ANNUAL INTEGRATED REPORT 2021

THE REPORT INCLUDES THE CONSOLIDATED NON-FINANCIAL STATEMENT
PURSUANT TO LEGISLATIVE DECREE NO. 254/2016

TIME
TO CHANGE

Time to Change is the project in which Banca Generali and Stefano Guindani investigate on the state of achievement of the 17 SDGs of the UN 2030 Agenda. For each of them, the photographer's key is twofold: on the one hand, the focus is on highlighting the negative action of humankind on the environment and the community, and on the other hand, how humankind itself has an extraordinary capacity to recover through innovative and sustainable solutions. In his three-year research project, Guindani will go beyond the borders of Italy, searching for critical cases and situations of excellence abroad: Brazil, Norway and Australia, but also the United States and South Africa. He will be accompanied by an exceptional companion, Alberto Salza, one of the world's most respected anthropologists, who will edit the project's texts and suggest some of the projects to be monitored.

Annual Integrated Report at 31 December 2021

Board of Directors
9 March 2022

This Annual Integrated Report has been translated from that issued in Italy, from the Italian into the English language, solely for the convenience of international readers. The Italian version remains the definitive version.

In compliance with the provisions of Directive 2004/109/EC and on the basis of the technical standards provided for by Delegated Regulation (EU) No. 2019/815 (European Single Electronic reporting Format – ESEF), the 2021 Annual Integrated Report has been drafted in XHTML (eXtensible HyperText Markup Language) format as well, also using the iXBRL (Inline eXtensible Business Reporting Language).

In line with the previous years, and with the purpose of facilitating the reading of the aforementioned Report, a PDF format has also been made available.

BANCA GENERALI

Banca Generali S.p.A.

Administrative and control bodies

Board of Directors - 9 March 2022

Board of Directors	Antonio Cangeri	Chairman
	Gian Maria Mossa	Chief Executive Officer
	Azzurra Caltagirone	Director
	Lorenzo Caprio	Director
	Roberta Cocco	Director
	Massimo Lapucci	Director
	Annalisa Pescatori	Director
	Cristina Rustignoli	Director
	Vittorio Emanuele Terzi	Director
Board of Statutory Auditors	Natale Freddi	Chairman
	Mario Francesco Anaclerio	
	Flavia Minutillo	
General Manager	Gian Maria Mossa	
Manager in Charge of Preparing the Company's Financial Reports	Tommaso Di Russo	

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BANCA
GENERALI

Letter to Stakeholders

Dear Stakeholders,

Banca Generali achieved important results in 2021 despite the continuing pandemic. Social and economic life in Italy and the world resumed thanks to the fundamental contribution of science through the discovery of vaccines. The Italian economy ended 2021 with a 6.5% increase in GDP, buoyed by improvement in the job market and consumer spending. This growth is the most robust of European countries, where it averages 5.2%. The economic recovery in Western countries was supported by expansionary fiscal and monetary policies. The ample liquidity available and extraordinarily low interest rates were a favourable context for international financial markets, which achieved significant gains during the year. The Next Generation EU plan is expected to offer considerable support for Italy.

However, the current economic and financial outlook is severely conditioned by the tensions surrounding the conflict between Russia and Ukraine, which resulted in threats of war on the border of the European Union itself, as had not occurred since the fall of the Berlin Wall. In a few days from its outbreak, the conflict had already revolutionised expectations and resulted in a completely new geopolitical and economic framework. On the economic front a possible stagflation scenario is taking shape, in which upwards pressure on energy prices and the related inflationary tensions could go hand-in-hand with more tolerant monetary policies in view of declining growth and worsening asset quality. Financial markets have understandably reflected the gravity of the situation and the uncertainty of the path towards a resolution with significant declines in stock exchanges at the international level.

In this scenario, we are even more aware of the importance of Banca Generali's role in meeting the investment protection needs of its customers and in in steering and guiding them in their financial planning choices at such a complex time. As it always has been, Banca Generali is poised to rise to this new challenge, secure in the knowledge that it can count on the experience and professionalism of its Financial Advisors and all the Bank's personnel. It is no coincidence that over the past two years, shaped by the Covid-19 pandemic, Banca Generali has presented significant growth rates. The pandemic heightened demand for financial advice from households and rewarded service models based on flexibility and digitalisation. Harnessing these strengths, Banca Generali expedited its growth, fully achieving the ambitious goals of its 2019-2021 Industrial Plan. Business expansion, development of sustainable profitability and confirmation of generous shareholder remuneration were the strategic guidelines of reference. I am proud to be able to state that all our goals have not only been achieved, but far exceeded.

In fact, in 2021 the Bank reported its best net inflow performance of all time, 7.7 billion euros, bringing total assets to 85.7 billion euros, exceeding the target of 76-80 billion euros set in the plan. During the three years, total inflows amounted to 18.7 billion euros, 76% of which was achieved organically, bearing out the quality and solidity of development. Growth was also evenly distributed between existing customers and acquisition of new customers, confirming the quality of the service model and the professionalism of distribution.

At the level of results, the Bank succeeded in improving its profitability, thanks to innovation and diversification of its range of products and services, while maintaining careful cost discipline. All this strongly reinforced the sustainability of its business model. Profits reached an all-time high of 323 million euros, despite the prudential initiative of 80 million euros, taken to protect customers against a potential loss relating to investments in securitised healthcare receivables reserved for professional clients.

The progressive normalisation of the economic and social context in 2021 led the banking authorities to lift the restrictions on the distribution of dividends from Italian and European banks. Banca Generali was thus able to distribute prior dividends relating to the years 2019-20, standing out as one of the most generous banks in Italy. The Bank distributed 2.7 euros per share in the fourth quarter of 2021, with an implicit yield of 6.5%. An additional 0.6 euros per share was distributed in the first quarter of 2022. This was in addition to the proposal to distribute a dividend of 1.95 euros per share from 2021 profits, with an implicit payout ratio of 70.5%. Overall, the Bank thus

Antonio Cangeri
Chairman

"Business expansion, development of sustainable profitability and confirmation of generous shareholder remuneration were the strategic guidelines of reference. All these goals have not only been achieved, but far exceeded."

distributed total dividends of over 600 million euros during the three years, while maintaining a solid capital position reflected in the level of balance sheet ratios far in excess of the requirements set by the monetary Authorities.

The strength of the financial results, combined with the favourable situation on financial markets — and equity markets in particular — drove the price of the shares up 42.3% during the year. If we also consider the dividends distributed during the calendar year, the Total Shareholder Return (TSR) for the year amounts to a significant 52.0%. In both cases, Banca Generali's performance far exceeds that of the FTSE MIB Italy and the Italian and European banking sector.

The stronger results and share performance were accompanied by a considerable number of awards that recognised the quality of the people who work at the Bank and the service it offers its customers. Among others, for the seventh consecutive year the company was named the "Best Financial Advisors Network by Customer Satisfaction" in the independent judgement of the Deutsche Institut für Qualität und Finanzen: important recognition in terms of its customer experience in Italy. For the fourth time in the last five years, Banca Generali received the important "Best Private Bank in Italy" award from the Financial Times Group, attesting to the quality and uniqueness of its development process in financial and household advisory services. Also important were first place overall in traditional management schemes and second place among green management schemes, also according to the Deutsche Institut für Qualität und Finanzen. I would also like to mention the award for "Best Private Bank in Europe for Use of Technology" at the 2021 Wealth Tech Awards for leveraging technology to facilitate and strengthen the relationship between Financial Advisor and customer.

Among the numerous awards and prizes received, special mention goes out to those obtained for sustainability, where Banca Generali reaped the fruits of the considerable work done during the year. The Bank came in at the top of the rankings by ESG rating assigned by two major ESG ratings agencies: according to Sustainalytics it is among the top 100 at the global level and number six in the Diversified Financials sub-industry, whereas Standard Ethics raised its rating to EE (strong). I would also like to note that Banca Generali joined the MIB ESG index, which includes the top Italian listed companies on the basis of the ESG positioning. On the basis of these awards, the internal policies on ESG governance were thoroughly revised (policies concerning the integration of ESG factors into key business processes, such as investment policies, were significantly enhanced), and the constant striving towards innovation of the commercial range on ESG issues was appreciated. At year-end, sustainable solutions already made up 14% of all managed solutions offered to customers. Our ESG solutions are compliant with the SFDR, which entered into force in March 2021.

Banca Generali's commitment to raising awareness for a sustainable transition also extended to the investment arena, focusing on conveying this message to the general public through specific initiatives. The Bank thus launched projects closely tied to the UN 2030 Agenda with a public education focus. The first of these to see the light was #BG4SDGs, a series of meetings dedicated to shedding light on the progress of the individual SDGs identified by the United Nations through addresses by highly authoritative speakers who laid out the challenges and ingredients of competitiveness required to meet environmental and social commitments. The project continued in September 2021 with "BG4SDGs – Time to Change" with the precious collaboration of Stefano Guindani. The project takes an innovative approach to presenting some virtuous examples of man's actions in response to situations of extreme difficulty from a social and environmental perspective. The initiative — which is still ongoing — is based on seeking dialogue with the youngest through interactive photographic and video content on social media, with positive feedback from the various media and users.

The Bank's commitment to sustainability does not concern only operational processes and communications initiatives to raise awareness on the evolution of its issues, but also takes the form of concrete projects benefiting the community. Among these, we are proud of the numerous initiatives launched in the community by our Financial Advisors to promote the awareness and importance of sustainable investment instruments and the impact they may have. These were in addition to the support for the Italian Banking Association Foundation for Financial Education (FEDUF), which we assisted with the project "Un Salvadanaio Per Amico" ("A Piggy-Bank for a Friend"), involving participation in full-fledged lessons on the rudiments of savings and financial instruments for children and young adults.

The continuation of the pandemic in 2021 also led us to accelerate the "Next-Normal" project, one of the first agreements in the banking world to introduce a hybrid working model with an increasing focus on the principles of work-life balance. This new approach continued hand-in-hand with a new, more integrated method of developing, training and managing people, both through centrally managed activities and specific initiatives by individual departments.

Finally, in 2021 a new edition of the *Generali Global Engagement Survey* was held, yielding excellent results of which we are proud and that show a response rate for the Banca Generali Group of 96% and an increase in the engagement score to 84%, bearing out how strongly the Bank's employees share its goals and values.

In conclusion, I would like to offer my heartfelt thanks to our Financial Advisors and Employees, whose professionalism in assisting customers and dedication to the Bank made it possible to reach the important milestones in terms of growth and value creation that we have seen. I would also like to thank CEO Gian Maria Mossa and his management team for their attentive leadership and strategic vision, as well as my colleagues on the Board of Directors for the extraordinary commitment shown by their openness, competence and focus on the Bank's projects.

I would like to end with a thought for all those involved in the unexpected conflict between Russia and Ukraine, and in particular to divided families and those who have lost their dear ones, with the hope that mediation can be found as soon as possible to put an end to the fighting and to the further sacrifice of human lives.

Highlights 2021

NET AUM AND INSURANCE INFLOWS **4,816** € MILLION	TOTAL AUM **85.7** € BILLION
NET INFLOWS **7,685** € MILLION	ASSORETI AUM **84.6** € BILLION
OWN FUNDS **759.0** € MILLION	NET EQUITY **1,105.9** € MILLION
TOTAL CAPITAL RATIO **17.4%**	TIER 1 **17.4%**
SMART WORKING CONTRACTS ACTIVATED FOR **97%** OF EMPLOYEES (ITALIAN SCOPE)	NO. OF FINANCIAL ADVISORS (ASSORETI SCOPE) **2,162** OF WHOM 19% WOMEN

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DIRECTORS' REPORT ON OPERATIONS

NET OPERATING INCOME	GROSS GLOBAL ADDED VALUE DISTRIBUTED
779.3 € MILLION	1,094.2 € MILLION

NET OPERATING EXPENSES	NO. OF EMPLOYEES
242.3 € MILLION	986 OF WHOM 49% WOMEN

OPERATING RESULT	EMPLOYEE TRAINING HOURS
537.0 € MILLION	55,145

PROFIT BEFORE TAXATION	NETWORK TRAINING HOURS
392.7 € MILLION	131,867

NET PROFIT	CO2 EMISSIONS (tCO2e) (SCOPE 1: 433 t/SCOPE2: 823 t)
323.1 € MILLION	-10% VS 2019 (baseline)

Statement of Methods

Banca Generali is committed to driving economic, social and environmental sustainability in the banking and financial sector. Despite benefiting from the exemption provided under Legislative Decree No. 254/2016 on the reporting of non-financial and diversity information, in 2021 the Bank continued to comply voluntarily with the provisions of the decree to ensure full, transparent and accredited disclosure of its ESG (environmental, social and governance) performance, for the benefit of the entire financial community and the Banking Group's numerous stakeholders.

Well aware of the role of sustainability as strategic to creating value over time, for the past four years Banca Generali has been pursuing increasingly integrated reporting and presenting its non-financial information together with its financial information in its **Annual Integrated Report (AIR)**.

In 2020 it chose to begin further consolidating this approach by implementing the principles of the **Integrated Reporting Framework**. In particular, the index of the Integrated Annual Report was redesigned to further emphasise the interconnection and interdependency of the various types of capital on which the Bank's business model is based to create shared value in the short, medium and long term for the various players involved.

The index of the Integrated Annual Report was further revised in 2021 and some of its sections expanded. In particular, the "Governance" and "Intellectual capital" chapters received additions regarding the issues relating to the new **European Taxonomy** (see, above all, the section "Regulation (EU) 2020/852 for Taxonomy-Eligible Activities") and **sustainable finance**, which has impacts at both the organisational and management level (see the section "Sustainable Finance Disclosure Regulation", also referred to below by the acronym **"SFDR"**) and at the level of the products offered by the Banking Group to its customers ("Products" section).

With regard to the section dedicated to assets admissible to the Taxonomy pursuant to Article 8 of Regulation 2020/582 and the related obligations set out in the **delegated regulations** (Delegated Regulation No. 2021/2178 and Delegated Regulation No. 2021/2139), **Banca Generali presents a voluntary disclosure regarding the quantitative data required by Delegated Regulation No. 2021/2178 to provide an initial classification of admissible exposures out of total assets**[1]. The result of this analysis is based on work done in 2021 by conducting a **pilot test** designed to identify the reporting scope of total assets and calculate admissibility using 2020 data. This analysis made it possible to determine the results for 2021 to be used to calculate KPIs pursuant to **Article 10(3) of Delegated Regulation No. 2021/2178** and, on a forward-looking basis, the **Green Asset Ratio (GAR)**.

Similarly, the section devoted to sustainable finance refers to the obligations in effect as of 10 March 2021, introduced by **European Regulation on sustainability-related disclosures in the financial services sector (Regulation No. 2019/2088 or SFDR)**. Leveraging the rules applicable to the various categories of financial operators with regard to ESG-related disclosures, Banca Generali describes its sustainability strategy — focused on maximum transparency towards its investors — by providing information concerning its approach to investment in the decision-making process, the management of risks and their impacts and ESG products.

Report Scope and Reporting Process

The Banca Generali Group's Consolidated Non-Financial Statement (NFS) has been prepared in accordance with the guidelines of the **GRI Sustainability Reporting Standards (GRI Standards)** — Core option — issued in 2016 by the Global Reporting Initiative, which represent the most commonly adopted sustainability reporting standards at the international level.

[1] Including exposures to companies subject to the Non-Financial Reporting Directive (NFRD), exposures to central banks, central governments, supranational issuers and derivatives exposures. On the definition of "total assets", see the FAQs published by the European Commission on 2 February 2022, which provide an appropriate definition of the categories that fall within the scope of "Covered Assets" and "Total Assets", a concept that is implemented in the calculation of KPIs pursuant to Regulation No. 2021/2178.

The figures presented refer to **financial year 2021** and are compared, where possible, to 2020 results. This qualitative and quantitative information comes from direct surveys, with the exception of certain estimates — duly highlighted in the document — that do not however affect the accuracy of the information.

All of the corporate structures have contributed to defining the contents of this Statement, whereas data gathering was coordinated by the Area CFO& Strategy Area structure, which also oversees the financial and capital performance of the Business Units.

The **reporting scope** includes the following companies: Banca Generali S.p.A.; BG Fund Management Luxembourg S.A.; Generfid S.p.A.; BG Valeur S.A.; Nextam Partners SIM[2] and the recently incorporated company BG Suisse S.A. The environmental figures, due to availability and significance, only refer to the offices of Milan (Piazza Tre Torri) and Trieste (Corso Cavour).

All changes compared to this reporting scope are duly highlighted in the Report.

It should also be noted that in this document:
- the term “Banca Generali” is used to indicate the entire Banca Generali Group, also referred to by the expression “**Banking Group**”;
- where it is necessary to refer to Banca Generali individually as the Parent Company, the full company name “**Banca Generali S.p.A.**” is used;
- finally, the expression “**Generali Group**” is used to indicate the entire Assicurazioni Generali Group, of which the Banca Generali Group is a part.

[2] Company that is not part of the Banca Generali Banking Group as of 20 January 2022, following the disposal of the controlling stake by Banca Generali S.p.A. to third-party investors.

Materiality Analysis

In drafting its Consolidated Non-Financial Statement, Banca Generali conducted a materiality analysis aimed at identifying and determining the priorities of the topics deemed material and significant to its business and its stakeholders. **These topics are deemed "material"** since they reflect the Bank's economic, social and environmental impact and because they can influence the decisions of its internal and external stakeholders.

The list of material topics illustrated in this section has been identified through **a structured process based on the following steps**:
> benchmark analyses to identify the degree of relevance that Banca Generali's main competitors and comparables attach to the topics in question;
> analysis of the existing internal documentation (including that of the parent company, Assicurazioni Generali);
> analysis of the sector's characteristics, with the aim of identifying the most relevant sustainability topics for the banking sector;
> assessment of the main international standards and frameworks adopted in sustainability reports, including the Principles for Responsible Banking (PRB), the 11 recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), the European Commission's recommendations on non-financial reporting concerning climate-related and environmental information (Non-Binding Guidelines - 2019/C 209/1), and the ESG criteria, which are currently evolving at EU level;
> semantic analysis conducted on an extensive corpus of documents (including peer reports, articles, observatories' results, internal documents, industry reports, position papers, Italian and international laws, etc.) through the use of a specific digital platform[3].

The process just described, repeated from one year to the next, has made it possible:
> to verify constantly the degree of alignment between the emerging trends gradually identified and the issues already considered material to the Banking Group;
> to classify topics that cover related areas within a single macro-topic;
> to rename some topics to better adapt them to Banca Generali's current context and situation;
> to progressively identify new topics that are potentially material to the Bank.

In the interest of a shared vision that adheres to Banca Generali's situation, in late 2020 and early 2021 the Bank conducted **internal engagement activity** with the involvement of "ESG champions", a group of employees selected for their focus on sustainability issues and on the basis of the function performed within the Organisation.

Involving the ESG champions made it possible to validate the previously identified material topics, adapt them further for complete consistency with the Banking Group's situation and identify the possible actions and operational measures to be taken for optimal management of such aspects.

In 2021, Banca Generali's board deemed the results achieved through these activities still valid and coherent in describing the Group's organisational situation and external context. This economic and social context continues to be influenced by the elements of uncertainty and fragility caused by the persistent pandemic emergency and, despite the evident progress made in managing the emergency situation facing the hospital system and all of society, it is still complex to make detailed predictions of the traits that will characterise the process of full resumption of all economic and social activities in the short, medium and long term.

[3] The first step of the method involves collecting document sources, both international and local, public and non-public, internal and external to the company — to identify any emerging trends and provide an overview of the banking and financial sector, sustainability and the Covid-19 issue. Subsequently, on the basis of several texts deemed of reference for sustainability and the sector, the Bank formulates a "taxonomy" or set of rules to "instruct" the software engine to understand the concepts expressed in the texts to be examined. Finally, through the use of the semantic engine the analysis proper is conducted: a digital, statistical process capable of intercepting terms (individual words) and common, most recurring combinations of words (concepts) and then returning the "tree of material topics" for Banca Generali.

The **eleven material topics** set out below are thus consolidated and continuous with the aspects reported on in previous years.

