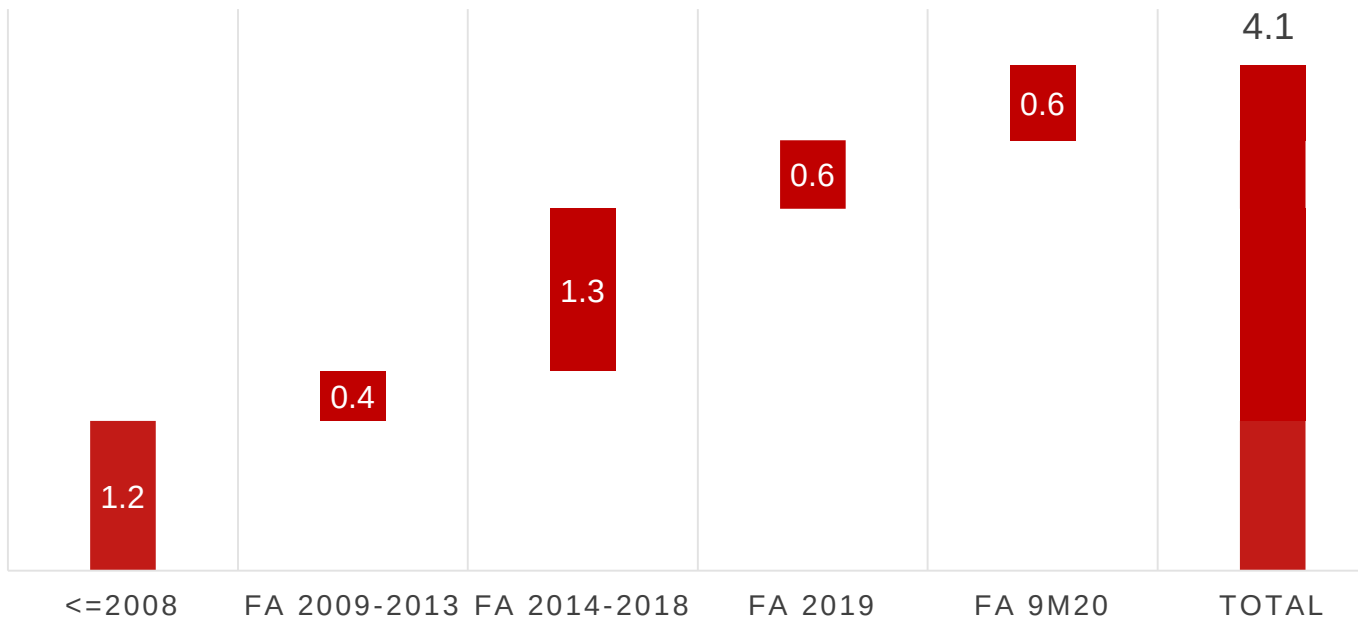
In 9M 20, 'CORE' churn-rate[1] at 0.4% and headline churn-rate[2] at 1.5%

Note: 1) Core Retention/churn-rate calculated on no. of FAs OUT to competition; 2) headline churn-rate calculated on total no. of FAs OUT for any reason

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)