MATERIAL TOPIC	DESCRIPTION
Relationship with stakeholders and local communities	• Constant listening, consultation and involvement of stakeholders to learn about their needs, while also contributing to the development of the community and local area. • Banks' contributions to the institutional debate for the development of relief/economic support mechanisms for individuals and companies (through the disbursement of loans, financing and liquidity). • Corporate citizenship (from sponsorships to partnerships with local communities).
Governance and sustainable strategy	• The set of company tools, rules, relationships, processes and systems to ensure proper, efficient business management, with a particular focus on management's ability to adopt and manage new organisational models to face the challenges of the current context in which the Bank operates. • Integration of environmental, social and economic considerations into the corporate strategy to create value for internal and external stakeholders from a medium-to-long-term perspective.
Business management and dissemination of culture	• Commitment to fight active and passive corruption through an adequate assessment of the related risks and the implementation of the measures to mitigate them. • Adoption of tools governing the behaviour and values that must be taken into account in the conduct of business and trade. • Engaging in trade relations solely where in line with the regulations adopted on transparent, ethical behaviour.
Business solidity	• Ability to maintain strong performance over time and anticipate market trends, including through the renewal of the services offered (e.g., advice that supports client firms in areas such as digitalisation, internationalisation and exploration of new markets). • Ability to maintain a good organisational resilience to protect the financial stability and profitability of the business.
Growth and development of human capital	• Development of a company model capable of attracting top talent and excellent personnel and harnessing people's skills through growth and training processes designed to hone their skills and consolidate their professionalism. • Employment contract management that ensures respect for equal opportunity and encourages respect for and the value of diversity by building on the wealth of multicultural perspectives, experiences and traits offered by individuals. • Investment in training and developing the skills of Financial Advisors and employees, from both a professional and behavioural perspective.
Human capital protection	• Development of a company model that focuses on protecting the organisation's human capital.
Risk management system	• Adoption of a system for identifying, assessing and managing risks that includes ESG factors to integrate them into its strategy and operations so as to succeed in governing the transition to more sustainable economic and business models.
Data protection and cyber security	• Development and/or enhancement of adequate means and technologies designed to protect data and information systems in terms of availability, confidentiality and integrity, in keeping with the process of accelerating digitalisation.
Innovation and sustainable products	• Development of investment strategies, services and products that integrate environmental, social and governance topics in line with new regulatory developments, in order to improve the risk/return profiles of portfolios and further raise awareness among customers regarding sustainability issues. • Investment on innovation and the increase of technological infrastructures to support a new range of digital products and services.
Investment protection and customer relations management	• Management of the portfolio with a focus on return and on protection against all potential risks that may, directly or indirectly, compromise value over time. • Development of a commercial model based on a one-to-one relationship with customers.
Environmental impacts	• Adoption of policies to increase energy efficiency and reduce consumption and, therefore greenhouse gas emissions generated by the Company's activities. • Understanding the indirect environmental aspects tied to climate change on the company business.

Many of the issues deemed material to Banca Generali and its stakeholders relate to the Governance and Product areas, but also to areas relating to savings and management of relations with customers, which increasingly must be based on a relationship of trust tailored and adapted to the customer's needs, while also promoting a financial culture also focused on sustainability issues

The ongoing regulatory development, in which ESG factors are leading systemic change in the way business is done, has resulted in the **creation of a specific project to update and refine the management system of those risks** that, in certain conditions, could undermine the Banking Group's business continuity. This process was launched in view of the need to focus on the process of identifying, assessing and integrating the main ESG risks to which the Bank and its products are exposed into enterprise risk management (ERM).

Similarly, in this context of transition, the development, enhancement and protection of human capital are confirmed to be essential aspects to proper, resilient management of the business. These considerations confirm the Bank's willingness to play a central role in the transition towards a more sustainable economic model capable of meeting the market's needs and responding to present and future needs.

Given the nature of its business, Banca Generali intends to provide a concrete response in achieving the Sustainable Development Goals (SDGs) set by the UN 2030 Agenda. In particular, the Banking Group has selected 13 SDGs of priority interest, identified in light of its sustainability strategy, mission, vision and purpose. Each of the SDGs identified was then connected to one or more of the eleven ESG topics considered "material" by the Bank in light of the materiality analysis conducted. The result of this analysis in shown in the following chart.

Banca Generali material topics	3 SALUTE E BENESSERE	4 ISTRUZIONE DI QUALITÀ	5 PARITÀ DI GENERE	6 ACQUA PULITA E SERVIZI IGIENICO-SANITARI	7 ENERGIA PULITA E ACCESSIBILE	8 LAVORO DIGNITOSO E CRESCITA ECONOMICA	9 IMPRESE, INNOVAZIONE E INFRASTRUTTURE	10 RIDURRE LE DISUGUAGLIANZE	11 CITTÀ E COMUNITÀ SOSTENIBILI	12 CONSUMO E PRODUZIONE RESPONSABILI	13 LOTTA CONTRO IL CAMBIAMENTO CLIMATICO	16 PACE, GIUSTIZIA E ISTITUZIONI SOLIDE	17 PARTNERSHIP PER GLI OBIETTIVI
Business management and dissemination of culture										●		●	
Governance and sustainable strategy													●
Data protection and cyber security							●					●	
Investment protection and customer relationship management		●								●			
Innovation and sustainable products							●			●			
Business solidity						●	●						
Growth and development of human capital		●	●			●							
Human capital protection	●	●						●					
Relationship with stakeholders and local communities		●				●			●				●
Risk management system											●	●	
Environmental impacts				●	●						●		

For each material topic, the following table describes: the topic-specific GRI Standards of reference; the main risks associated with the topic concerned; the scope within which the actual and potential impacts occur; and the main policies adopted by Banca Generali to prevent or limit the negative impacts associated with the topics.

			SCOPE OF IMPACTS		
MATERIAL TOPICS	GRI	ASSOCIATED RISKS	INTERNAL IMPACTS	EXTERNAL IMPACTS	POLICIES AND CONTROL TOOLS
Business management and dissemination of culture	GRI 102-11 GRI 103-2 GRI 103-3 GRI 205-2 GRI 205-3 GRI 412-1	• Reputational risk, in terms of the loss of the trust of investors, clients and lenders • Strategic risk • Operating risk, in terms of fraud risk	All the Group	• Suppliers • Organisations and institutions • Customers	• Generali Group's Code of Conduct • Organisational and Management Model pursuant to Legislative Decree No. 231 • The Ten Principles of the UN Global Compact (Generali Group) • Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Code of Ethics for the Generali Group's suppliers • Security Policy • IT Security Policy • Policy for the Environment and Climate • Internal control policy • Internal Liquidity Adequacy Assessment Process • Whistleblowing Procedure • Internal Fraud Policy • Data Protection Policy • Strategic Risk Management Policy • Reputational Risk Management Policy • Operating Risk Management Policy • Financial Portfolio Risk Management Policy (market , counterparty and credit risks of financial instruments) • Policy for Managing Engagement with All Shareholders
Governance and sustainable strategy	GRI 102-5 GRI 102-16 GRI 102-18 GRI 102-26 GRI 103-2 GRI 103-3	• Strategic risk, including in terms of failure to enter specific markets and failure to acquire potential new clients	All the Group	• Investors • Community • Customers • Suppliers • Organisations and institutions • Customers	• Generali Group's Code of Conduct • Organisational and Management Model pursuant to Legislative Decree No. 231 • Internal control policy • The European Social Charter of the Generali Group • The Ten Principles of the UN Global Compact (Generali Group) • Charter of Sustainability Commitments • Policy for the Environment and Climate • Sustainability Policy • Policy for Managing Engagement with All Shareholders • Strategic Risk Management Policy • Tax Strategy • Commercial and Product Governance Policy • Policy for Managing Engagement with All Shareholders
Data Protection and Cyber Security	GRI 103-2 GRI 103-3 GRI 418-1	• Operating risk, in terms of the disclosure of sensitive information and data • Reputational risk, in terms of loss of the trust of clients and investors • Operating risk, in terms of IT risk	All the Group	• Suppliers • Organisations and institutions • Customers	• Generali Group's Code of Conduct • Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Code of Ethics for the Generali Group's Suppliers • Data Protection Policy • Security Policy • IT Security Policy • Reputational Risk Management Policy • Operating Risk Management Policy

MATERIAL TOPICS	GRI	ASSOCIATED RISKS	SCOPE OF IMPACTS INTERNAL IMPACTS	SCOPE OF IMPACTS EXTERNAL IMPACTS	POLICIES AND CONTROL TOOLS
Investment Protection and Customer Relations Management	GRI 103-2 GRI 103-3	• Reputational risk, in terms of loss of the trust of clients and investors, and risk of loss of competitiveness • Strategic risk	All the Group	• Suppliers • Customers • Organisations and institutions	• Generali Group's Code of Conduct • Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Commercial and Product Governance Policy • Policy on the Provision of Investment Advisory Service • Security Policy • Customer Relations Charter • Internal Disputes and Complaints Policy • Data Protection Policy • Reputational Risk Management Policy • Strategic Risk Management Policy • Commercial and Product Governance Policy • Internal control policy • Policy for Managing Engagement with All Shareholders
Innovation and Sustainable Products	GRI 102-2 GRI 103-2 GRI 103-3	• Strategic risk, in terms of loss of competitiveness and exclusion/failure to enter specific markets	All the Group	• Community • Investors • Customers • Suppliers • Organisations and institutions	• Generali Group's Code of Conduct • The Ten Principles of the UN Global Compact (Generali Group) • Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Policy for the Environment and Climate • Responsible Investment Policy • Sustainability Policy • Environmental Management System (EMS) • Investment Portfolio Management Process • Financial Partnership Policy
Business Solidity	GRI 103-2 GRI 103-3 GRI 201-1 GRI 207-1	• Liquidity risk • Operating risk • Credit and concentration risk • Market and exchange rate risk • Strategic risk • Reputational risk	All the Group	• Community • Investors • Customers • Suppliers • Organisations and institutions	• Generali Group's Code of Conduct • Banca Generali's Internal Code of Conduct • Commercial and Product Governance Policy • Responsible Investment Policy - own portfolio • Code of Ethics for the Generali Group's Suppliers • The Ten Principles of the UN Global Compact (Generali Group) • Risk Appetite Framework • ICAAP • ILAAP • Pillar 3 • Operating Risk Management Policy • Credit Risk Management Policy • Strategic Risk Management Policy • Reputational Risk Management Policy • Financial Portfolio Risk Management Policy (market , counterparty and credit risks of financial instruments) • Policy for Managing Engagement with All Shareholders

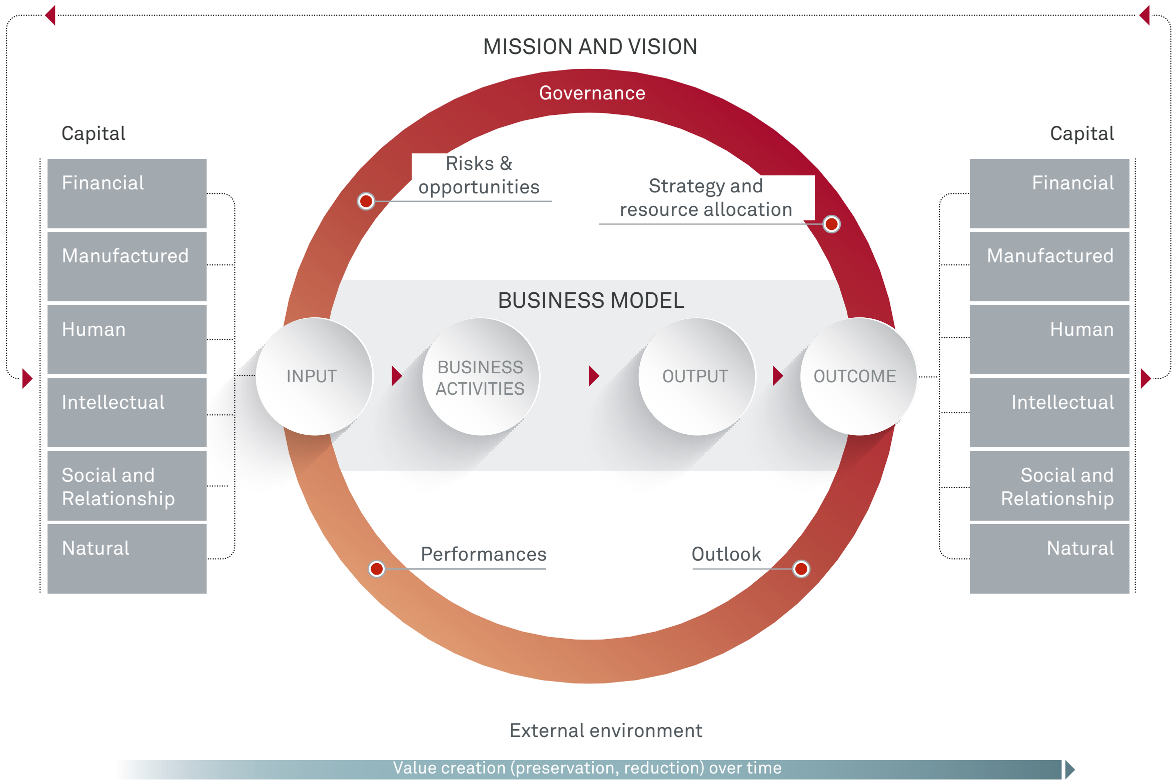
MATERIAL TOPICS	GRI	ASSOCIATED RISKS	SCOPE OF IMPACTS INTERNAL IMPACTS	 EXTERNAL IMPACTS	POLICIES AND CONTROL TOOLS
Growth and Development of Human Capital	GRI 102-8 GRI 103-2 GRI 102-41 GRI 103-3 GRI 102-41 GRI 401-1 GRI 401-2 GRI 404-1 GRI 404-3 GRI 405-1 GRI 406-1	• Reputational risk, in terms of loss of the trust of employees • Reputational and strategic risk, in terms of loss of clients and competitiveness • Strategic risk, in terms of the loss of competitiveness • Operating risk, in terms of turnover increase	• All the Group	• Community • Investors • Customers • Suppliers • Organisations and institutions	• Generali Group's Code of Conduct • The European Social Charter of the Generali Group • The Ten Principles of the UN Global Compact (Generali Group) • Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Code of Ethics for the Generali Group's suppliers • Job Rotation Guidelines (Generali Group Job Posting Golden Rules) • Remuneration Report • Banking Group's Remuneration Policies • Diversity Policy for Members of Company Bodies • Financial Advisor Manual • Policy for Defining the Banking Group's Remuneration and Incentivisation Policies • Professional Development and Career Advancement Processes (e.g., Generali Group Performance Management, Task Management, etc.)
Human Capital Protection	GRI 103-2 GRI 103-3 GRI 403-1 GRI 403-5 GRI 403-9 GRI 403-10 GRI 405-2	• Operating risk in terms of incorrect organisational balance, increase in accidents and work-related stress • Reputational risk	All the Group	• Investors • Organisations and institutions	• Generali Group's Code of Conduct • The European Social Charter of the Generali Group • Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Circular No. 269 "Management of obligations related to health and safety at work" • Company union agreements on work-life balance and welfare (smart working contract, BG company contract, etc.)
Relationship with stakeholders and local communities	GRI 102-40 GRI 102-42 GRI 102-43 GRI 103-2	• Reputational risk	All the Group	• Community • Investors • Customers • Suppliers • Organisations and institutions	• Generali Group's Code of Conduct • Banca Generali's Internal Code of Conduct • Code of Ethics for the Generali Group's suppliers • Policy for Managing Engagement with All Shareholders
Risk management system	GRI 102-15 GRI 103-2 GRI 103-3	• Compliance risk • Reputational risk	All the Group	• Investors • Customers • Organisations and institutions	• Risk Management Regulation • RAF • Strategic Risk Management Policy • Reputational Risk Management Policy • Operating Risk Management Policy • Financial Portfolio Risk Management Policy (market , counterparty and credit risks of financial instruments) • Credit Risk Management Policy • Liquidity Risk Management Policy • Management Policy on the Interest Rate Risk on the Banking Book
Environmental impacts	GRI 103-2 GRI 103-3 GRI 302-1 GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-5	• Reputational risk • Transition risks	All the Group	• Investors	• Charter of Sustainability Commitments • Policy for the Environment and Climate

INTEGRATED THINKING

The last two years — characterised by multiple elements of complexity and uncertainty — have left people with an awareness that they are strongly interdependent and interconnected, while also revealing the systemic and functional role of large companies. Companies engage in **co-evolutionary relations**, not only with other actors from their own business sectors, but also with all of society, more broadly construed, in its political, institutional, social, technological and cultural complexity, as well as with ecosystems and individuals.

Becoming fully aware of these elements inspired Banca Generali to reorganise its Annual Integrated Report according to the **"by-capital" structure proposed in the International IR Framework**[4]: an approach to company reporting that demonstrates the close ties between strategy, financial performance and the social, environmental and economic context in which the Organisation operates, but above all a stimulus to revise its business model in the direction of an **"integrated thinking"** approach, i.e. an awareness that the value created by an organisation is manifest in the exchange, growth, decrease and constant transformation of the types of capital that it uses and influences, with its stakeholders and all of society.

FIGURE 1: THE VALUE CREATION PROCESS (IR FRAMEWORK)



[4] Integrated reporting framework published in December 2013 by the International Integrated Reporting Council (IIRC) which includes the basic concepts, guiding principles and key contents of integrated reporting.

The capitals envisaged in the IR framework are:

Financial capital	The pool of funds that is available to an organisation for use in the production of goods or the provision of services. They are obtained through financing, such as debt, equity or bonds, or generated through operations or investment results.
Manufactured capital	Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services. Manufactured capital is often created by other organisations, but includes assets manufactured by the reporting organization for sale or when they are retained for its own use.
Human capital	People's competencies, capabilities and experience, and their motivations to innovate, including their: alignment with and support for an organisation's governance framework, risk management approach, and ethical values; ability to understand, develop and implement an organization's strategy; loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.
Intellectual capital	Organizational, knowledge-based intangibles, including: intellectual property, such as patents, copyrights, software, rights and licences; organizational capital such as tacit knowledge, systems, procedures and protocols.
Social and Relationship Capital	The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Relationship capital includes: shared norms, and common values and behaviours; key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect for the benefit of external stakeholders; intangibles associated with the brand and reputation that an organization has developed; an organisation's social licence to operate.
Natural capital	All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation.

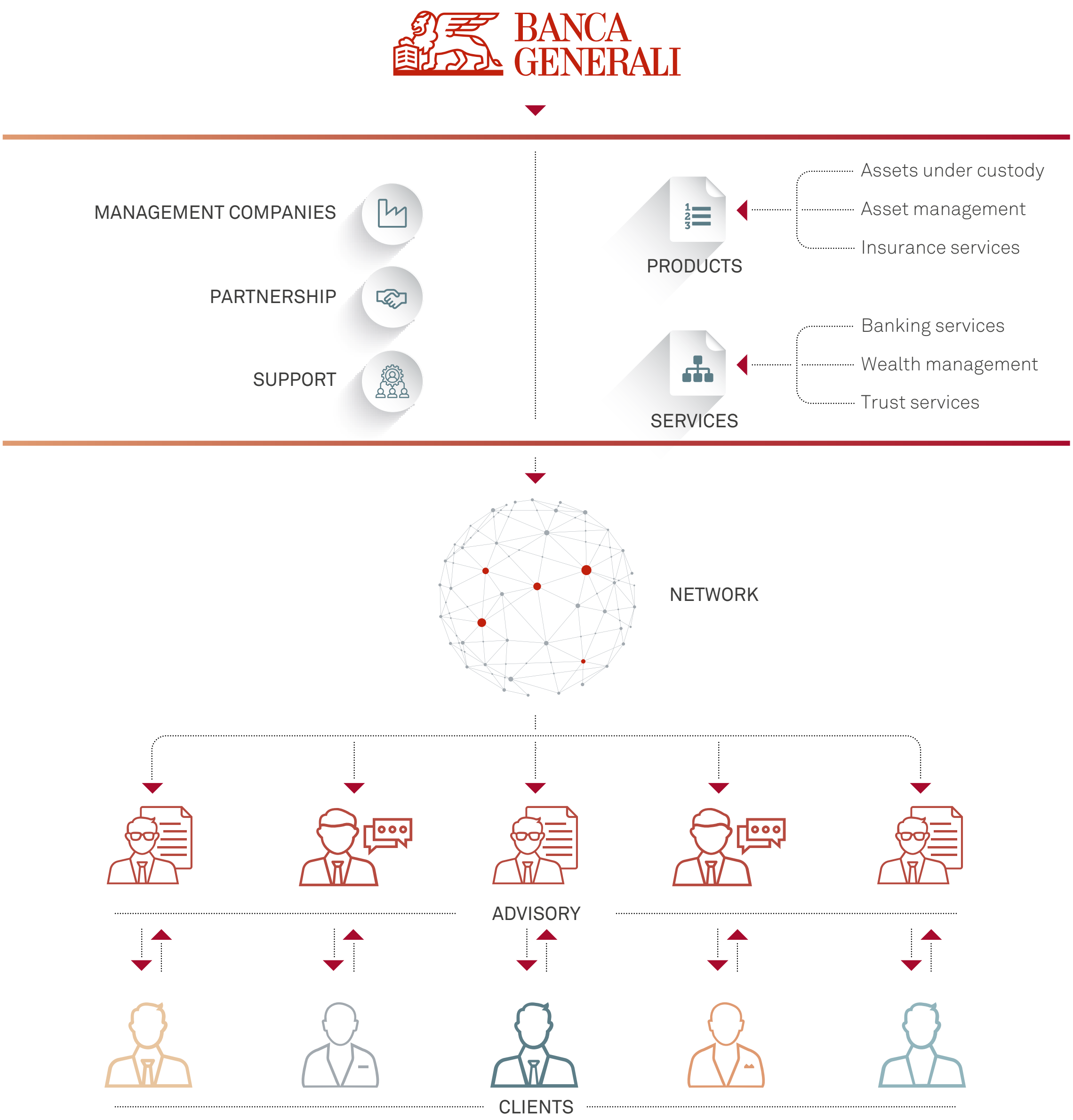
In preparing its Annual Integrated Report, Banca Generali identified **five types of capital** (corresponding to five macro-chapters in the Report) according to its business model:

> **Economic and Financial Capital**, within which the performance in terms of result of operations, financial and capital position of the Banking Group and Parent Company during the year is presented;
> **Intellectual Capital**, which focuses on the innovative aspects tied to the products and services that the Bank offers its customers, as well as services in support of the sales network and company processes;
> **Human Capital**, which includes all information, activities and initiatives carried out for the benefit of Banca Generali's employees and the professionals who are part of its distribution network;
> **Natural Capital**, within which the figures for the direct and indirect environmental impacts of Banca Generali's activity are presented;
> **Social and Relationship Capital**, which focuses on the initiatives in support of the community carried out by the Banking Group in 2021.

Shared Value Creation Model

Business Model

Banca Generali stands apart within the Italian finance sector for the central role played by the financial advisory and wealth planning services it offers to the **Private** and **Affluent Client** segments through a **network of Financial Advisors** ranked at the top of the industry by competency and professionalism. The bond of trust between Financial Advisor and client is key and is complemented by the range of products, services and support models made available by the Bank.



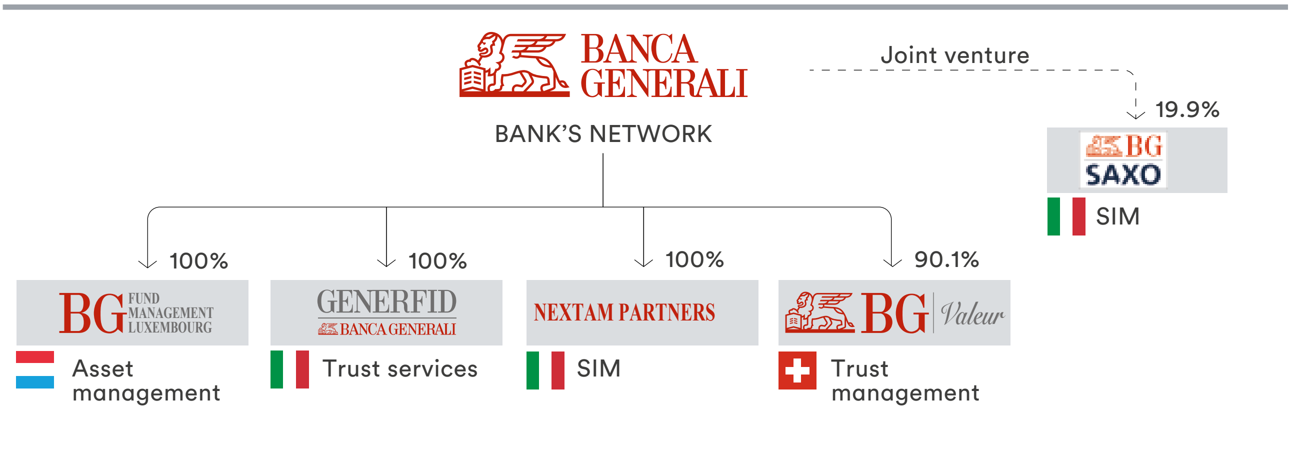
Banca Generali offers:

> **Banking services**: the Bank provides its clients with a range of bespoke banking accounts and services that make doing day-to-day business simple and efficient, thanks to a line of innovative options that ensure the utmost security in online and mobile payments and banking;

- **Assets under Custody**: Banca Generali tends to the AUC component of its Clients portfolios by providing advice on the purchase and sale of securities on the secondary and primary markets, in addition to offering certificates. Through BG Saxo SIM, a joint venture between Banca Generali and the Danish company Saxo Bank, Banca Generali is able to offer to its Financial Advisors and clients one of the best performing and comprehensive trading platforms on the market;
- **Asset management**: Banca Generali offers a wide range of mutual funds, as part of an open architecture that benefits from expert selection of the best solutions that thousands of international asset managers have to offer. The Bank also offers a cutting-edge range of managed wrappers and third-party management services that make it possible to construct bespoke solutions, while always prioritising risk protection. In 2021 Banca Generali began to revamp the pricing architecture of its Luxembourg range, in particular expediting development via ESG solutions and planned saving solutions (PAC and Twin Mix);
- **Insurance investments**: in the field of insurance investments, and in particular in the use of asset management to protect and personalise investments, Banca Generali relies on the synergies and expertise offered by the Generali Group, complemented by its own experience and striving for innovation. In 2021, the Bank continued to offer insurance wrappers, combining the traditional BG Stile Libero range with the solutions offered by BG Insieme Progetti di Vita[5] and Lux Protection Life[6];
- **Wealth management and trust services**: the Bank offers a wide array of wealth advisory solutions that extend the conversation with households beyond investment issues to encompass pension planning, corporate finance, real estate and art advisory, with an eye to potential optimisation in protection for future contingencies and challenges relating to generational transfer (family protection).

This range has been designed and is offered to the client with the support of a value chain consisting of:

- **Commercial networks**: the relationship with clients occurs through a Financial Advisor network (made up of Financial Planners, Private Bankers, Wealth Managers and Relationship Managers), able to best meet the different needs of Financial Advisors and Clients;
- **Managing companies**: in addition to offering banking services, the Group controls a number of managing companies in order to offer its customers the best solutions in some specific segments. These companies include: BG Fund Management Luxembourg S.A., a Luxembourg-based management company responsible for offering in-house funds; Generfid S.p.A., which offers trust services; BG Saxo SIM, a joint venture with the Danish bank Saxo Bank offering advance trading services; and BG Valeur, a boutique financial advisory and asset management firm based in Switzerland. In 2021, it bears recalling the NewCo BG Suisse was incorporated in view of obtaining the Swiss banking licence;
- **Partnerships**: to bring its clients the best specialist services the market has to offer in terms of products, wealth management and technology, Banca Generali has formed selected partnerships with other firms in Italy and internationally.



[5] Innovative recurring premium product targeted to Affluent clients.
[6] Private Insurance under Luxembourg law launched by the Generali Group, targeted to HNW clients.

Context, Challenges and Opportunities

In the **health arena**, 2021 will go down in history as the year of vaccines, variants and living with the pandemic. Thanks to the vaccination campaigns undertaken in developed nations, restrictions on mobility were eased and social interaction gradually resumed in much of the West. Italy in particular stood out for the considerable speed and efficacy of its vaccination campaign. However, in many countries the progressive emergence of new variants of the virus — significantly more transmissible and contagious than the original version — resulted in a resurgence of cases and the consequent introduction of a third dose of vaccine, along with additional restrictions on mobility. The outlook for 2022 is for a transition from the pandemic phase to an endemic phase of the disease — a phenomenon that would result in a gradual return to normality. Nonetheless, some habits and practices that came about over the past two years, such as the adoption of digital and smart working, are also destined to be adopted in a widespread manner even after the pandemic.

In **macroeconomic developments**, despite the continuing health emergency, the global economy saw a sharp recovery following the very sharp decline in the first half of 2020, with expected growth of 5.9% in 2021, 4.9% in 2022 and 3.3% in the medium term, according to estimates by the International Monetary Fund (IMF). Expected real GDP growth in 2021-2022 in Italy, the rest of the European Union and other developed countries is attributable to the massive fiscal support programmes for economies implemented in 2020 and 2021 with the support of central banks through expansionary monetary policies, low rates and enhanced purchase programmes. These programmes made it possible to support the economy and markets during the pandemic emergency, avoiding even broader social repercussions and providing an appropriate springboard for the recovery. Nonetheless, the increase in inflation seen in the second half of 2021 as a consequence of supply bottlenecks due to the disruption of global procurement chains during the acute phases of the pandemic and subsequent recovery of large-scale economic activities poses a threat to the recovery and faces central banks with a dilemma regarding the temporary or structural nature of the high levels of inflation seen. A further threat to the recovery is represented by the slower roll-out of vaccination campaigns in developing countries, where significant segments of global procurement chains are often concentrated.

In terms of **financial markets**, global equities rose to new all-time highs, driven by expansionary monetary policies and the strong economic rebound. This effect was led primarily by U.S. and European exchanges, whereas their Asian counterparts suffered more or less accentuated declines to the growing tensions between the United States and China. The spectre of higher rates and reduced central bank purchase programmes are conditioning expected returns, above all for long-duration assets, with an impact also on the long-term bond market. Turning to alternative assets, the cryptocurrency market emerged as a mainstream phenomenon in 2021, with a total market capitalisation of over $2 trillion. The world's largest cryptocurrency exchange (Coinbase) was listed on NASDAQ, while US regulators approved the first cryptocurrency ETFs (based on futures contracts). Numerous institutional investors and various banks announced plans to offer cryptocurrencies to their customers and to integrate blockchain technology into their organisations.

In **politics** 2021 was an important year, with new leaders taking office in the United States, Italy and Germany. In the United States President Biden took office on the results of the November 2020 presidential elections and renewed his support for the European project, breaking with his predecessor, who had supported Brexit. In Italy, Mario Draghi succeeded Giuseppe Conte as President of the Council in February, following a majority crisis. He is tasked with leading the country out of the pandemic and implementing the reforms and measures needed to implement the initiatives of the National Recovery and Resilience Plan (NRRP) of over 230 billion euros presented to the European Commission in April. The high level of Italy's public debt (154% in 2021), which will require normalisation of tax policies in the medium term, continues to represent a threat for the country's economic growth, despite the expected decline, in terms of GDP, due to growth and inflation (151% in 2023). In Germany, the federal elections saw Chancellor Angela Merkel leave the stage after 16 years at the country's helm, and the formation of the "traffic light coalition" of Social Democrats, Liberal Democrats and Greens led by Social Democratic Chancellor Olaf Scholz. The election of Chancellor Scholz could pave the way to a possible acceleration of the European integration process.

In the **environmental sphere**, the United Nations Climate Change Conference was held in November 2021 in Glasgow (COP26). During the conference, 197 countries met to discuss and agree on more ambitious commitments to fighting climate change, in line with the "increase mechanism" negotiated at the 2015 Paris conference.

The role of savings in protecting social wellbeing became even clearer in 2020-2021. Due to pandemic restrictions household savings reached very high levels. In terms of **investment preferences**, there is continuing averseness to risk, with deposit balances rising in line with 2020, supported by the negative rate framework, high market valuations and uncertainty surrounding the course of the pandemic situation. At the same time, an ever increasing focus on ESG issues can be observed, inasmuch as they are perceived as a possible driver of the post-pandemic economy. The demand for constant advisory and protection services was further intensified by the pandemic, with an increasing share of household financial assets invested in asset management and insurance products, to the detriment of assets under custody. This is due to increasing individual responsibility in areas such as healthcare, education and pensions, the complexity of the situation and the limits shown over the last decade by the classic investment solutions, such as government and bank bonds and real estate.

In terms of the **competitive scenario**, the network sector as a whole continued to gain market share from the traditional banking model. The pandemic helped accelerate this trend, progressively underscoring the close customer relationships and reliability that the network model is able to offer over the branch model. Accordingly, there is still ample room for growth for the most dynamic, technologically advanced advisory networks, which will be able to continue to leverage their focus and differentiated business models to attract the best professional profiles and win their customers' trust.

The 2022-2024 Industrial Plan

The Bank's Ambitions for the Next Three Years

Closing 2021 with a record performance in terms of commercial and financial results, the Bank achieved and exceeded its three-year targets announced to the market at the 2018 Investor Day.

The 2022-2024 Industrial Plan bases on the solid foundations that the Bank has laid in the different phases of its development and aims at fully capitalising on the **positive momentum experienced by the financial advisory industry**. The pandemic has clearly underlined Italian households' need for protection and advisory, accelerating the trend of an increased professionalism required to manage the significant savings they hold.

The strategic ambition on which the Plan is based is **launching Banca Generali's next growth phase**: a rapid, profitable and remunerative growth for all shareholders, in keeping with, but also improving on, the excellent results achieved so far.

The Three Pillars of the Strategy

Pillar 1
Value of service

1. Range of targeted solutions:
   - HNW and Private Clients
   - Affluent Clients
2. New service models:
   - Enhanced
   - Guided
   - Self
3. Data-driven network management approach:
   - Client
   - Financial Advisor
   - District

Pillar 2
Innovation

1. Development of a data-driven bank
2. Development of digital platform
3. Partnership ecosystem

Pillar 3
Sustainability

Towards:
- Clients and Financial Advisors
- Employees
- Shareholders and Authority
- Communities and Future Generations

The strategy to achieve this ambition is based on three pillars, deeply rooted in the Bank's vision: **to be the No. 1 private bank by value of service, innovation and sustainability**.

The **first pillar** of Banca Generali's strategy aims to increase the **value of service**, bringing the Bank even closer to its Financial Advisor network and its clients. The strategic guidelines provide for:

> developing a **range of targeted solutions** that, building on the ecosystem of products, services and platforms already in place in the private segment, enables to better meet the needs of a wider client base — from Affluent clients to High-Net-Worth (HNW) individuals;

i) for **HNW and Private Clients**, the new fee-based advanced advisory contract, the expansion of the range of insurance cover, the new platform on private markets, the new Family Office module and the multi booking centre in Switzerland;

ii) for **Affluent Clients**, the new asset management solutions and the new BG Oltre wrapper to reinforce asset-management solutions for this market segment, the new advanced and customisable platform for accumulation plans, the new range of accounts, and the financing solutions via digital devices;

> the introduction of **new service models** that, in a context marked by financial advisor-centric models, allow to enhance Financial Advisors' actions through a greater support by the Bank in managing their clients. This models will be as follows:
  i) **'Enhanced'** Model — a double-touch model for HNW clients that combines a sophisticated data-driven platform, the ability of Financial Advisors and the competence of specialised in-house and external teams, thus guaranteeing a wide selection of content, analysis, services and partnerships to meet any needs;
  ii) **'Guided'** Model — a hybrid model aimed mainly at Affluent clients and combining the technological component with the 'human touch', with Financial Advisors in charge of relations while delegating to the technological platforms the creation of investment portfolios and their maintenance over time, as well as their administrative management. The Guided Model envisages a strong contribution from the Bank in mapping the risk profiles, and generating and managing investment proposals;
  iii) **'Self'** Model — a digital model for clients who prefer to manage their assets on their own. Within the new Home Banking, the model envisages the presence of a wide ecosystem of digital services that integrates the best fintech solutions available, such as digital investing, digital assets, sustainability, instant lending, and other platforms developed in the past for the Financial Advisors;

> the implementation of a new **data-driven network management approach** that, based on an estimate of the growth potential of clients, Financial Advisors and districts, and on the identification of the main gaps, drives the coordinated action of the Bank, its network managers and individual Financial Advisors:
  i) at **client** level, better addressing the wealth of investment solutions and service models developed, also through a 'push' able to identify the best commercial opportunities;
  ii) at **financial advisor** level, driving all managerial action and support initiatives by applying a 'one-to-one' approach, based on each financial advisor's specific needs;
  iii) at **district** level, supporting the traditional business development activity carried out by local managers, including through a centrally driven planning.

With the strategy's **second pillar**, Banca Generali intends to develop an increasingly **innovative** model, building a data-driven, digital and open Bank. The strategic guidelines provide for:

> the creation of a **data-driven bank:** systemising the Bank's huge amount of data to implement B2C-like data analytics techniques in a financial advisor-centric context. To this end, over the past two years, the Bank has launched its new Data Management unit, working on data governance and competencies, exploring first the business intelligence and data analytics aspects, while at the same time setting up the new Data Lake in Cloud architecture. This path has allowed to build a single view of data within the organisation. These efforts underlie the systematic use of the data assets of clients, Financial Advisors and the area where they operate. The action of Financial Advisors and managers is thus strengthened (also including a push approach) supported by a Data-Platform that will enable a greater service personalisation and support in identifying development potential;

> the development of **digital platform** in order to:
  i) increase the commercial process personalisation through bespoke platforms for Financial Advisors, as a support to the different service models;
  ii) enhancing operating process efficiency and scalability by further developing robotic business process automation so as to fully digitalise all operating processes;
  iii) improve the digital customer experience through the integration of new digital services in client channels;

> enhancement of the **partnership ecosystem**: identifying and coordinating the best partners in specific verticals that allows the Bank to consolidate its position with respect to industry trends and benefiting from ongoing innovation flows.

Through the **third pillar** of its strategy, Banca Generali aims to consolidate its position in terms of **sustainability**, becoming a point of reference on ESG themes for its stakeholders. The strategic guidelines are:

> **clients and Financial Advisors**: Banca Generali intends to further strengthen its sustainability-related commercial approach, which led to 6.5 billion euros assets invested in ESG products tied to UN SDGs (14.6% of managed solutions) at the end of 2021. In detail, the 2024 target aims to bring ESG products (funds and wrappers) to account for 40% of total managed solutions.

The Bank has also launched specific sustainability-related training courses for its Financial Advisors;

- **employees**: the Bank has structurally adopted initiatives to promote work-life balance and active Diversity & Inclusion policies. Specifically, the goal has been set that over the Plan period at least 50% of employees to be hired be under 35 years of age, and that initiatives aimed at ensuring an environment inclusive of all diversities continue to be taken. 70% of personnel will be involved in specific digital and sustainability initiatives; 100% of personnel will be able to benefit from a 'hybrid' work model (except for sales and front-office personnel).
- **Shareholders and Authority**: Banca Generali confirms its commitment to transparency and engagement for all initiatives underway. The purpose of the three-year commitment is to endorse the requirements of the Principle of Responsible Investment (PRI) and of the Task Force on Climate-Related Financial Disclosures (TCFD);
- **Communities and Future Generations**: the Company has set several challenging climate-related goals, such as the 25% reduction of its carbon footprint by 2025 compared to the 2019 baseline in relation to corporate securities in managed solutions, and achieving net zero emissions by 2040 (with a phase-out of companies that use coal by 2030). It also undertakes to contribute concretely through social impact initiatives in the areas where it operates.

2022-2024 Commercial and Financial Targets

Consistent Growth	Profitable Growth	Remunerative Growth
• total cumulated net inflows: **18-22** billion euros	• compound annual growth rate (CAGR) of recurring profit: **10-15%**	• cumulative dividends of **7.5-8.5** euro per share (in the 2022-2025 period)

The Bank fully confirms its growth-oriented approach in terms of business expansion, profitability and shareholder remuneration. The three main financial targets are as follows:

- **Consistent Growth**: for the next three-year period 2022-2024 it expects **total cumulated net inflows** in the range of **18.0 billion euros and 22.0 billion euros**, most of which — approximately two thirds of the total (13-16 billion euros) — will be generated organically by the existing network through the increase of the share of wallet and the acquisition of new Clients.