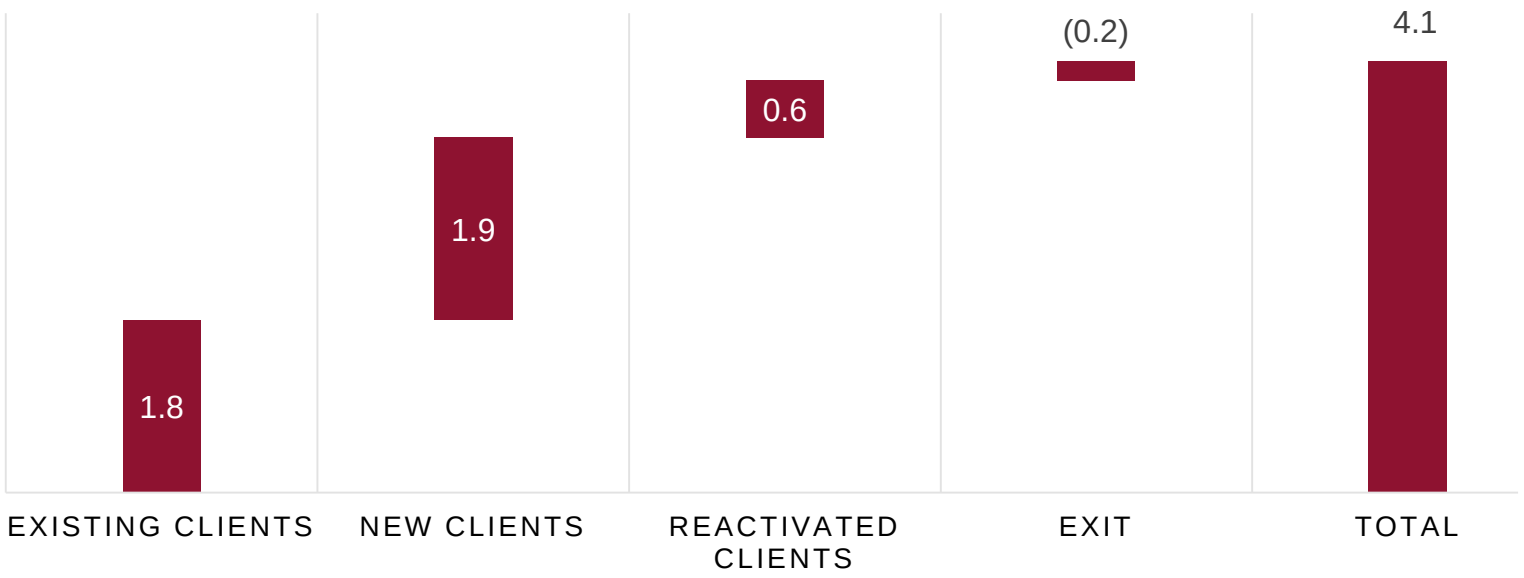
All cluster are showing a **pruning in the mass affluent clients** (i.e. assets <€50K) offset by positive net inflows in lower affluent to middle-affluent clients

1.3	1.5	1.9	5.1	7.6	1.9	NET INFLOWS PER FA BY CLUSTER (M/€)

Legenda: HNWI clients (assets >€5m); Private (assets €500k-€5m); Middle affluent clients (€250-500K); Affluent clients (€100-250K); Lower affluent clients (€50-100K), Affluent (€100-250K); Mass clients (< €50K)

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 ASSETS/CLIENT	150.0	115.5	20.7	224.1 ASSETS/CLIENT	NET INFLOWS PER CLIENT (M/€)

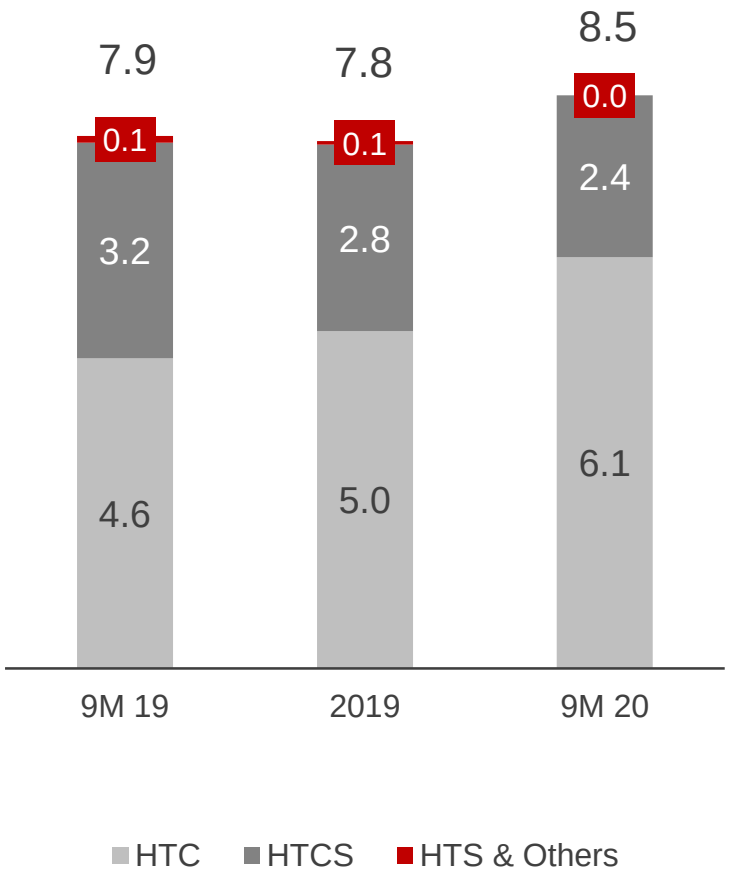
AGENDA

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

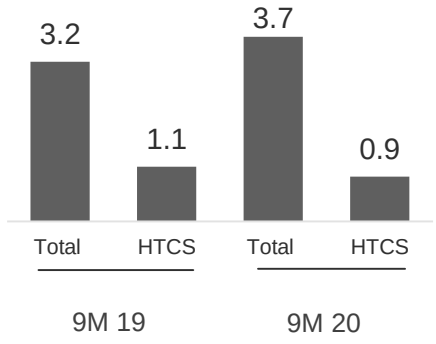
- Preliminary remarks
- 9M 2020 Results
- Net inflows, Assets and Recruitment
- Business update
- **Appendix**