  Accordingly, **assets under management and assets under custody are estimated to be in the range of 105-110 billion euros at the end of 2024**. The figure does not take into account possible external growth transactions and assumes a prudential market performance of about 1% per year. It estimates the **ratio of managed solutions to total assets,** at 52% at year-end 2021, **in a range of 52%-56% by 2024**, mainly driven by in-house funds and insurance wrappers.
  Assets under Advisory, which accounted for 8.5% of total assets at the end of 2021, are expected to grow in a range of **8.5%-10.5% by 2024.**

  The business expansion plan includes **Switzerland**, where in 2019 the first presence was established with the acquisition of BG Valeur. The project unavoidably slowed due to the outbreak of the pandemic, but has now fully resumed with the setting up of the new company BG Suisse — the core of the future bank in the country — following the previous year's submission of formal applications to obtain a banking licence. It is expected that the Swiss market operations could generate 5-7 billion euro assets over the next five years.

- **Profitable Growth**: the Bank aims to generate a compound annual growth rate (CAGR) of **recurring profit** equal to 10-15% over the 2022-2024 three-year period. This forecast is based on a 7-10% compound growth rate of **recurring fees** over the 2022-2024 period, in the context of margins not below the average margins for 2021. Growth is driven by the expected higher weight of managed solutions, among which in-house funds and insurance wrappers, thanks to the strengthened range of products and services dedicated to both HNW and Affluent Clients.

Net interest income is expected to achieve a CAGR of 5-10% over the 2022-2024 three-year period, linked particularly to the development of interest-bearing assets and the normalisation of interest rates. In fact, estimates call for at least 600 million euro growth of the credit portfolio and at least 1.9 billion euro growth of the banking book for the period, thanks to the diversification of the portfolio of investments and the expected moderate rate increase.

The focus on costs through a careful cost discipline is confirmed, albeit in a context of strong investments: the Bank estimates a CAGR of 5-6% in terms of **core operating expenses**[7] in light of the significant investments in innovation and development of the Swiss operations.

> **Remunerative growth**: Banca Generali intends to distribute steadily growing dividends (cash view) over the Plan period, aiming to reduce profit volatility through a greater payout flexibility. For this purpose, the future Dividend Policy has been set according to the following methods:

Dividend payout set according to the following criteria:
- **70-80% on the portion of recurring net profit;**
- **50-100% on the portion of variable net profit.**

Two-tranche mechanism for dividend payment:
- 1st tranche: Year T/Q2;
- 2nd tranche: Year (T+1)/Q1.

Based on the above and in light of profit forecasts, the Bank expects to be able to distribute **cumulative dividends of 7.5-8.5 euro per share in the 2022-2025 period (cash view)**, of which 2.55 euro DPS already announced.

[7] Core operating costs are net of the cost of sales personnel and any one-off charges and include Swiss operations (BG Valeur and BG Suisse).

Strategic Focus on Sustainability

In line with its vision statement and purpose, Banca Generali continues to reiterate its commitment towards sustainability issues, also referred to in the documents guiding and reflecting Banca Generali 's sustainable approach, such as the Sustainability Commitment Charter and the Sustainability Policy. In line with this path, the Bank constantly considers the interests of its stakeholders and the economic, environmental and social impacts of its activities when formulating its company strategy and designing its policies.

As early as in 2019, Banca Generali defined a **strategic development and sustainability project** that not only covers the area closely linked to ESG investments, but a full-fledged "re-thinking" process of the whole Organisation based on the active engagement of all corporate Functions. This project led to a **Sustainability Plan** that forges ahead with increasing determination, despite the constraints imposed by the pandemic.

Banca Generali's **sustainability by design** takes a holistic approach with its greatest areas of interest and development in people, ESG offer, governance, transparency and the spread of a culture of sustainability.

People

Banca Generali's approach to sustainability is characterised by a strong drive for personal development, pursued not only by harnessing a solid training programme, but also through transparency and revision of remuneration, incentive and performance management systems.

Banca Generali considers **employees' training** to be a fundamental resource to support the Company's success and competitiveness, in the short and long term. This is achieved through constant and continuous programmes over time, in line with People's needs and talent to drive them towards individual responsibility and motivation, in line with the Company's values. Offering quality training, whether in the classroom, remotely through webinars or e-learning, is a priority for supporting the development of all the employees and making Banca Generali an increasingly authoritative player in the market[8].

In Banca Generali's sustainable development path, **Diversity and Inclusion** are also crucial, as these themes are factors for unity and dialogue within the Organisation: managing diversity within the Company is therefore an indispensable necessity to the Company's success, in an increasingly complex, globalised and interconnected world. In support of inclusion and in view of improved work-life balance, over the last year Banca Generali has introduced the "new normal" concept: a hybrid working model that combines physical presence with remote work, used extensively during the pandemic period[9].

During the pandemic period the company has underscored its commitment to fighting Covid-19 by remaining constantly focused on individuals, with support initiatives such as health service assistance packages and a dedicated Covid-19 help line[10].

ESG elements in Banca Generali's range

The dissemination of the culture of sustainability also significantly influences the Bank's commercial approach, its wealth advisory service and all its product and service offer in general. In order to develop products and services able to meet the threefold purpose of excellence in customer service, innovation and sustainable growth, Banca Generali complemented its traditional financial allocation methodology with **a new sustainability-related approach based on the United Nations 17 Sustainable Development Goals (SDGs)**, which clients can actively support through the selection, on the proprietary platform, of specific investment solutions for the construction of BGPPs (Banca Generali Personal Portfolios). Over the last year, the platform has been further enhanced by introducing new features to conduct **analyses of the ESG risks** associated with a single product or entire portfolio and to **quantify the impacts of the investment on the environmental, social and governance sphere**.

To foster the transition to sustainable economic development models and create long-term value, in 2021 Banca Generali adopted specific Policies focused on responsible investment. Such policies are based on best international practices[11] and comply with the commitments undertaken by the Generali Group through the adoption of the Global Compact's Principles and the UN Principles for Responsible Investment. The policies set out the methods adopted by the Bank to systematically consider sustainability risks in investment processes and mitigate the potential negative ESG effects with regard to customer portfolio management, financial advice and management of the Bank's proprietary portfolios.

Against a backdrop of rapid growth in sustainability trends, together with swift regulatory proliferation, the Banca Generali Group worked to develop new products and services (UCITS and portfolio management lines) that reflect the characteris-

8 See Section "Human capital: Human Resources", paragraph "Training and development of human capital".
9 See Section "Human capital: Human Resources", paragraphs "Diversity & Inclusion" and "Work life balance".
10 See Section "Human Capital: Human Resources", box "Management of Covid-19 health emergency".
11 Among these, the Principles for Responsible Investment (PRI) and the Principles for Responsible Banking (PRB).

tics identified in Regulation (EU) No. 2019/2088, qualifying the products and services in question under Articles 8 and 9 of the aforementioned Regulation. This focus on sustainability also resulted in a sharp rise in ESG assets, which reached 18% of assets under management[12]. In 2021, the Loan Regulation was also amended to introduce provisions in line with the Bank's sustainable approach: in this Regulation, on the one hand, the ESG principles expressed in the Sustainability Policy[13] were included in the assessment of the risks associated with loans granted to customers, while, on the other, the possibility of extending credit to customers operating in controversial sectors or that have violated the United Nations Global Compact was generally excluded.

In 2021, in particular, Banca Generali was strongly committed to the spread of the social dimension of sustainability: in so doing, it participated in and supported impact investing initiatives, such as BG4Real and Credimi, through which it supported SMEs, primarily within Italian territory. To contribute to relaunching the Italian economy and create wellbeing and value for Italy in response to the economic and social impacts of the Covid-19 pandemic, the Bank participated, as founding shareholder[14], in the formation of Hope Spa, a fixed-capital investment company (SICAF), benefit company and independent investment platform that aims to raise and manage institutional capital and private investment from Italian households according to an innovative approach, for investment in leading SMEs and sustainable cities in terms of community regeneration, urban development and development of digital and green infrastructure.

Sustainability training for the network continued, albeit with the limitations imposed by the health situation, functional to the spread and strengthening of a culture of sustainable investments, focused on generating positive social impacts through the wide range of investment solutions offered to customers. In 2021, all Financial Advisors received ESG training, developed according to increasing levels of depth depending on the sales network's level of engagement on the issue[15].

All this was accompanied by the changes needed to comply with the **evolution of the regulatory and legislative system** in progress in Italy and at the international level, which is strongly influencing the banking and financial sector: by adopting a structured system for identifying and managing intrinsic risks, Banca Generali is monitoring particularly closely and gradually adapting to the development of regulations included in the sustainable finance packages, such as the Taxonomy Regulation (**Regulation (EU) 2020/582**[16]) and Sustainable Financial Disclosure Regulation (**Regulation (EU) No. 2019/2088**[17]). See Section "Governance", the paragraphs of the same name.

• Sustainability governance

Through the introduction of a new Regulation of the Board of Directors and Board Committees, approved in May 2021, **sustainability has been included in the Managerial Steering Committee and all Board Committees**[18].

The General Counsel Area, where the sustainability-related competencies have converged since 2018, takes forward its guiding role, as a key element connecting the different internal Structures.

BG Sustainability Policy

The Policy aims to integrate into business processes the Banking Group's Sustainability model outlined in the **"Charter of Sustainability Commitments"**, which defines, in line with the principles established by the **Internal Code of Conduct** and **main related legislation**, the long-term strategic goals for doing business responsibly and living in the community, helping to create a healthy, resilient and sustainable society.

In particular, **it outlines the system to identify, assess and manage the ESG Factors related risks**, setting out the rules for:

- identifying and prioritising the ESG Factors that are relevant for the business activities or over which the Group can have most influence;
- managing the risks and opportunities connected with the relevant ESG Factors;
- monitoring and reporting on the risks and opportunities connected with the relevant ESG Factors.

12 The scope of reference for the percent value represents the percent weight of assets in ESG funds held by BG out of total financial assets under management, understood as the set of funds underlying the universes of a la carte funds, Multi-line Solutions (BG Stile Libero and BG Insieme Progetti di Vita) and BG Solution Multi-line Discretionary Mandates. For the AUM figure for Multiline Solutions, only the part of investment in UCIs is considered (excluding the Segregated Account and ETF component), whereas for the AUM figure for BG Solution Multiline Asset Management the UCIs underlying the management lines and picking component are considered (excluding cash and the securities/ETF component).
13 See also the box "BG Sustainability Policy" within this Section.
14 Along with various major players, including banks, insurance companies, wealth managers and Italian entrepreneurial families.
15 See Section "Human Capital: the Distribution Network", paragraph "Training".
16 The Taxonomy Regulation is aimed at creating a unified system for classifying environmentally sustainable economic activities, conceived as an essential tool for guiding the choices of investors and companies towards economic growth that minimises negative impacts on the environment and climate. The ultimate aim of this classification is to increase market transparency and investor confidence, directing a higher volume of investments into sustainable projects.
17 The goal of the European SFDR on ESG disclosure is to introduce clear and common rules on the transparency obligations and on the integration of sustainability risks in the investment processes and advisory activities and at the same time to combat greenwashing.
18 Nomination, Governance and Sustainability Committee, Audit and Risk Committee, Remuneration Committee, Credit Committee.

In 2019, a **dashboard of long-term objectives** for the entire Organisation was set out in addition to identifying **14 KPIs to monitor and report the results achieved to top managers**. Also in 2021, the 14 KPIs identified are subject to continual monitoring through a digital dashboard, which is updated regularly by the Data Management Service based on the data supplied by the Structures that "own" the various Sites. The data presented in the digital dashboard are made available to Top Managers and to the Appointments, Governance and Sustainability Board Committee in order to constantly check Banca Generali's position regarding the ESG areas of priority interest. In particular, the dashboard contributes to the preparation of half-yearly Sustainability Initiatives Report, intended to provide an account of the state of progress of all efforts in all relevant areas.

Finally, in 2021 the Bank's commitment to sustainability issues was further clarified, including as regards aspects relating to **remuneration policies.** This process resulted in the identification of short-, medium- and long-term qualitative and quantitative indicators focused on a wide range of ESG issues, as well as on integration of compliance with sustainable finance regulations into malus and claw-back clauses.

In addition, Banca Generali gave further concrete shape to its ESG commitment to stakeholders with the adoption by the Board of Directors of the **Policy for Managing Engagement with All Shareholders** in December 2021: this policy formalises the Bank's commitment to manage the dialogue with all its shareholders through correct, transparent and differentiated forms of engagement. In fact, the Bank believes that the establishment and maintenance of a constant and continuous relationship with all the main stakeholders is in its own specific interest, as well as a duty towards the market: in this sense, the Board of Directors approved this policy for the management of the aforementioned activities in line with the statutory, regulatory and self-regulatory requirements in force.

• Transparency

In 2021, Banca Generali conducted a detailed analysis of the disclosure requirements to which it is subject to comply adequately with the assessments of ESG ratings agencies and requests from info providers. This activity was followed by an **update of the institutional website**, carried out in order to ensure constantly increasing transparency with the sustainability approach adopted by the Bank.

Due to its constant and concrete commitment in all these areas, with a view to transparency and attention, Banca Generali is regularly assessed by the leading rating agencies, including:

- **Standard Ethics**: on 29 December 2021 the independent rating company confirmed the **EE/Strong** rating, on a scale from EEE to Fe; The 12-month outlook was also reviewed upwards to EE+/Very Strong.
- **ISS**: the Bank was awarded score 2 with regard to Governance (on a scale from 1 to 10, where 1 represents the lowest risk level), Social and Environment (on a scale from 1 to 10, where 1 represents the highest level of disclosure).
- **Vigeo-Eiris**: Banca Generali's ESG Profile was updated in September 2021 with an Overall ESG Score of 60/100. This score places it 6th in the rankings of 97 companies in the Retail & Specialised Banks sector considered, allowing it to be included in the **MIB ESG index**[19] on 17 October 2021.
- **Sustainalytics:** In 2021 Banca Generali strengthened dialogue with the rating agency by obtaining an ESG licence, undergoing an analysis conducted via the Comprehensive Framework, i.e. an analysis including a greater number of indicators. As a result of this research, on 14 December 2021 the Bank received an upgrade, lowering its ESG risk level to 9.2 (negligible risk class), coming in first place in the world rankings for the Asset Management and Custody Services subindustry.
- Finally, **Carbon Disclosure Project (CDP)** awarded Banca Generali a score of B[20] within the framework of climate change reporting for 2021.

• Sustainability culture

The policies and actions aimed at achieving the sustainable development goals become more effective the more the Bank is able to promote and disseminate them — both internally and externally — through the activities performed by the Events and Communications Function. In this sense, Banca Generali has committed to a variety of projects, despite the pandemic crisis, both at the level

[19] The methodology underlying the index involves drawing up rankings of the 40 top companies on the basis of ESG criteria, selected from among the 60 most liquid Italian companies, excluding those involved in activities not compatible with ESG investments. The composition of the index is revised with quarterly frequency and the Bank's presence in the index was confirmed in December 2021.

[20] On a scale from D- (worse score) to A (best score).

of awareness campaigns — such as "The Human Safety Net", — and at the academic and research level — like its participation in the Salone SRI 2021.

Concrete examples of promotion of the culture of sustainability are provided by financial education initiatives such as **"Un salvadanaio per amico"** ("A piggy-bank for a friend") or sponsorships of higher education projects, such as scholarships for the master's degree in **Wealth Management at BBS**. Again with the aim of raising awareness and spreading the culture of responsible investment, in 2021 the Financial Advisor network organised about twenty roundtables on ESG issues, which involved clients, entrepreneurs and prospects[21].

To round out the promotion of sustainable culture, 2021 saw the continuation of **"BG4SDGs - Time to Change"**, a photography project to raise awareness of the 17 SDGs of the UN 2030 Agenda, carried out in partnership with photographer Stefano Guindani[22].

In 2019, **Banca Generali also became a member of the Forum per la Finanza Sostenibile** (FFS), the most authoritative Italian network in promoting the knowledge and practice of sustainable finance, and a member of Eurosif[23]. In this regard, in 2021 compatibly with the pandemic crisis, a series of specific **initiatives were carried out to raise awareness among the Bank's main stakeholders** (employees, investors and Financial Advisors from the commercial network) **regarding the main emerging trends in the sustainability arena**, with the goal, among others, of driving constant, constructive dialogue with them regarding these issues. These activities included:

- Participation in the **Italian Sustainability Week**, an online event organised by Borsa Italiana to foster virtual dialogue between companies and investors regarding matters of sustainability, innovation and economic growth. The event, supported by FFS, UN Global Compact and the UN PRI network, included several meetings that touched on numerous non-financial issue and allowed the Bank to interact with various financial intermediaries operating in the sustainability sector;
- in partnership with the Milan Bicocca and AIFI[24] in 2021 the **"O-Fire" Observatory** was set up, i.e., a scientific centre of reference for the development and advancement of university research in the field of green finance, sustainable and responsible investments (SRIs) and activities based on ESG;
- with the aim of engaging also young people as stakeholders, in 2021 Banca Generali organised an **Investment Challenge** focused on sustainability. This initiative, held in collaboration with Reply and MIP - Milan Polytechnic, enabled 16,000 students from universities in 90 countries the world over to become better acquainted with responsible investment.

SBGi Sostenibilità Banca Generali *Impact*

Initiatives for the Protection of Intellectual Property

Banca Generali has assessed the most appropriate ways to protect its industrial property in support of its market positioning: in November 2019 it filed the application for registration in Italy of the SBGi trademark in class 36 (banking and financial services) and, during 2020, also submitted an application for filing in Switzerland and in the European Union.

An application for the registration of the industrial models of the icons and graphical interfaces employed in BG Personal Portfolio has also been filed.

[21] See section "Relationship Capital: Customers" paragraph "Dialogue with customers and customer satisfaction".
[22] For more information on the above-mentioned initiatives see section "Relationship Capital: Initiatives in Support of Local Communities".
[23] The pan-European association that supports the growth of socially responsible investments in the financial markets of the EU and that is in turn a member of the Global Sustainable Investment Alliance (GSIA), an organisation that acts on a global scale, bringing together sustainable finance networks on all continents.
[24] Italian Association of Private Equity, Venture Capital and Private Debt.

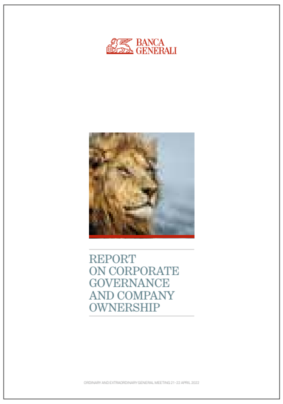
Integrated Reporting

In accordance with Banca Generali's decision to report the non-financial information provided for in Legislative Decree No. 254/2016, despite qualifying for an exemption (see the Statement of Methods), starting in reporting year 2018 the information provided for in the said Decree will be included in the aforementioned Annual Integrated Report, also available from the address: www.bancagenerali.com/investors/reports-and-relations.

The financial statement documents are also accompanied by legally mandated additional documentation that contains more detailed information regarding specific aspects of the Banking Group's business:

- the Report on Corporate Governance and Company Ownership;
- the Annual Remuneration Report;
- the Pillar 3 public disclosure;
- Country by Country Reporting.

Report on Corporate Governance and Company Ownership



The Annual Report on Corporate Governance and Company Ownership drafted in accordance with Article 123-*bis* of the Consolidated Law on Finance (TUF) contains a broad set of information regarding, *inter alia*, the structure of share capital and relevant shareholdings, the structure and functioning of the Board of Directors and the Board Committees, the role of the Board of Statutory Auditors, the functioning of the Shareholders' Meeting and an overview of the functioning of the internal control and risk management system.

As permitted by Article 123-*bis* of the TUF, this information is presented in a separate report, approved by the Board of Directors and published together with this Report.

The "Annual Report on Corporate Governance and Company Ownership" can be consulted in the Corporate Governance section of Banca Generali's corporate website www.bancagenerali.com/governance/corporate-documents.

Remuneration Report

Drawn up pursuant to Article 123-*ter* of TUF and Consob Resolution No. 18049 of 23 December 2011, this Report analyses in detail the Group's Remuneration and Incentivisation policies and reports on the application of remuneration and incentivisation policies in the year under review.

In addition, this Report includes the information required by the Bank of Italy (Circular No. 285/2013 — "Supervisory Provisions Concerning Banks", Part I, Title IV, Chapter 2 — Remuneration and incentivisation policies and practices) and by Article 450 of Regulation (EU) No. 575/2013 (Basel 3).

The Banca Generali Group publishes its Remuneration Report on its website in the Corporate Governance section dedicated to the Shareholders' Meeting.

The 2021 Remuneration Report is available at the following link: www.bancagenerali.com/en/governance/agm.

Pillar 3 Public Disclosure

Within the framework of the banking regulatory system governed by the Basel Accords (Basel 3), Pillar 3 represents the "disclosure requirements" that complement the regulatory capital requirement (Pillar 1) and supervisory review process (Pillar 2).

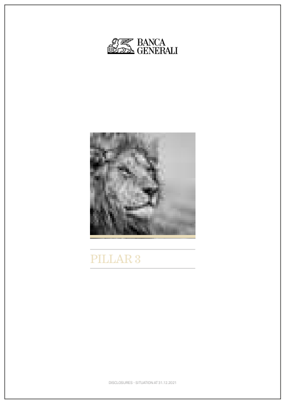
The document includes a wealth of qualitative and quantitative information, structured so as to provide to market operators as complete as possible an overview of the risks assumed, the characteristics of the related systems aimed at identifying, measuring and managing the said risks and the capital adequacy of the Banca Generali Group.

Public disclosure is governed directly by European Regulation No. 575/2013 (“CRR”), Part 8 “Disclosure by institutions” (Articles 431-455), the Commission Delegated Regulations and the Bank of Italy Supervisory Regulations (Circular No. 285 of 17 December 2013, Part II, Chapter 13).

The public disclosure is drafted at the consolidated level by the Banking Parent Company and shall be published on at least an annual basis, along with the financial reporting documents.

With effect from reporting year 2018, following the entry into force of the fifth update to Circular No. 262/2005, which sets out the rules for the preparation of bank financial statements, detailed disclosures on the composition of own funds, capital requirements and regulatory ratios is included solely in Pillar 3.

The Banca Generali Group regularly publishes its Pillar 3 Disclosure on its website at: www.bancagenerali.com/investors/reports-and-relations.

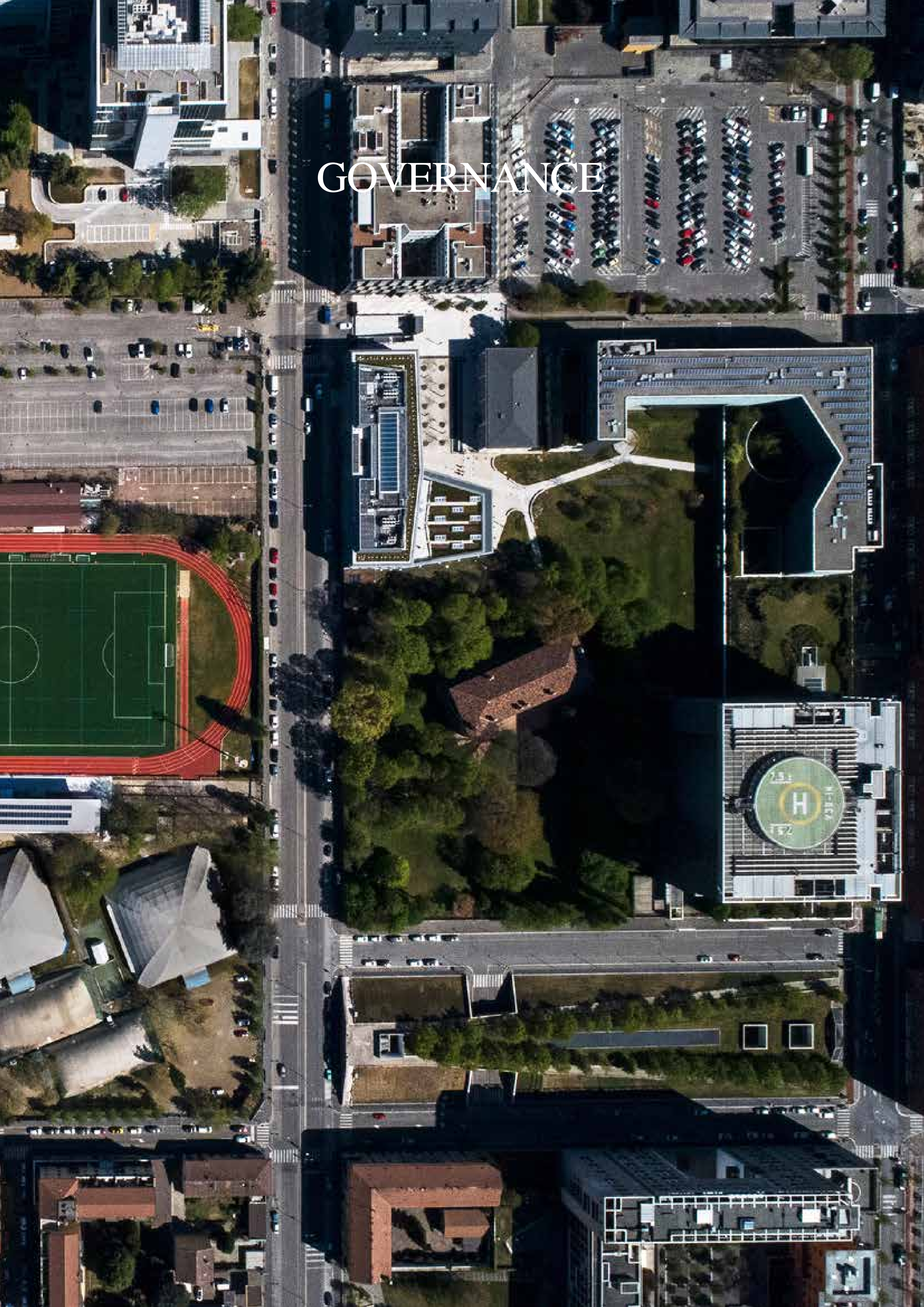


Country by Country Reporting

In accordance with the provisions set forth in Circular No. 285 issued by the Bank of Italy on 17 December 2013 (Part I, Title III, Charter 2), information on operations by country to be disclosed by the Banking Group, pursuant to Article 89 of Directive No. 2013/36/EU dated 26 June 2013, is available on the corporate website of Banca Generali: www.bancagenerali.com/governance/corporate-documents.

According to the provisions of Article 41, paragraph 5-*bis*, of Legislative Decree No. 136/2015 of 18 August 2015, the Consolidated Report on Operations and the Separate Report on Operations of the Company may be presented as a single document. The Consolidated Report on Operations therefore includes a chapter that provides the data and information specifically required by the Separate Report on Operations.

GOVERNANCE



History

Banca Generali's history is a history of growth marked by a mix of skills stimulated by internal innovation and an ability to incorporate external realities.

Expansion and mergers of companies and networks of Financial Advisors

Increase in business efficiency, focus on market

1998 - 2000
A new bank
Banca Generali started operations on 1 December 1997, following the acquisition of 90% of the share capital of Cassa di Risparmio di Trieste Specialcredito S.p.A. by Assicurazioni Generali

2000 - 2001
Merger with Prime and creation of the multi-channel bank. Acquisition of Altinia SIM e INA SIM

2003
Acquisition of Banca Primavera's network

2005
Acquisition of Intesa Fiduciaria SIM

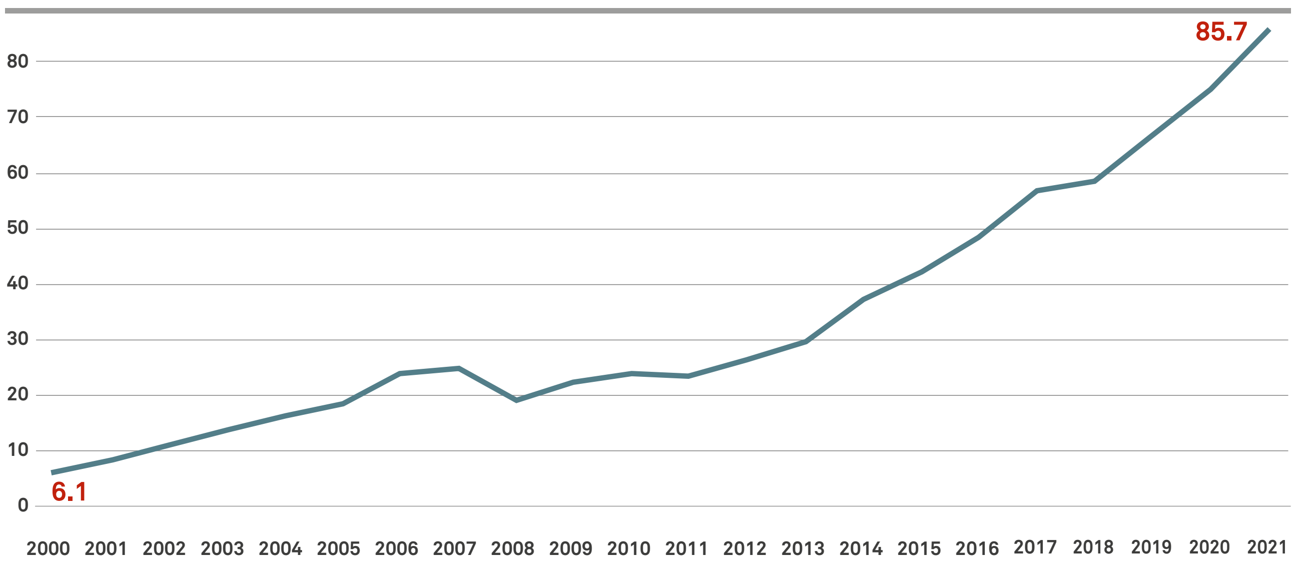
2006
Enhancement of wealth-management activities and listing on the stock exchange Acquisition of a management company, BG SGR. Acquisition of the share capital of Banca BSI Italia (the Italian company of BSI S.A.). Acquisition from BSI of a static trust company, S. Alessandro Fiduciaria (now Generfid). Banca Generali shares debut on the Milan stock exchange on 15 November

2007
Incorporation of the product factory BG Investments Luxembourg

2008
Acquisition of Banca del Gottardo Italia

2009
Creation of Generali Fund Management

BANCA GENERALI - TOTAL ASSET: 2000-2021 TREND (€ BILLION)



high-end and development of a wealth management hub

New operating structure thanks to targeted high-end acquisitions

2010 Introduction of the Banca Generali Private Banking division

2011 Merger of BG SGR into Banca Generali

2014 Acquisition of the Italian private-banking unit of Credit Suisse. Creation of the new BG Fund Management Luxembourg

2016 Tenth anniversary of Banca Generali's listing on the Italian stock exchange

2017 Merger of BG Fiduciaria. Creation of the Banca Generali Private trademark and three network divisions: Financial Planner, Private Banking and the new Wealth Management

2018 Definition of the partnership between Banca Generali and Saxo Bank to create BGSaxo Launch of acquisition of Nextam Partners and Valeur Fiduciaria SA.

2019 Completion of the process of acquisition of Nextam Partners and Valeur Fiduciaria S.A., now BG Valeur S.A.

2020 Merger of Nextam Partners SGR and Nextam Partners S.p.A. into Banca Generali

2021 Incorporation of the NewCo BG Suisse S.A.

Recognitions Received

- Best Financial Advisor Network for Customer Satisfaction (2016, 2017, 2018, 2019, 2020, 2021) - Deutsches Institut für Qualität und Finanzen
- Best Distribution Network – Italian Certificate Awards 2021
- Gold medal as Italy's 2021 Best Asset Manager by the Deutsches Institut für Qualität und Finanzen
- Best Employer 2021 by the Deutsches Institut für Qualität und Finanzen
- Best Italian Private Bank at Citywire's 2021 Private Banking Awards
- Best Private Bank in Europe for use of Technology by the FT Group
- 2021 Best Private Bank in Italy by the FT Group
- Triple A in ESG Investments by Milano Finanza

Corporate and Organisational Structure

Organisational Structure

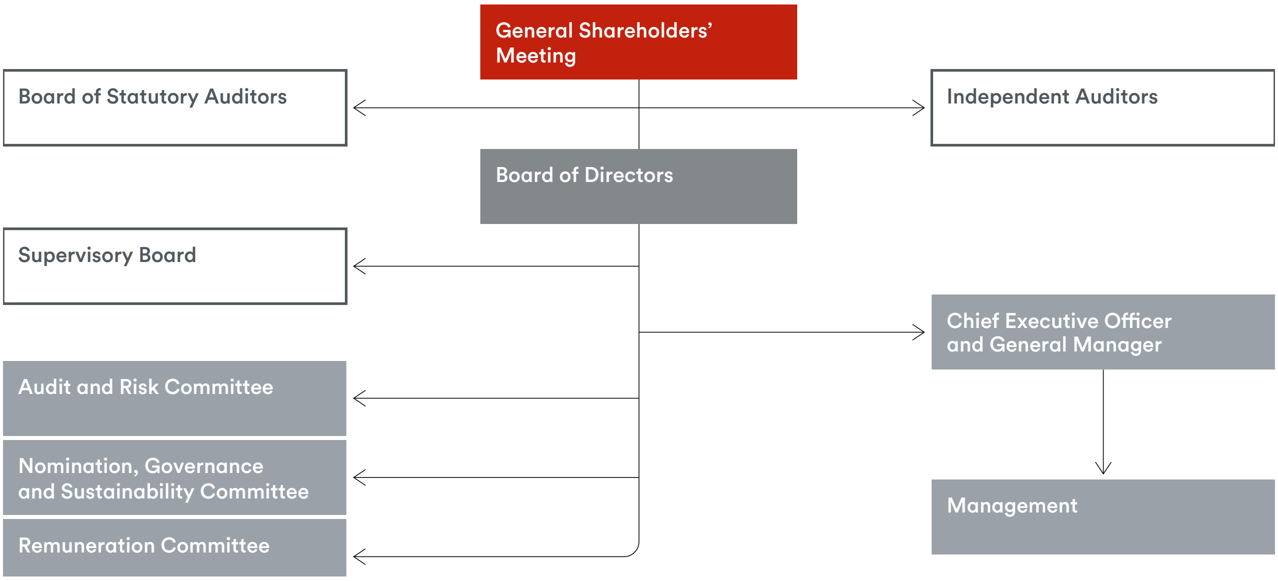
Banca Generali S.p.A.'s governance structure is based on the **traditional model**, which consists of the following corporate bodies: Shareholders' Meeting, Board of Directors and Board of Statutory Auditors.

The **Board of Directors**, appointed by the Shareholders' Meeting on 22 April 2021, is composed of 9 members, of which 4 Non-Independent Directors (including the Chairman and the Chief Executive Officer) and 5 Independent Directors, in accordance with laws and regulations currently in force.

4 Board committees have been set up within the Board of Directors: the Remuneration Committee, the Nomination, Governance and Sustainability Committee, the Internal Audit and Risk Committee and the Credit Committee.

As the strategic oversight body, the Board of Directors (BoD) leads the Company pursuing its sustainable success, which consists in creating long-term value for the benefit of Shareholders, taking into account the interests of other stakeholders relevant to the Company, formulating consistent strategies for the Bank and the Banking Group accordingly and verifying and monitoring the implementation on an ongoing basis

The **Board of Statutory Auditors**, appointed by resolution of the Shareholders' Meeting of 22 April 2021, is made up of three Acting Auditors and two Alternate Auditors and has a control function, in accordance with laws and regulations currently in force.



Board of Directors of Banca Generali S.p.A. and of other Banking Group Companies

Banca Generali recognises and reaps the benefits of Diversity at the level of the Group, its Corporate Bodies and its management, in all respects, including gender, age, qualification, competencies, training and professional background. To this end, Banca Generali's Board of Directors approved the **Diversity Policy for Members of Company Bodies**. The provisions contained herein are drawn up in accordance with the Diversity Policy adopted by the Generali Group and the "recommendations on the optimal qualitative and quantitative composition of the Board of Directors[25]"and in compliance with applicable legislation[26], the Articles of Association and internal regulations.

[25] Approved by the outgoing Board of Directors on 23 February 2021, in view of the appointment of the new Board, whose mandated expired with the meeting called to approve the Financial Statements for the year ended 31 December 2020.
[26] Including regulatory and governance provisions.

In detail, the **Board of Directors of Banca Generali S.p.A.** — body responsible for strategic supervision — is made up as follows:

TABLE 1: BOARD OF DIRECTORS' COMPOSITION (*) AND ROLES

	NAME	ROLE
Chairman of the Board of Directors	Antonio Cangeri	Non-executive and non-independent Director
Chief Executive Officer and General Manager	Gian Maria Mossa	Executive and non-independent Director
Directors	Azzurra Caltagirone Cristina Rustignoli	Non-executive and non-independent Directors
	Lorenzo Caprio Roberta Cocco Massimo Lapucci Annalisa Pescatori Vittorio Emanuele Terzi	Non-executive Directors, independent pursuant to laws and industry regulations

(*) It should be noted that the current composition of the Board of Directors reflects the resolutions passed by the Shareholders' Meeting of 22 April 2021 that appointed the new Board of Directors.

The following tables also illustrates the composition of the **Boards of Directors of all the Banca General Group companies**, highlighting their level of diversity in terms of gender and age.

TABLE 2: COMPANY BODIES BY GENDER

	31.12.2021			31.12.2020		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Banca Generali BoD	4	5	9	4	5	9
Generfid BoD	2	3	5	3	4	7
BGFML BoD	2	3	5	2	4	6
Nextam S.p.A. (*) BoD	-	-	-	-	-	-
Nextam SIM (***) BoD	1	6	7	1	6	7
Nextam SGR (*) BoD	-	-	-	-	-	-
Nextam Ltd (**) BoD	-	-	-	-	-	-
BG VALEUR BoD	2	4	6	3	4	7
BG (Suisse) S.A. BoD	-	2	2	-	-	-
Total	**11**	**23**	**34**	**13**	**23**	**36**
Percentage	**32%**	**68%**	**100%**	**36%**	**64%**	**100%**

(*) Merged into Banca Generali S.p.A. effective 1 July 2020.
(**) Company in liquidation.
(***) Company excluded from the Banca Generali Banking Group as of 20 January 2022 following Banca Generali S.p.A.'s disposal of the controlling interest to third-party investors.

TABLE 3: CORPORATE BODIES BY AGE

	31.12.2021				31.12.2020			
	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL
Banca Generali BoD	-	2	7	9	-	3	6	9
Generfid BoD	-	1	4	5	-	1	6	7
BGFML BoD	-	-	5	5	-	-	6	6
Nextam S.p.A. (*) BoD	-	-	-	-	-	-	-	-
Nextam SIM (***) BoD	-	2	5	7	-	2	5	7
Nextam SGR (*) BoD	-	-	-	-	-	-	-	-
Nextam Ltd (**) BoD	-	-	-	-	-	-	-	-
BG VALEUR BoD	-	2	4	6	-	3	4	7
BG (Suisse) S.A. BoD	-	1	1	2	-	-	-	-
Total	-	**8**	**26**	**34**	-	**9**	**27**	**36**
Percentage	-	**24%**	**76%**	**100%**	-	**25%**	**75%**	**100%**

(*) Merged into Banca Generali S.p.A. effective 1 July 2020.
(**) Company in liquidation.
(***) Company excluded from the Banca Generali Banking Group as of 20 January 2022 following Banca Generali S.p.A.'s disposal of the controlling interest to third-party investors.

Board Committees

Four Committees have been set up within the Board of Directors of Banca Generali, composed and chaired exclusively by independent non-executive Directors, as recommended by the Supervisory Au-thority and the Corporate Governance Code.