NET FINANCIAL INCOME
FOCUS ON FINANCIAL ASSETS

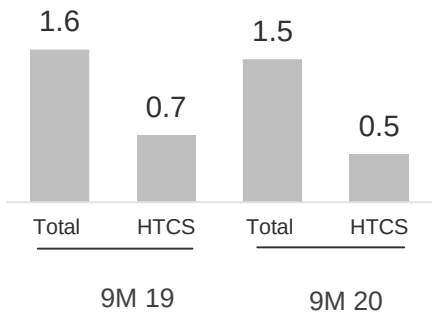
Financial Assets by IFRS classification bn/€



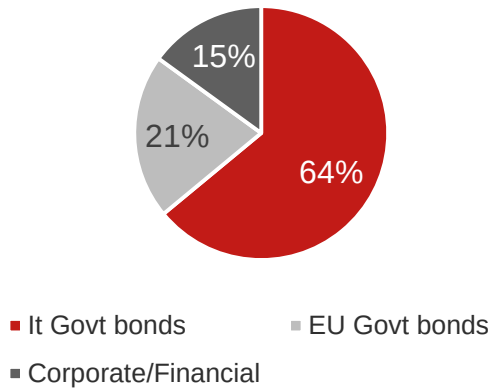
Maturity (Bonds)



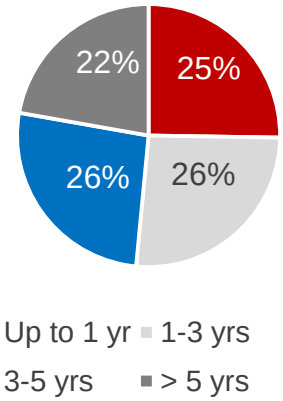
Duration (Bonds)