TABLE 4: BOARD COMMITTEES' COMPOSITION

	NOMINATION, GOVERNANCE AND SUSTAINABILITY COMMITTEE (IT PROVIDES ADVICE AND SUBMITS PROPOSALS)	REMUNERATION COMMITTEE (IT EXPRESSES OPINIONS AND SUBMITS PROPOSALS)	INTERNAL AUDIT AND RISK COMMITTEE (IT PROVIDES ADVICE AND SUBMITS PROPOSALS)	CREDIT COMMITTEE (IT PROVIDES PRELIMINARY FUNCTIONS, ADVICE AND SUBMITS PROPOSALS)
Lorenzo Caprio			P	X
Roberta Cocco	X	X		
Massimo Lapucci	P	X	X	
Annalisa Pescatori	X		X	P
Vittorio Emanuele Terzi		P	X	X

P: Chairman
X: member

Sustainability

In defining the corporate strategies, the Board of Directors takes into account the sustainable finance goals and the integration of ESG factors into company decision-making processes. The sustainability profiles and principles **are adapted transversally across the areas of responsibility of all Board Committees** for further analysing and supplementing the sustainability profiles in each discussion[27] as follows:

i) the Nomination, Governance and Sustainability Committee, *inter alia,* pursuant to its own regulation:
   > supports the Board with integrating sustainability into the formulation of business strategies, with particular regard to the analysis of issues relevant to ensuring the generation of long-term value for the Company and the Banking Group, as well as the formulation of the materiality matrix;
   > oversees all sustainability matters related to the Banking Group's operations and the ways in which it interacts with all stakeholders, also fostering a culture of sustainability within the Bank and the Banking Group companies;
   > proposes to the Board any updates to the sustainability policy in effect at the time adopted by the Company and all other internal policy documents that are ancillary and/or connected to the latter and designed to pursue the Sustainable Success of the Company and Banking Group;
   > examines the general outline of the Consolidated Non-Financial Statement contained in the Annual Integrated Report and its content organisation, as well as the completeness and transparency of the information it provides, expressing its observations in this regard to the Board of Directors called to approve the said Report;
   > formulates opinions and proposals regarding other decisions to be made regarding the corporate governance of the Company and Banking Group and in the area of sustainability that fall within the sphere of competence of the Board (including those relating to limits on investment in sectors that, on the basis of the Bank's strategy and the international principles to which it adheres, are considered to have high sustainability risks);

ii) the Internal Audit and Risk Committee, *inter alia,* pursuant to its own regulation:
   > ensures that in the framework of its assessments of risks, where applicable, in line with internal regulations in force and applicable from time to time, that aspects relating to ESG factors are taken into due account;

iii) the Remuneration Committee, *inter alia,* pursuant to its own regulation:
   > formulates proposals regarding plans, targets, rules and company procedures relating to social and environmental issues and, more generally, sustainability, in line with applicable laws and regulations:
      – promoting the progressive adoption of short and medium-to-long-term qualitative and quantitative indicators focused on ESG issues;
      – supporting the identification of performance targets, to which the provisions of predetermined, measurable variable components tied to a significant extent to a long-term horizon, consistent with the Bank's strategic objectives and designed to promote its

[27] While maintaining the responsibilities currently assigned to the Nomination, Governance and Sustainability Committee.

Sustainable Success, also including non-financial parameters, where relevant; (iii) integrating compliance with laws governing sustainable finance;
- integrating compliance with laws governing sustainable finance;
- contributing to the preparation of a remuneration policy consistent with sustainability risk, from the standpoint of both individual performance and of alignment with the interests of shareholders, investors and stakeholders;

iv) the Credit Committee, *inter alia,* pursuant to its own regulation:
> supports the Board to the extent of its competence, it ensures that the Board may adopt all appropriate lending resolutions in accordance with an assessment of the risks underlying the loans that also take account of the risks connected to environmental, social and governance (ESG) factors, as laid down in the Sustainability Policy adopted by the Bank and pursuant to the Credit Rules.

Ownership Structure

Assicurazioni Generali, through Alleanza Assicurazioni S.p.A., Generali Italia S.p.A., Generali Vie S.A., Genertel S.p.A. and GenertelLife S.p.A., currently holds 50.17% of Banca Generali's share capital. The remaining 49.83% is the free float. No shares bearing special rights of control have been issued.

Organisational Structure

In 2021, Banca Generali continued with its ongoing work to raise the **efficiency of the organisational structure and bring it into line with external business conditions**, serving the strategies to increase and diversify the products and services offered by the Bank, as well as the development of the Financial Advisor network.

The organisational changes carried out in 2021 focused on a series of organisational refinements to consolidate specific structures and on strengthening the areas most involved in achieving the objectives set out in the Strategic Plan that expired at the end of 2021 and those established during the preparation of the new three-year Strategic Plan.

In addition to the **second-tier control functions**, the CEO coordinates the **General Management**, which includes the following structures:

> **General Counsel Area**: includes the structures of the Legal Counsel and Litigations Department, Legal Banking and Financial Advice Department, Corporate Affairs and Relations with Authorities Department and the Group Sustainability Service;
> **Human Resources Department**: it oversees the Human Resources Administration structure and the Human Resources Management and Development structure (HR Business Partner);
> **Marketing and External Relations Department**: it is dedicated to managing promotional initiatives, and to promoting and protecting the Bank's image both within the Organisation and with the external world;
> **CFO (Chief Financial Officer) & Strategy Area**: it coordinates the economic, commercial and strategic planning activities, initiatives in the finance and accounting-administrative field, as well as the Investor Relations structure that represents the Bank with the national and international financial community; The CFO also holds the role of Manager in charge of financial and non-financial information;
> **COO (Chief Operating Officer) & Innovation Area**: the COO coordinates the Bank's operations, including the generation, assessment and selection of innovations in the field of instruments and services. In addition, the COO oversees the IT & Operations, Organisation & Outsourcing, Project Governance & Innovation and Data Management structures, as well as the Security and Business Continuity Plan (BCP) Service;
> **Deputy General Manager Wealth Management, Markets and Products**: he is tasked with synergistically increasing the suitability of the Bank's products and services, which represent the Department's primary focus; he aims at constantly improving the level of commercial services provided. The Deputy General Manager Wealth Management, Markets and Products coordinates the Wealth Management Area, the Asset Management Area and the Products, Loans, Network Development and Training functions;
> **Deputy General Manager Commercial Network**, **Alternative and Support Channels**: to facilitate synergies and interactions between organisational structure and the commercial network universe, the Deputy General Manager coordinates — through the FA Network Area — the distribution networks of Financial Advisors who are not employees (Financial Planners, Private Bankers and Wealth Advisors), providing them with commercial and operational support, the Private Relationship Manager Area (employed FAs) and the Alternative and Support Channel Area, which is tasked with providing the best possible assistance to network activities and customer requirements, including through by managing the Branches, and the Contact Center Service.

Mission, Vision, Values

VISION

To be the No. 1 Private Bank, Unique by Value of Service, Innovation and Sustainability.

MISSION

Trusted professionals always by the customers' side, developing and looking after their life plans.

PURPOSE

PROTECTING AND IMPROVING THE LIVES OF PEOPLE AND BUSINESSES BY ENHANCING THE MANAGEMENT OF THEIR ASSETS AND SAVINGS.

VALUES

Banca Generali Values are in line with those of the Generali Group:

DELIVER ON THE PROMISE

We want to build a long-term relationship of trust with people: employees, customers and stakeholders. The objective of our work is to improve our customers' lives, turning a promise into reality.

LIVE THE COMMUNITY

We are proud to belong to a Group that operates throughout the world with a major focus on social responsibility matters. We feel at home in all markets.

VALUE OUR PEOPLE

We give value to people, promote diversity and invest in encouraging ongoing learning and professional growth to create an environment that is transparent, collaborative and accessible to all.

BE OPEN

We are curious, proactive and dynamic people with open, diverse minds that want to look at the world from another viewpoint.

For further information, reference is made to Banca Generali's Internal Code of Conduct, available on the corporate website http://www.bancagenerali.com (updated version).

I behaviour

Behaviours describe how the Bank wants to go about its activity every day and are what differentiate it from others. They represent the commitment, as a group and as individuals, and how we want to measure how results are achieved.

OWNERSHIP
working proactively and passionately to achieve an excellent performance

SIMPLIFICATION
simplifying, adapting quickly and making smart decisions

HUMAN TOUCH
collaborating with others, showing empathy and team spirit

INNOVATION
embracing differences to create innovation

Risk Management and Business Management Transparency

Risks and Uncertainties

Despite the significant effects of the Covid-19 pandemic on individuals, behaviours and the economy, the Banca Generali Group managed to remain fully operational in all service areas though decisive ac-tions taken to protect and support its employees, customers and communities. This prompt reaction, facilitated by the Bank's solid foundation and sustainable business model, also supported a process of digital transformation.

The economy and market outlook for 2022 shows uncertainties related to inflation, the pandemic and central bank actions caught between fighting inflation and controlling financial stability, with poten-tial impacts on market volatility expected to be higher than in 2021.

These uncertainties are compounded by the risk of disorderly energy transition that could lead to a surge in prices for certain commodities, by the risk of complex variants that escape vaccine protection, and by competitive pressures (also in the face of the increasing number of fintech companies entering the market) and disruptions related to developments in the regulatory framework.

In this context, the Bank confirms its commitment to monitoring its risk, as briefly described here be-low, as well as to coordinating its capital management activity for long-term business sustainability.

- **Credit risk**: in accordance with the Banca Generali Group's model, this type of risk chiefly arises from liquidity invested in money markets (interbank deposits), financial instruments held in portfolios measured at amortised cost and in HTCS and exposures to customers (both corporate and retail). By definition, credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure.

  With regard to the composition of the Banca Generali Group's portfolio, the portion classified as HTC consists primarily in debt security exposures towards central administrations and, to a lesser extent, lines of revocable and/or fixed-term credit to retail and corporate clients. As regards the latter case, in light of the Group's business model, a sharp prevalence of exposures to retail customers (private customers and customers subject to agreements) over corporate customers.

With regard to institutional borrowers, credit risk management is based on the allocation of appropriate credit lines, which are monitored by the Risk and Capital Adequacy Department and established with the objective of maintaining a portfolio's risk profile that is consistent with the strategies and risk appetite approved by the Board of Directors.

Operational limits on the amounts of credit lines granted to institutional counterparties are governed by Group policies, which set out the maximum credit that may be extended to counterparties based on their rating class. The overall consistency of ECAI ratings with internal credit assessments is verified by the Risk Management Department at least annually.

Credit lines are reviewed at least every year; this involves updating existing credit lines for counterparties that are already borrowing from the bank or examining new credit line proposals with a view to diversifying the proprietary portfolio and developing new business linked to market opportunities.

The credit risk associated with business with customers is primarily managed by monitoring the performance of the overall portfolio and individual positions and by setting operating and process limits defined in the Risk Appetite Framework. More specifically:

> Loans to customers: the portfolio in question consists primarily in debt securities measured at amortised cost and loans to retail customers, chiefly in the form of Lombard loans, revocable current accounts, fixed-term loans and mortgage loans (in the latter case, for customers subject to agreements). Overall, the weight of non-performing exposures on the portfolio, although it increased during the year, remains low when compared to the banking system;

> Non-performing: the portfolio of NPLs to customers is mostly secured by pledges of securities and bank guarantees and has a good coverage level in the residual cases in which the collateral is insufficient, despite the internal credit initiatives launched due to the Covid-19 pandemic to support the Italian real economy;

> Performing loans: the portfolio of loans to customers is approximately 81% composed of exposures to natural persons, whereas the remainder is composed of exposures to Companies, in both cases with high creditworthiness. Credit is primarily provided in the form of revocable facilities and Lombard loans, which together account for around 73% of the actually and potentially used exposure. In accordance with the Bank's lending policies and risk appetite, credit is mostly secured by pledges of highly liquid financial instruments and products.

The Group is also strengthening its origination and monitoring processes in accordance with the EBA Guidelines on loan origination and monitoring (GL EBA LOM).

> **Exchange risk**: it arises from changes in the value of assets and liabilities, the valuation of which is sensitive to changes in the term structure or volatility of interest rates. In light of the significant position in government securities (about 90% of the portfolio owned), Banca Generali is particularly sensitive to the spread/country risk. Although this risk is currently benefiting from ECB's ultra-expansionary monetary policy adopted to cope with the effects of the economic crisis due to Covid-19, the Bank constantly monitors it using sensitivity analyses.

As regards the monitoring of the banking book interest rate risk (IRRBB), during the year the Group incorporated the relevant regulatory changes within its interest rate risk management framework and aligned its regulatory capital calculation model to the methodology governed by Annex C of Bank of Italy Circular No. 285/2013, which enabled the Bank to better capture certain specificities relating to Net Inflows, a core component of its business.

In 2021, the Group expanded the use of derivative instruments for hedging accounting purposes in order to both hedge the exchange risk and to contain duration levels in light of the proprietary portfolio's growth.

> **Market risk**: it stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account; it is currently limited and residual. Market risk is represented by the possibility to suffer losses due to variations in the value of a financial instrument or a portfolio of financial instruments associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

Although the Bank's appetite and exposure to trading is currently limited, in 2021 the Group initiated some scouting activities to seize market opportunities — given the lower for longer interest rate environment — to improve the risk-return profile of its financial portfolio.

Market risks are maintained within appropriate operating limits, which are monitored by the Risk and Capital Adequacy Department. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

> **Operating risk**: the exposure across the various legal entities in the Group is closely linked to the type and volume of activities, as well as the operating procedures adopted. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advisors) and the direct involvement of all personnel in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, *inter alia*, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.

In this area, the Risk and Capital Adequacy Department is responsible for:

- identifying and assessing the operating risks inherent in company processes through the Risk Self-Assessment, which seeks to estimate the effects of potential operating risk events on the income statement. Identifying and monitoring action plans to mitigate risk events of a significant nature;
- identifying the operating risk accidents/events through loss data collection and carrying out analyses and monitoring of the same;
- formulated and monitors a dashboard of indicators (known as "KRIs" or "Key Risk Indicators") useful in monitoring the areas of greatest risk to report in advance a deterioration of the Bank's risk level, thereby enabling the prompt implementation of possible mitigating action.

Special attention is being paid to cyber risks and cyber security, given the Bank's very fast growth path, with a strong push towards digitisation.

In this regard, the Bank has adopted:

- proper measures to ensure the efficient functioning of application procedures and information systems in support of organisational processes. In this respect, special attention is paid to monitoring the outsourcing of IT services;
- specific methodologies, rules and standards for IT security governance. The Bank has developed various security measures, both in terms of solutions/tools and in terms of cyber risk awareness and monitoring activities.

Moreover, the Banca Generali Group has adopted an insurance coverage for operating risks deriving from acts of third parties or caused to third parties, as well as adequate clauses covering damages caused by providers of infrastructures and services; it also approved a Business Continuity Plan.

- **Concentration risk**: it results from the exposure to groups of related counterparties and counterparties operating in the same sector/geographical area. The Bank reports a good level of diversification, consistent with its business model and with a lending activity targeted primarily at Italian private clients and well-distributed at geographical level. In addition, the Bank guarantees *ex-ante* compliance with the regulatory limits regarding the level of exposure towards related parties and major risks.

- **Liquidity risk:** it derives from funding and lending transactions in the course of the Group's ordinary business. Such risk takes the form of default on payment obligations, which may be caused by funding liquidity risk or market liquidity risk. Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

  The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Any liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, to a secondary degree, where available, through the measures proposed by the ECB. In addition, the Group maintains a portfolio of listed, highly liquid and high-quality financial instruments in order to respond to potential crisis scenarios that allow to ensure a high level of High Quality Liquid Assets. The funding structure is mainly focused on retail customers' deposits, characterised by a stable performance, and on institutional sources of funding. The Bank has also participated in the ECB's three-year refinancing transactions.

  With regard to the customers' derivative transactions on the Saxo platform, the collateral the Bank places to secure transactions with the custodian (EuroClear) is monitored by the Bank's Level I and Level II control functions, based on internal controls and daily reports produced by the brokerage counterparty.

  Liquidity risk is managed through appropriate short-term and structural (beyond one year) operating limits, monitored by the Risk and Capital Adequacy Department, aimed at maintaining a level of risk deemed consistent with the strategies and risk appetite set by the Board of Directors. The Group also implemented a Contingency Funding Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

- **Strategic risk**: the actual or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario. The first pillar of the framework for strategic risk management is Governance, which ensures constant monitoring for the traceability of decisions. The strategic risk is tackled by policies and procedures in which the most important decisions are reported to the Board of Directors and supported by specific preventive impact analyses in terms of capital adequacy and liquidity, consistency with the Risk Appetite Framework and sustainability of the business model. The positioning and strategic risk analysis also takes into account developments in the legislation, especially European legislation, on sustainable finance, the evolution of market and customer preferences with respect to sustainable investment products and solutions, and the potential repercussions that these may have on the Group's competitive positioning. The Board of Directors has approved specific strategic planning guidelines, which regulate the CRO/CFO interaction, for the purpose of defining and updating the Strategic Plan and the Risk Appetite Framework and the ensuing approval of the budget for first year of the plan.

- **Reputational risk**: the current or prospective risk of a decrease in profits or capital arising from a negative perception of the corporate image by clients, counterparties, shareholders, investors or supervisory authorities. The Banca Generali Group is structurally exposed to reputational risk due to the Group's distinctive operations, which focus on offering and placing financial and insurance products with its clients through its own Financial Advisor network. To monitor this risk, the Bank has adopted specific codes of conduct and codes of ethics that govern the Group's operations and its dealings with its main stakeholders. In addition, the Banca Generali has adopted a dedicated reputational risk management framework, which provides for the identification of risks potentially prejudicial to the corporate image and the assessment of the associated exposure, as well as the identification of safeguards and controls to mitigate risk.

Banca Generali has launched a process designed to identify in advance possible situations of risk relating to its main business operations, in particular during the new product development or partner selection phase, in which to conduct an analysis of potential reputational risks relating to the specific operations in order to permit the informed assumption and, insofar as possible, mitigation of the type of risk concerned by implementing safeguards that minimise their impact on the Bank's image.

When assessing its Risk Appetite Framework, Banca Generali also takes account of reputational risk, through which it formulates its commitment to monitoring and containing this risk. To this end, it monitors specific indicators in order to identify any possible critical events that should occur and that could harm the Bank's reputation.

The reputational risk management framework is integrated with sustainability risk considerations (or ESG risks). Starting from an analysis of ESG risk drivers deemed most significant owing to their potential impact on risk categories already included in the Group's framework, other factors are identified as especially relevant from a reputational standpoint, which are related to the Corporate Identity and to the Group's positioning on sustainability issues, including with respect to how they are perceived externally by the stakeholders. ESG factors that may affect the performance of investments managed as part of Portfolio Management are also considered significant, with consequent repercussions on the Group's image in the asset management services area.

With a view to mitigating reputational and strategic risks, Banca Generali is constantly committed to managing the operational and financial aspects of its business with a focus on social and environmental responsibility and the sustainability for future generations. To this end, Banca Generali aims to:

> pursue sustainable growth in the long term, while reducing the risks tied to the volatility of the economic scenario in which the Bank operates;
> realise the full potential of all those who work at the Bank, by developing their skills and providing the proper recognition of each individual's contribution to the organisation's success;
> focusing on the social context in which it is based by participating in welfare, cultural and sports initiatives in favour of the community;
> favouring the reduction of direct and indirect environmental impacts by taking steps to minimise the consumption of energy, paper and water, and lower pollutant emissions.

The commitment to preventing and combating fraud is also to be regarded as a factor mitigating operating and reputational risk, thereby ensuring the sustainability of the business.

Mapping of Banca Generali's ESG positioning

The Group is engaged in a dynamic environment that pays increasing attention to sustainability issues and, especially, to the worsening of the climate crisis, which highlight the need for a transition towards a resilient and low-carbon economy, giving rise to risks and opportunities for the financial sector. In light of these developments, the Group has started a process to include the impacts of sustainability risk drivers on identified risk areas in its vertical risk policies.
As the potential impact of ESG factors on reputational risk is particularly relevant, in view of the importance of sustainability for the Group's Corporate Identity, the commitments defined within the sustainable finance area and the investment solutions offered that integrate ESG factors, and consequently the expectations generated among the Group's stakeholders (including regulators and dedicated rating agencies) with respect to its performance in managing ESG issues, the Bank monitors sustainability risk within the Banking Group on an ongoing basis, incorporating ESG factors into its risk management framework and improving transparency, as it recognises the importance of being a purpose-driven global leader, contributing to a fairer and more sustainable society. In order to further increase its ESG ambitious goals, a long-term path was undertaken last year, which is a key element of a broader strategy review currently underway. The underlying objective remains to integrate all ESG factors into the bank's strategy, core business and processes, assessing both market risks and opportunities with a clear approach that takes into account the expectations of all stakeholders.

In the environmental field, the Group is committed to promoting and raising awareness among its people towards a responsible business model, with specific regard to combating climate change, through the management of related risks, and to reducing its direct and indirect environmental footprint, through a considerate use of natural resources, proper waste management and taking account of ESG factors in business practices.
Based on the Principles for Responsible Investment (PRI) and the Principles for Responsible Banking (PRB), in 2021 Banca Generali adopted its Responsible Investment Policy, which introduced investment and lending restrictions for companies engaged in high climate impact and high transition risk industries, such as mining and utilities companies that obtain a significant share of turnover or electricity production from coal: this exclusion is conditional on the percentage turnover generated by such activities. Similarly, for the broader category of environmental risks, restrictions on investment and credit were introduced for companies that have caused serious damage to the environment.

In the social field, the Group is committed to caring for and enhancing the value of its people, through actions that ensure their well-being and equal opportunities, of its customers, by offering quality products and services, and of the community in which it operates, by taking into account its needs and requirements. Banca Generali constantly expands its offering, including ESG strategies with a focus on trends such as the circular economy, sustainable/medical technology, new communication methods and impact approaches.
In the governance area, the Group is committed to adopting ethical conduct and good practices, with a view to business integrity and transparency, including through internal awareness-raising and promotion of ESG factors. In this regard, with the amendment of the Rules of the Board of Directors and Board Committees, approved on 11 May 2021, sustainability aspects and principles are taken into account in the specific competence areas of all BoD committees for a greater analysis and integration of sustainability issues in each discussion (while maintaining the specific responsibilities attributed to the "Appointments, Governance and Sustainability" Committee). In addition the Managerial Steering Committee is also responsible for defining and implementing the sustainability strategy.
Through its Risk Appetite Framework, the Group defines its risk appetite and tolerance, also in respect to ESG factors, compatible with its strategic objectives, including in its assessments all elements that may be relevant for sustainable success.

In 2021, activities were carried out to gradually integrate ESG risk factors into the Bank's risk management framework, starting with a current quantification of material exposures to ESG risks (with specific regard to climate risks).
Starting from material climate risk clusters (physical and/or transitional) inherent to the business and the main transmission channels, two pilot projects were identified, for the identification and quantification of the main exposures to transition climate risk drivers — identified as material starting from the analysis of the most relevant components of transition risk (market shift, technological, etc.) by type of asset and/or counterparty — one for asset management and the other for loans to customers, with a focus on Lombard loans.
The Paris Agreement Capital Transition Assessment (PACTA) tool was used for this analysis. This tool allows investors to obtain a granular view of the alignment of analysed portfolios by climate relevant sectors and related technologies, with the aim of identifying exposure to transition risks associated with an abrupt shift to a low-carbon economy. The study was strengthened by an in-depth analysis of the composition and investment methods of the portfolios (equity vs. bond, direct vs. indirect).
Although some investments in climate-relevant sectors were found, the analysis of managed portfolios showed that the proportion of these assets is minor compared to the total investments covered by the PACTA analysis, hence the overall exposure to sectors sensitive to transition climate risk is residual compared to the total assets under analysis. A similar result was obtained from an analysis of the collateral underlying Lombard loans.

As regards the exposure to physical risk, inherent in the potential reduction of the value of guarantees located in high risk areas subject to chronic risk (e.g. rising sea levels) and acute risk (e.g. floods and landslides), the impact is marginal under the Group's business model.

> **Compliance risk and risks of money laundering and financing of terrorism**: the compliance risk is the risk that the Company may incur legal or administrative penalties, significant financial losses or reputational damages as a result of the breach of laws, regulations or voluntary codes of conduct, as well as money laundering and terrorist financing activity (defined as the risk of involvement, also unintentional, of the Company in such offences). The efficient management of these risks requires a company culture that promotes integrity, propriety and compliance with the spirit of the law in accordance with the principle of proportionality and the entity's size and specific operational characteristics.

'Compliance' is a process that permeates each Banking Group company's activities and organisation, beginning with the definition of company values and strategies and extending to influencing the definition of policies, internal procedures, operating practices and conduct. Likewise, an effective prevention and management of money laundering and terrorism financing risks necessarily require an adequate definition of internal policies and procedures aimed at combating these events.

Accordingly, the said risk monitoring is most effectively pursued in a company context that emphasises the principles of honesty and integrity, by constantly involving all company bodies, Committees, the Compliance function, as well as the Anti-money Laundering function, each to the extent of its respective competency, and, more generally, all employees and professionals.

The pursuit of regulatory compliance is an opportunity for improving operating procedures and company practices with consequent positive effects on the effectiveness and efficiency of processes.

> **Cyber risk**: the risk of incurring financial losses due to accidental or malicious events affecting the IT system.

All organisations, regardless of their sector of activity, use at least one PC, server, database and e-mail system, in addition to mobile devices: each of these is a point of entry through which threats may enter the company and cause damage. The main threats that may potentially damage and/or render inoperative the company IT system are as follows:

> human error creating an opportunity for viruses and malware;
> an accidental event that compromises the IT system;
> malicious action by third parties (e.g., theft of information and data by internal or external persons, hacking attacks, ransomware, etc.).

These threats may cause various types of damages, such as direct and material damages to electronic and IT systems, damages due to business disruption, compensation claims from third parties, reputational damages and loss of customers and suppliers and emerging costs of professional services.

In collaboration with its IT suppliers, Banca Generali uses various tools to manage and monitor this risk:
> information and training to create a company culture surrounding IT risks;
> technical adaptations to prevent damages from occurring (constant threat observation, filters, data encryption, periodic updating and monitoring of systems);
> technical adaptations to decrease the extent of damages, where they nonetheless occur (back-ups, redundant systems and compartmentalisation);
> drafting, maintenance and verification of the Business Continuity Plan for efficient management of emergencies.

The Covid-19 health emergency has inevitably accelerated the bank digitalisation, therefore leading to unavoidable higher cyber risks. The path of digital transformation and remote operation continued to require further attention in terms of security, quality of innovation and review of operational alert systems.

Internal Control System

Banca Generali S.p.A.'s Internal Control System is composed of the set of rules, functions, structures, resources, processes and procedures that aim, through an adequate process of identification, measurement, management and monitoring of the main risks, to ensure that the following aims are achieved, in accordance with sound, prudent management:
> verification of the implementation of company strategies and policies;
> containment of risk within the limits indicated in the framework of reference for determining the Bank's risk appetite (Risk Appetite Framework);
> safeguarding the value of assets and protecting against losses;
> effectiveness and efficiency of corporate processes;
> reliability and security of company information and IT procedures;
> prevention of the risk that the Bank may be involved, voluntarily or involuntarily, in unlawful activities (with particular regard to activities relating to money-laundering, usury and financing of terrorism);
> operational compliance with the law and supervisory regulations, as well as policies, regulations and internal procedures.

The Banca Generali Banking Group has implemented an internal control system in line with best practices at the national and international levels, aimed to reduce the risks of inefficiency, overlapping of roles, sub-optimal system performance and loss of system efficiency. The Internal Control System is defined and regularly updated by Banca Generali's Board of Directors in accordance with any changes in the law and the Bank's operations.

The Internal Control structure is divided into the following three levels:
> **Line controls**, i.e., first-tier controls, aimed at ensuring that activities are conducted properly. These are carried out by the operating structures themselves, including through units dedicated solely to control duties that report to the heads of these structures, or by back-office company areas and units; to the extent possible, line checks are incorporated into IT procedures;
> **Risks and compliance checks** (so called "second-tier checks"), performed by functions not involved in production and broken down as follows:
  > Risk management checks: these are part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating functions, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for each type of risk;
  > Compliance checks: these focus on the compliance of operations with laws, measures by supervisory authorities and the Bank's self-regulation provisions; checks of the operation of the Financial Advisor distribution network fall into this category;
  > Anti-money laundering checks: these assess compliance with laws and provisions by supervisory authorities concerning money-laundering and prevention of financing of terrorism, as well as compliance with the related Bank's self-regulation provisions governing operations and safeguards aimed at ensuring full knowledge of the customer, the traceability of financial transactions and the identification of suspicious transactions;
> **Internal Audit** (so called "third-tier checks"), performed with the aim of providing assurance that the risks identified are appropriately monitored, while offering advice on emerging risks, including those resulting from the use of new technologies. The Internal

INTERNAL CONTROL SYSTEM

1. 1ST TIER CHECKS
> Line checks

2. 2ND TIER CHECKS

Dedicated Functions:
a. Risk Management
b. Compliance
c. Anti money Laundering

3. 3RD TIER CHECKS
> Internal Audit

Completed by:

> Law 262 Organisational Unit
> Supervisory Board

Audit function collaborates and communicates with the second-tier control structures in order to implement a holistic vision of risks and the compliance system, while also promoting a culture of risk. Moreover, Internal Audit checks are aimed at detecting breaches of rules and procedures, in addition to periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the Internal Control System and IT system.

The Internal Control System is completed by:
> the *Law 262 Organisational Unit*, which acts as a point of reference, orienting and coordinating the management of all the Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005;
> the Supervisory Board, set up pursuant to Legislative Decree No. 231/2001.
> the CSO (Chief Security Officer);
> the IT Security Function within the COO & Innovation Area that defines and implements the Bank's security strategy, with the mission of protecting all the company's physical and IT resources and cultural assets, defining a common approach for managing security elements and promoting a culture of security within the Group.

The structure of the Bank's Internal Control System is intended to:
> ensure appropriate control oversight of all of the Group's activities and proper disclosure on this subject, in pursuit of the values of substantive and procedural fairness and transparency;
> ensure the efficiency, traceability and auditing of transactions, and more in general all management activities, the reliability of accounting and management data, compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially with a view to prevent fraud against the Bank and the financial markets;
> foster an informed attitude in risk management;
> provide assurance and adequate protection of client information;
> promote processes of innovation.

The circulation of information amongst and within Corporate Bodies and control Functions allows to meet the targets of efficient management and effective controls, thus representing a fundamental condition for the integrated Internal Control System.

In accordance with the provisions of the Basel Committee and EU regulations, and in compliance with the supervisory instructions issued by the Bank of Italy[28], **the Banking Group has defined an internal process** (ICAAP – Internal Capital Adequacy Assessment Process) **for independently assessing its capital adequacy**, that is to say, the adequacy, in current and prospective terms, of the overall capital at its disposal to meet the relevant risks to which it is exposed and support its strategic decisions. That process presupposes a solid corporate governance system, a clear, appropriate organisational structure and the definition and implementation of all processes required for the effective identification, management, monitoring and reporting of risks and the presence of adequate internal control mechanisms.

The Banking Group has formally defined a policy for each of the risks identified that lays down:
> the general principles, roles and responsibilities of the Company Bodies and Functions involved in risk management;
> the guidelines regarding risk management in accordance with the business model, the risk appetite, the Internal Control System, System of Delegated Powers defined by the Board of Directors and provisions of the Supervisory Authority.

In order to prevent conduct contrary to the principles of propriety, legality and transparency in the handling of operations by personnel, and to avoid the attribution of administrative liability to Companies for offences committed by personnel in the interest or to the benefit of those companies, the **Banking Group has adopted and implemented** an **Organisational and Management Model**, pursuant to Legislative Decree No. 231/01, as amended.

The Model is an integral part of the set of rules, procedures and control systems developed by Banca Generali, and contributes to the overall structured and comprehensive organisational framework that is designed to prevent unlawful conducts, and in particular those envisaged by the legislation in question.

The proper understanding and dissemination of the content and underlying principles of that Model are ensured by specific training initiatives provided through e-learning systems targeted at all employees and Financial Advisors, so as to ensure that all human resources are duly trained. The Model is updated whenever there are regulatory and/or organisational changes and is submitted to the Board of Directors for analysis and approval.

The Internal Control System maintains a constantly evolving approach to counter and prevent fraud, money laundering offences, usury or funding of terrorism. In addition, the security of customer information is under constant analysis and alignment with industry regulations and guidelines, as well as best practices.

In 2021, the Internal Control System was implemented with the Security Policy, which complements and governs the regulatory framework that the Bank has adopted to determine the principles and guidelines for the security of IT applications and integrated management of information data, in order to support the Bank's decisions and strategies in a data-driven perspective.

The Policy describes the objectives, principles and main security-related responsibilities within Banca Generali and includes:
> IT Security, which concerns the protection of data and information systems from unauthorised access, use, disclosure, blocking, modification or deletion in order to provide confidentiality, integrity and availability of data;
> Cyber Security, which includes the ability to prevent security incidents or vulnerabilities of information systems and protect/defend the use of Internet networks against cyber attacks;

[28] See Bank of Italy Circular No. 285 dated 17 December 2013 "Supervisory Provisions for Banks".

- Physical Security, which aims to ensure protection from unauthorised access to premises, equipment and resources, and the protection of Personnel during business trips and travels;
- Corporate Security, which, on the one hand, concerns the management of security aspects in the main corporate events (e.g., the General Shareholders' Meeting) and, on the other hand, brand abuse, social intelligence and business intelligence activities, including to protect intellectual property from attacks and damage (e.g., industrial espionage and data theft), also carried out in collaboration with external bodies, as well as national and local public authorities.

In the period, no breaches to customer data have been reported, as the authentication measures — reinforced through the use of different channels for instructions and authorisations — have enabled transactions ordered by customers on the Bank's IT platform to be fully protected.

NFI procedures project

In order to regulate and ensure a more robust overall reporting process (including from a non-financial perspective), in 2019 the Parent Company, Banca Generali, in line with the existing financial reporting procedures (pursuant to Law No. 262/2005), started to prepare and publish a **series of internal organisational procedures** designed to ensure the accuracy and reliability of the non-financial information disclosed in the Annual Integrated Report.

The process consists of 3 phases:
1. identification of the main non-financial quantitative KPIs, published in the Annual Integrated Report;
2. mapping of the processes relating to the preparation of the main non-financial information;
3. identification of the main risks tied to the individual processes and, therefore, identification of more points of control to mitigate them.

In 2021, in line with the worked carried out in 2020, the project continued with the following activities:
- identification of additional KPIs, published in the Annual Integrated Report 2020, and drawing up of the related procedures;
- review of the procedures already mapped through organisation of a walkthrough activity in order to confirm the alignment between the operations performed and those planned in the procedures.

The quantitative information presented in this Report has been prepared according to the NF procedures adopted by Banca Generali. These procedures will be constantly updated, both to reflect new KPIs and in the event of amendments to applicable legislation or the non-financial reporting standards adopted by the Banking Group (GRI Standards).

Internal Audit Activity

Banca Generali's Internal Audit Function carries out independent, objective assurance and advisory activity aimed at improving the Organisation's efficiency by providing the management and top managers with improvement actions for the implementation of control measures aimed at mitigating company risks and promoting an effective governance process, with a view to ensuring the long-term stability and sustainability of the Banking Group.

On the one hand, the Function is tasked with expressing its opinion on the completeness, adequacy, functionality and reliability of the overall Internal Control System and ICT system, checking and performing onsite audits of the regular conduct of operations and the evolution of risks, while also supporting the Board of Directors, the Board of Statutory Auditors, the Internal Audit and Risks Committee and Top Managers in defining the structure of the Internal Control and Corporate Governance System, as well as propose possible improvements area within risk management.

Audit work is performed on the basis of the methodologies and internal and external standards specified in the function's Rules and Procedures, including:

> the Bank of Italy's supervisory instructions;
> International professional standards of the Association of Internal Auditors;
> Borsa Italiana's Corporate Governance Code;
> Basel Committee on Banking Supervision, June 2012 and July 2015;
> Consob-Bank of Italy Joint Regulation;
> evolutions of the new Supervisory Review and Evaluation Process (SREP) and "Guidelines on common procedures and methodologies for the supervisory review and evaluation process" EBA - 2014;
> CoSo Report, ERM (Enterprise Risk Management) model and CobiT-Pam methodology.

The risk governance activity involves ongoing collaboration between the corporate control functions, to boost cooperation across priority topics and provide the Internal Audit and Risks Committee with an increasingly integrated and complete reporting system.

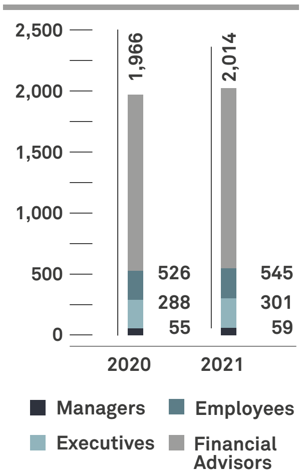
Within its functions, Internal Audit has continued to focus on strengthening alignment processes between the Bank's various structures and the improvement paths for existing controls, which were initiated as a result of previous activities, have been monitored (follow-up).

The Banking Group suffered no significant losses in 2021 and the risks continued to be low and reported constantly to Management and the Corporate Bodies.

Transparent Business Management

IN 2021, **2,014** FINANCIAL ADVISORS RECEIVED TRAINING ON ANTI-MONEY LAUNDERING

ANTI-CORRUPTION TRAINING



Banca Generali aims at actively contributing to economic and social development based on respect for human rights, professional ethics and business transparency. Operating in the asset management market — a context requiring high ethical and transparency standards to be met in business activities —, Banca Generali constantly operates in accordance with legislation, policies, internal regulations and professional ethics.

In detail, the Bank has adopted an **Internal Code of Conduct**, drawn up in accordance with the principles set forth in the **Code of Conduct** of the Generali Group and aimed at clearly defining rules of conduct which administrative and control bodies, employees, Financial Advisors and professionals must comply with. The Code pays great attention to the **fight against corruption** and specifically prohibits the offering or acceptance of inducements, such as undue payments, gifts, entertainment or other benefits.

In addition, the Group also focuses on **guaranteeing full transparency in its relations with customers, with the market and with suppliers**. The values of the rigorous selection approach adopted by the Bank are based on the Internal Code of Conduct and the "relationship value", as well as the Code of Ethics for Suppliers of the Generali Group, which sets out the general principles for managing relations with the contractual partners in a correct and productive manner.

The Internal Code of Conduct is an integral part of the **231 Organisational and Management Model**, which represents the right tool for ensuring a strong focus on compliance with Legislative Decree No. 231/2001 on the vicarious corporate liability. As a Company whose shares are listed on the market managed and organised by Borsa Italiana S.p.A., Banca Generali has also decided to adhere to **Borsa Italiana's Corporate Governance Code for Listed Companies**.

In general, Banca Generali has adopted specific controls to ensure that the transparency rules are observed systematically and to help the fight against corruption. In this process, particular attention was paid to the following areas:

> MiFID 2 Directive;
> Supervisory provisions on banking transparency;
> Insurance Distribution Directive ("IDD Directive");
> V Anti-Money Laundering Directive;
> Tax due diligence;
> Whistleblowing.

The above-mentioned policies and procedures are communicated to all the employees and the members of the individual Boards of Directors of the Banking Group, as well as to the Financial Advisors.

Regarding anti-corruption training, a special course was again organised in the year relating to Legislative Decree No. 231/01[29], which also covered the crime of corruption.

TABLE 5: TRAINING ACTIVITIES ON ANTI-CORRUPTION ISSUES 2020 AND 2021

	2020				2021			
	NUMBER ITALY	PERCENTAGE ITALY	NUMBER ABROAD	PERCENTAGE ABROAD	NUMBER ITALY	PERCENTAGE ITALY	NUMBER ABROAD (*)	PERCENTAGE ABROAD (*)
Managers	55	94.49%	2	66.67%	59	100.0%	3	75.0%
Executives	288	98.29%	9	100.00%	301	98.4%	8	80.0%
Employees	526	95.46%	13	92.86%	545	98.4%	16	88.9%
Financial Advisors	1,966	97.62%	n.a.	n.a.	2,014	97.0%	n.a.	n.a.

(*) With reference to 2021, the term ABROAD refers to the Luxembourg-based BG FML.

Tax Approach

At 2020 year-end, Banca Generali filed with the Italian Revenue Agency an application for admission to the **Cooperative Compliance Programme**.

In 27 December 2021, the preliminary examination carried out by the Revenue Agency terminated with **issuance of the admission approval**. A prerequisite for admission to the Cooperative Compliance Programme is the **existence of an internal Tax Control Framework** (hereinafter also "**TCF**"), currently under completion.

Within the procedures for implementing the TCF, on 23 June 2020, the Board of Directors of Banca Generali firstly approved the **tax strategy** document, in line with the strategy adopted by the parent company Assicurazioni Generali, setting out the principles for managing the tax variable and the strategic guidelines aimed at ensuring compliance with tax rules.