Bond Classification



Bond breakdown by maturity

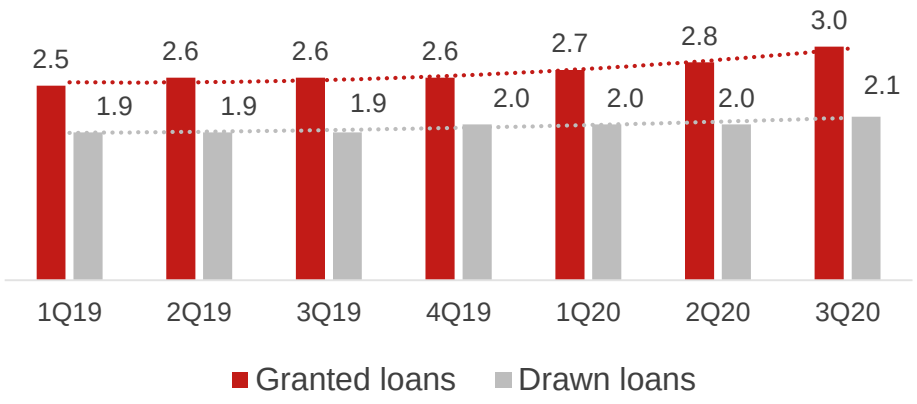


NOTE: data as of 30.09.2020

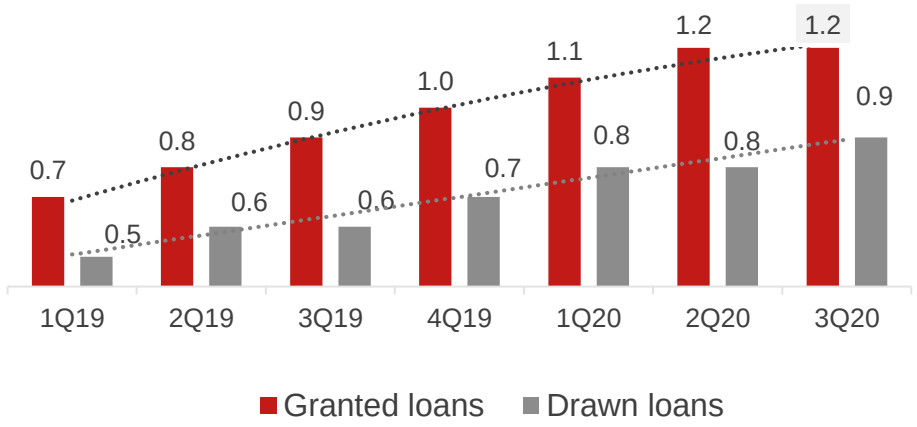
FOCUS ON LENDING

LOAN VOLUMES PICKING UP

Loan portfolio m/€



Lombard loan trend m/€



New lending initiatives

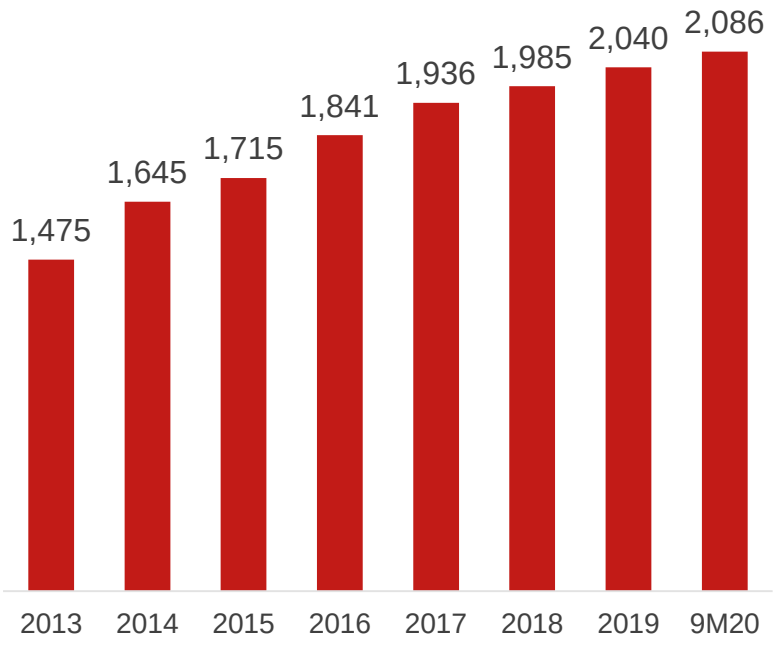
		2020 Target	Go Live
Covid-19	▪ Government-linked initiatives measures – Funding with State Guarantee to SMEs ▪ Other initiatives - Funding w/out State Guarantee	Live Live	April 2020 April 2020
Business development	▪ Lombard Plus ▪ Trade Finance ▪ Mini Lombard	Live Live WiP	March 2020 3Q 2020 4Q 2020
Green Lending	▪ Ecobonus	Live	4Q 2020

2020 Target

+ €200m
new granted loans
by 2020 YE

ADVISOR NETWORK
STEADY QUALITY GROWTH

Financial Advisor Network, # FAs



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

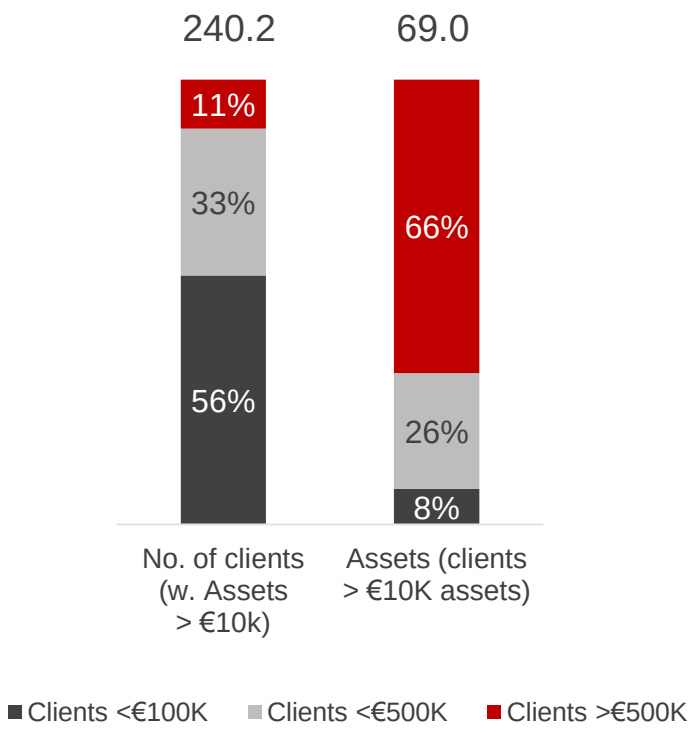
FA Network, by portfolio size and skills

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

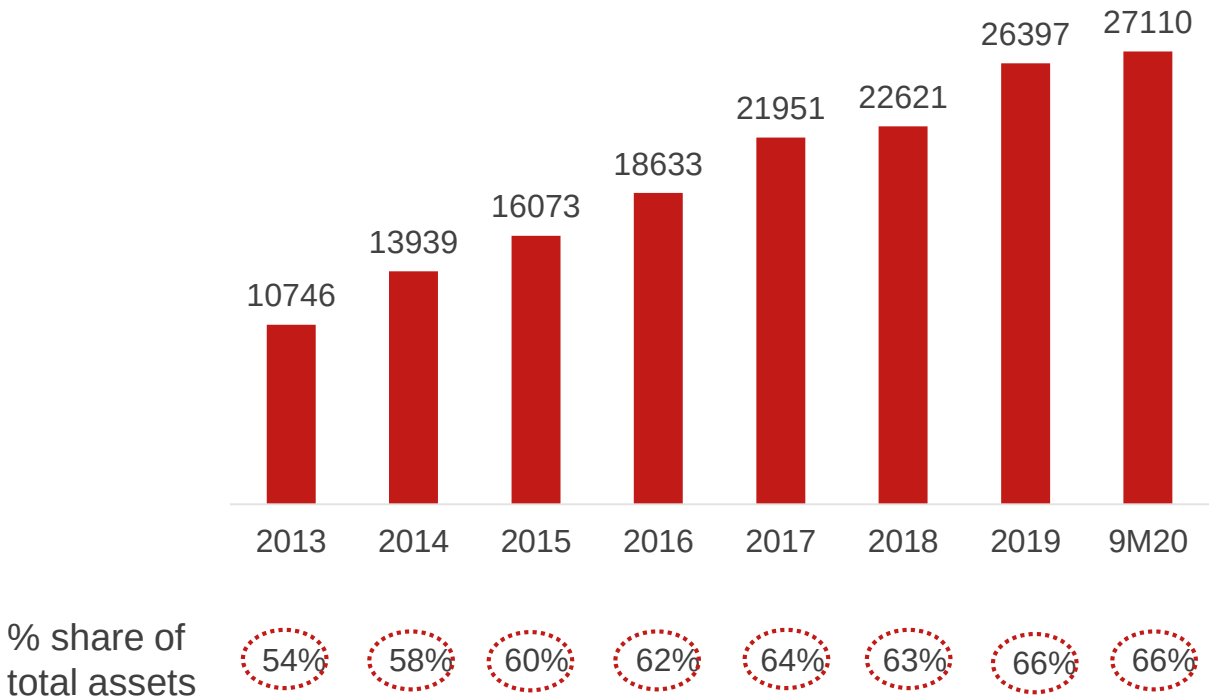
NOTE: Data as of 30.09.2020 - 1) Headcount excluding 76 managerial and support roles; 2) Average portfolios excluding managers (1.6n/€), direct Clients (0.9bn/€) and last twelve months recruits; 93 teams are counted as single headcount; FPA aggregated with financial planners

CLIENT BASE
GROWING PRIVATE POSITIONING

Clients' breakdown by cluster[1], #, bn/€



No. of Clients with assets >500 k/€[1],



NOTE: 1) Assets on a like-for-like, excluding new acquisitions (Nextam & Valeur)

2020 KEY BUSINESS DRIVERS

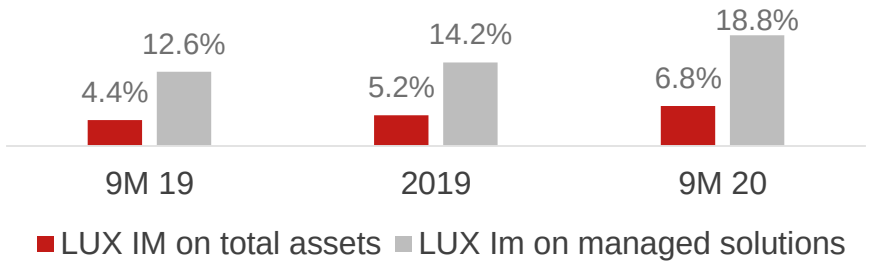
SIGNIFICANT OPPORTUNITIES WITHIN MANAGED SOLUTIONS

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

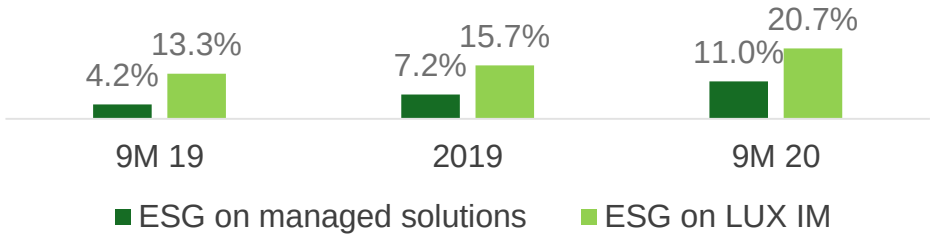
LUX IM

- 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)



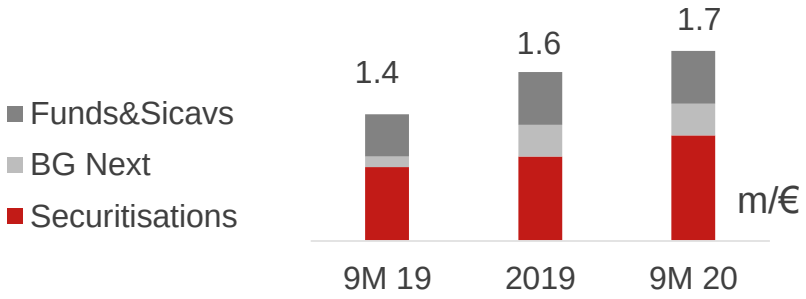
SBGi

- 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



2020 KEY BUSINESS DRIVERS

DEPLOYING TOOLS TO DELIVER PROTECTION TO CLIENTS' WEALTH

E-MARKET SDIR CERTIFIED

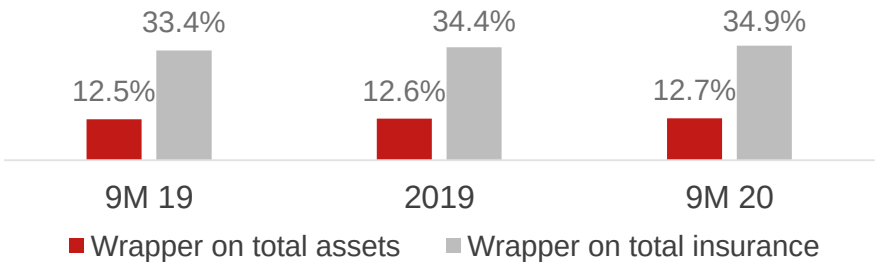
Protection

- 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)

BG Stile Libero 40 Plus

LUX PROTECTION LIFE

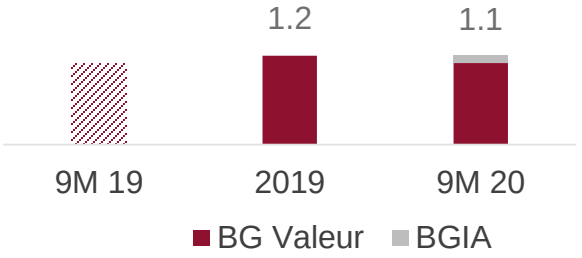
- Heightened clients' interest for insurance solutions (insurance covers, succession, pension needs, tax optimization
- New private insurance already at €80m assets since inception



BG INTERNATIONAL ADVISORY

BG Valeur

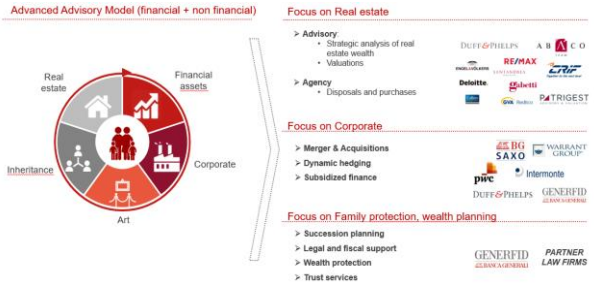
- Strategic relevance increased following new restriction on cross-border advisory
- BGIA providing a unique service for diversification of the booking center



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)



BANCA GENERALI

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T. Di Russo, 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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