By approving the tax strategy, the Board of Directors assumed the responsibility for ensuring that it is disseminated and applied, while also performing the specific task of spreading the underlying culture and values. The tax strategy entered into force from the day after that of its approval and was published on Banca Generali's corporate website: www.bancagenerali.com/sustainability/sustainability-documents

In the regulatory context in which it operates, Banca Generali has provided for an **internal control and risk management system**, in compliance with the provisions of Bank of Italy Circular No. 285/2013 (Part I, Title IV, Chapter 3), consisting of a set of business activities organised to improve profitability, protect capital solidity, ensure compliance with external and internal legislation and codes of conduct, promote transparency towards the market through oversight of the risks assumed. The internal control and risk management system, in line with the requirements imposed for supervisory purposes (Circular No. 285), also safeguards, *inter alia* against the risk of non-compliance with tax regulations. With reference to the risk of non-compliance with tax regulations, in the presence of a specialised oversight unit represented by the **Tax OU**, the Bank has decided to adjust the tasks of the Compliance Function, which is in any case responsible, in collaboration with the Tax OU, for defining the methodologies for assessing the risk of non-compliance with tax legislation and identifying the related procedures. In addition, the Bank is proceeding to verify the adequacy of the procedures themselves for preventing the risk of non-compliance. The TCF, managed by the Administration Department through the **Tax Risk Office Service**, which reports to the Head of the CFO & Strategy area, is part of Banca Generali's governance and acts in a complementary manner to the Internal Control and Risk Management System: in particular, it covers the process tax risk areas, which do not fall within the scope of the Bank's other internal control systems.

The implementation of the TCF involves the provision of process control system, which is entrusted to the specifically dedicated position of the **Tax Risk Officer (TRO)**.

At annual intervals, the TRO prepares, together with the Tax OU, the Report on the Tax Control Framework, which is presented to the Internal Audit and Risk Committee by the TRO on the invitation of the Chief Financial Officer and, through the Committee itself, to the Board of Directors.

[29] With regard to the Luxembourg-based BGFML, a course entitled "Antibribery e Corruption" has been launched. BG Valeur S.A. is also considering the possibility to organise a similar course.

The Tax OU and the TRO provide the Compliance and Anti-Money Laundering Department with all the data necessary for preparation of the relevant report, which is also referred to the corporate bodies for their evaluation within the broader scope of the management of non-compliance risks to which the Bank is exposed. The TCF entails also the adoption of a governance document, called **Tax Compliance Model**, aligned with the tax strategy, which defines roles and responsibilities in the management of the tax variable and which provides for the establishment of a TRO function, with the task of managing the process of monitoring the risk of non-compliance with tax legislation. The Tax Compliance Model also regulates the process of managing interpretative tax risks, preceding their identification and measurement during the activities that could give rise to such risks and making the pertinent choices according to a decision-making escalation process related to the magnitude of the risk. Following admission to the cooperative compliance programme, the process involves the activation of preliminary dialogue with the Italian Revenue Agency on tax risks that exceed the materiality threshold defined in agreement with the same Agency. At present, the implementation of the TCM is reaching its completion.

The Bank has defined the **guidelines for managing the risk associated with interpretation of tax regulations** (interpretative process), which provides for an analysis of the certainty of the interpretative solution, the ability to review the interpretative solution that may be considered uncertain and the quantitative materiality, identified in terms of the tax difference compared to the more conservative alternative interpretative solution.

The appropriate decision-making escalation paths have also been defined for the uncertain interpretative positions of low, medium, medium/high and high materiality, aimed at identifying suitable tax risk takers within the company organisation.

In addition, the Bank has identified the compliance tax risks, which have been included in a Risk Map, which is updated by the TRO, since the model must be kept constantly up to date with respect to the variations that may occur over time. In fact, the Tax OU, together with the TRO, monitors the release of new tax arrangements that could have an impact on the internal control system to mitigate tax risks and assesses any need to update the Risk Map. In the event of regulatory changes, the TRO activates the operating functions responsible for the formalisation/updating of corporate processes. The TRO and the Tax OU support the competent operating functions in the assessment of tax legislation compliance of new processes that are introduced or amended from time to time. In particular, it is the responsibility of the business functions and central functions to promptly report to the TRO and the Tax OU the processes within their remit that have been newly introduced or undergone operational changes.

The mechanisms for reporting critical issues in tax matters

Banca Generali does not engage in conduct and transactions that translate into merely artificial constructions or may reasonably be expected to yield undue tax advantages as they are in conflict with the purposes or spirit of the tax provisions or system of reference and give rise to phenomena of double deduction, deduction/non-inclusion or double non-taxation, including as a consequence of asymmetries between the tax systems of any jurisdictions in question. In addition, the Bank has defined within the guidelines for the management of interpretative risk a specific process for managing and analysing interpretative tax risks, defining the way in which risk is processed and measured not only in quantitative terms, but also in qualitative terms, also evaluating the reputational aspects that could damage the Company if the event associated with the interpretative tax risk identified occurs.

The assurance process

The TCF was developed with particular regard to the compliance tax risk mapping, according to the regulatory provisions of the Bank of Italy and the legislation and implementing provisions of the Italian Revenue Agency regarding the requirements for admission to the collaborative compliance regime.

The TRO is responsible for maintaining Banca Generali's Tax Risk Maps and for the testing activities designed to provide assurance on the tax risk internal control system implemented by Banca Generali. The TRO supports the Tax OU with the preparation of information flows to the Compliance and AML Department - Compliance Service and to the corporate bodies. The TRO can avail of the other company control functions to carry out the relevant checks.

Stakeholder engagement and management of tax concerns

Banca Generali ensures transparency and propriety in its relations with the tax authorities. In order to consolidate transparency towards the tax authorities, the Bank adopts transfer pricing documentation rules, in accordance with the provisions of the **OECD Transfer Pricing Guidelines**.

The approach of openness and transparency towards the tax authorities is designed to ensure accurate, timely communication. If an error is identified, Banca Generali pledges to work proactively to provide the relevant explanations and reach an adequate solution.

In defence of its company interest and that of its shareholders, Banca Generali deems it lawful to uphold, including in litigation, a reasonable interpretation of the law, where there are differences of interpretation with the competent tax authorities.

Banca Generali has adopted a specific interpretative risk management process, aimed at mapping the relevant choices, with regard to uncertainty and reviewability.

For the interpretative cases found to be uncertain and reviewable, an analysis of the materiality of the underlying tax risk will be carried out through the quantitative measurement of the greater tax burden. Based on the latter, provision is made for a decision-making escalation process related to the magnitude of the risk, involving the different levels of the corporate organisation. If the materiality of the interpretative tax risk is above the significance threshold agreed upon with the Italian Revenue Agency, the preliminary dialogue procedure with the same Agency will be activated, in accordance with the transparency obligations specifically provided for entities admitted to the collaborative compliance regime.

Country-by-Country Report[30]

The Country-by-Country Report provides a concise illustration of the Banking Group's key financial, economic and tax information, separately for each tax jurisdiction in which individual group companies are considered resident.

The purpose of the reporting is to present economic and operational indicators representative of the volume of the Banking Group's activities within each tax jurisdiction which, taken into account together with the other information contained in this Annual Integrated Report, may contribute to an assessment of the level of taxes accrued and paid in a jurisdiction.

The data presented refer to the Annual Integrated Report at 31 December 2021, prepared on the basis of IASs/IFRSs and may therefore differ, as regards profit and loss and balance sheet aggregates, from the values recorded by individual companies in each jurisdiction on the basis of the applicable local accounting standards.

[30] As highlighted in the chapter on integrated information in this Report, Banca Generali publishes annually, on its corporate website, the specific Country by Country Report provided for the banking sector by Article 89 of Directive No. 2013/36/EU (CRD IV), as governed by Bank of Italy Circular No. 285/2013.

	ITALY	LUXEMBOURG	SWITZERLAND	UNITED KINGDOM	CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2021
1. Names of resident entities	For details of the entities included in the Consolidated Financial Statements and their jurisdiction, please refer to the Notes and Comments to the Consolidated Financial Statements, Part A.1 – Section 3				
2. Organisation's core business	Banking activities	Asset management	Asset management	n.a.	n.a.
3. No. of employees at year-end	923	31	32	-	986
4. Income from sales to third parties (euro/000) (1)	660,699	534,218	9,006	-	1,203,924
5. Income from intragroup transactions with other tax jurisdictions (euro/000) (2)	124,361	-	-	-	124,361
6. Profit (loss) before taxation (euro/000)	362,670	365,861	-1,480	-14	727,038
7. Property and equipment (euro/000) (3)	154,522	1,976	2,514	-	159,012
8. Companies' income taxes, accrued (current) on profit/loss (euro/000) (4)	-40,537	-50,185	-7	-	-90,729
9. Companies' income taxes paid on a cash basis (euro/000)	-51,090	-30,674	-	-	-81,763
10. Effective tax rate (income taxes/profit before taxation)	5.5%	13.7%	18.0%	-	17.7%

(1) Net banking income gross of interest expense and fee expense, net of dividends received from other Group companies.
(2) Income net of intragroup dividends paid by subsidiaries (333,500 thousand euros) and intragroup income from companies within the same jurisdictions (12 thousand euros).
(3) Including IFRS 16 ROUs recognised under property and equipment.
(4) Current taxation accrued on taxable income or loss, excluding DTAs/DTLs and advances for tax debts not yet certain.

As regards Banca Generali, the difference between the actual tax burden and the theoretical tax, including IRES and IRAP, is mainly due to the effect of dividends from non-trading equity investments, subject to reduced taxation[31], and the net tax benefit deriving from realignment operations carried out during the year, equal to 8.6 million euros, described in more detail in the comment on the performance of the economic aggregates contained in this Report. In particular, the effective tax rate gross of realignment operations stood at 7.8% in 2021[32].

[31] In particular, they are 95% excluded from taxation of IRES purposes and 50% for IRAP purposes.
[32] The reconciliation between the total amount of taxes attributable to 2021, including both current taxes and deferred taxation, as indicated in Item 270 of the Profit and Loss Account, and the IRES theoretical tax determined by applying the nominal tax rate in force to the profit before taxation is presented in the Notes and Comments to Banca Generali's Separate Financial Statements in Part B - Section 19: Income taxes for the year of current operations - Item 270.

Sustainable Finance Disclosure Regulation

In a context marked by a deep transformation of the financial market towards a sustainable Europe, as also stated by the EU Green Deal and the Action Plan on Financing Sustainable Growth, the ongoing systemic change is being guided by **Regulation (EU) No. 2019/2088**, the goal of which is to improve and harmonise, at the European level, disclosures to end investors from financial market participants and Financial Advisors regarding their approach to the integration of sustainability risks and the consideration of adverse sustainability impacts in the respective decision-making processes regarding investments and advisory processes.

With the aim of reinforcing its responsible and sustainable investment practices, **Banca Generali has adopted procedures and methodologies that alongside traditional investment analysis** based on financial criteria incorporate an **analysis focused on sustainability risks and the adverse effects of investments on sustainability factors**: i.e., environmental, social and governance issues such as reducing pollution, combating climate change, respecting human rights, staff development and issues relating to the fight against active and passive corruption.

This integration process is based on **the use of ESG indicators and screening tools**, developed with the support of external advisors, who allow Banca Generali to determine, through a detailed due diligence procedure, whether the companies to which investments are directed are involved in controversial sectors or have violated the United Nations Global Compact.

On the basis of this screening, the **securities of the companies analysed** are admitted to the Bank's investment universe or, **in cases of controversial practices and sectors, are subject to exclusion**. In detail, Banca Generali has established that it is not permitted to invest in the securities of companies that have committed serious or systematic violations of human and workers' rights, that have severely damaged the environment or that are involved in serious episodes of corruption. The Bank has also established to exclude companies that produce unconventional weapons or that derive significant market share from coal, tobacco, gambling and adult entertainment are also excluded.

The **securities of companies** implicated in disputes that indicate **insufficient attention to ESG aspects with potential negative effects on sustainability factors** are also **constantly monitored** and at risk of exclusion from our investment universe. For example, this category includes companies directly involved in the production of nuclear weapons or indirectly involved in the cluster munition, anti-personnel mine and/or biological and chemical weapons market, in addition to companies involved in violations of the Global Compact not of a serious, systematic nature.

The investment **decision-making** and financial advisory processes adopted by the Banca Generali Group are **in line with the parent company Assicurazioni Generali's external commitments** made through the signing of international initiatives such as the **Global Compact** and the United Nations **Principles for Responsible Investments**.

The Banca Generali Group has also added **qualifying criteria for products and services that promote environmental or social characteristics and for products and services with sustainable investment objectives**, as provided for respectively in Articles 8 and 9 of Regulation 2019/2088 (SFDR), offered by legal entities subject to said European regulation: with reference to these products and services, the Group decided to assign an **ESG score to the investment product**, verifying the manager's institutional commitment and the investment strategy adopted, analysing the underling portfolio, where applicable. Each instrument underlying the products and services offered by the Banca Generali Group is therefore generally assigned a **sustainability rating, weighted according to the relevant sector and updated periodically to ensure compliance with the Policy**; this rating is also associated with the identification of any relevant ESG disputes, which are assessed taking into account the reason for the infringement, the causes that generated it and the measures taken to address and resolve the problem. This further analysis aims to exclude from the portfolio any direct investment in companies engaged in seriously questionable conduct or operating in sectors that are controversial from an environmental, social and good governance perspective.

An exception is made for the Group's products for which management has been delegated to a third party: in such cases, the ESG policy of the delegated manager applies together with the exclusion and dispute management policies adopted by the Group. The third party manager is subject to periodic due diligence, which is also necessary to ensure compliance of its processes with the Policy.

Regulation (EU) 2020/852 for Taxonomy-Eligible Activities

In light of the process of profound transformation that has characterised the European sustainable finance market, Regulation 2020/582 — also known as Environmental Taxonomy or Taxonomy — is one of the main pillars of this transformation, as it develops a unified classification system, aimed at:

- developing a shared definition of sustainable investment by introducing requirements that issuers must meet so that their financial products and services could be classified as environmentally sustainable;
- establishing environmental sustainability criteria for the economic activities covered by the Taxonomy in accordance with six environmental objectives (climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems) in order to increase the protection of end investors and improve the information provided to them through specific KPIs reported in the Non-Financial Statement.

Delegated Regulation No. 2021/2178 provides the operational guidance for defining the economic activities included in the Taxonomy; the aim of the Delegated Regulation is to provide a uniform qualitative-quantitative method that facilitates comparison of different financial environmentally sustainable data among all financial market players. For this first reporting year, the Regulation requires financial undertakings to publish KPIs that identify the eligibility of economic activities under the Taxonomy[33], in order to facilitate companies in setting up procedures and processes to subsequently identify those economic activities that are in line with the Taxonomy according to technical screening criteria.

In light of the ongoing regulatory developments designed to encourage the publication of accurate, simple, concise, non-misleading and comparable ESG information, helping to minimise greenwashing, Banca Generali's business strategy has been developed to take account of the economic, environmental and social impacts of its activities. The launch of the **sustainability project** was central in helping to define an integrated sustainability strategy, capable of monitoring the effectiveness of ESG activities in light of the Group's strategic objectives. In addition, **the ESG investment strategy** enabled the Bank to further delve into the sustainable investment topic by developing a platform — whose methodology was conceived in partnership with MainStreet Partners — that allows, *inter alia*, to assess the alignment of investments to the 17 UN Sustainable Development Goals. In parallel, a process was launched to expand the sustainable products offered by applying an approach that has led today to a wide and diversified universe, in terms of both ESG factors and main environmental trends. The strategies covering environmental issues and topics are numerous and well-detailed. On the wake of the European Green Deal, the Bank has taken steps to inform and raise customer awareness through appropriate actions on its products and services. The determination of such sustainable products depends on constant monitoring of the product and/or portfolio risk, which is also monitored from an ESG perspective. Similarly, Banca Generali's strong relationship with its **customers respects their needs by providing a wide range of ESG products**. Raising awareness of sustainability issues makes a concrete contribution to economic development geared towards the integration of ESG criteria, able to also cover sustainability issues, such as environmental protection. This approach can be pursued through the different channels and strategic lines developed by Banca Generali, aimed at both strengthening the open banking model and at proposing an holistic advice that support clients in their choices oriented towards protection for their future and the challenges associated with the generational transfer.

As a result of its holistic and integrated approach to sustainability, Banca Generali has therefore developed a pilot test in 2021 for the calculation of the **Green Asset Ratio (GAR)** pursuant to the aforementioned Regulations, which is intended to:

- verify, on the basis of 2020 data, the potential level of implementation of the regulation, as well as the level of detail to be provided for 2021 (quantitative KPIs);

[33] In accordance with Article 1.5 of Delegated Regulation No. 2021/2178, the "taxonomy-eligible economic activity" definition adopted by Banca Generali includes the use of NACE codes and the origin of the counterparty (European and non-European). Therefore, the technical screening criteria under Delegated Regulation No. 2021/2139 were not used, as such data have not yet been made available by the counterparties included in the reporting scope.

- set up a reporting methodology that takes into account both the ongoing developments in sustainability and the evidence found on the basis of the pilot test outcome;
- adapt existing data collection and management systems to make them more efficient and suitable to the new regulatory requirements.

In conducting the pilot test, Banca Generali based on the following key **assumptions** for the purpose of assessing the results of the test in question and the subsequent analysis of 2021 data:

- the scope of assets covered included **loans and advances, debt securities, equity investments and collateral**, specifically considering both financial assets measured at amortised cost and financial assets measured at fair value, as well as investments in subsidiaries, real estate guarantees and on demand inter-bank loans. The activities included in the scope of the analysis refer to the all-inclusive data, i.e., the value of the activity gross of the write-down provision. These financial activities have been broken down as follows:
  - **as numerator,** loans and advances, debt securities, equity investments and collateral of companies subject to the NFRD ("taxonomy eligible covered assets");
  - **as denominator**, loans and advances, debt securities, equity investments and collateral of companies not subject to the NFRD; derivatives, on-demand inter-bank loans, cash equivalents and cash assets are also calculated in the denominator ("covered assets").

  The calculation reported above identifies the percentage of taxonomy eligible covered assets. "Total assets", namely the extended scope of analysis, include also sovereign debts, exposures with central banks and the trading portfolio;
- **four-digit NACE codes were used** to classify financial assets and determine their eligibility under the Taxonomy. However, Banca Generali does not consider this classification as sufficiently accurate to provide a correct disclosure, as mandatorily required by Delegated Regulation No. 2021/2178, as the four-digit NACE code is not able to specifically identify the individual activities of the sectors included in the scope of the Taxonomy and capable of providing further information on potential environmentally sustainable activities.

The results and evidence obtained through the pilot test allowed for a comprehensive identification of the 2020 covered assets, the eligibility of which was found to be partial due to the scarcity and low quality of data provided by counterparties, which prevented a quick and accurate representation of eligibility except through the use of proxies and data based on estimates. As expected, this analysis, repeated for the 2021 reporting, highlighted the same methodological limitations, which resulted in information that was not sufficiently exhaustive to be considered as factual, actual and concrete. In compliance with Article 10(3) of Delegated Regulation No. 2021/2178 and in light of the documentation provided by the European authorities[34], Banca Generali is not able to systematically meet the requirements and provisions established for the purposes of the mandatory disclosure by the regulations in force.

In line with regulatory requirements, the Bank is also committed to creating a data gathering system capable of considering actual data and consistent with ongoing regulatory developments. In particular, starting next year and in accordance with the granularity and quality of data that will be provided by counterparties, the analysis and methodology used in response to the requirements of Article 10(3) of Delegated Regulation No. 2021/2178 will be developed with the ultimate aim of providing stakeholders with more complete, accurate and comparable data.

In a forward-looking perspective and in view of gradual regulatory compliance, Banca Generali provides the following additional information and data on a voluntary basis, in order to provide its stakeholders with evidence of the work carried out through the 2020 pilot test, as well as the partial analysis carried out on the 2021 data. The evidence from this optional analysis is presented below, with some comments aimed at contextualising the data within the taxonomy eligibility framework.

[34] See, for example, the FAQs published by the European Union in December 2021 and February 2022, as well as the related "Platform considerations on voluntary information as part of taxonomy — eligibility reporting — Appendix 1" published by the Platform on Sustainable Finance in the same period.

VOLUNTARY DISCLOSURE PURSUANT TO ARTICLE 8 OF REGULATION (EU) 2020/582 AND PURSUANT TO ARTICLE 10(3) OF DELEGATED REGULATION NO. 2021/2178			TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES ON TOTAL COVERED ASSETS (%)	TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES ON TOTAL COVERED ASSETS (%)	PROPORTION OF EXPOSURES ON TOTAL ASSETS (IN %)
Article 10	3a	Total assets	2.86%	97.14%	
		of which covered assets			20.90%
	3b	Total exposures to central, central banks and supranational issuers			79.08%
		Total exposures in derivatives			0.12%
	3c	Total exposures to companies not subject to the NFRD			12.11%
	3	Trading portfolio and on-demand interbank loans			0.02%

The result of eligible activities, equal to 2.86%, was calculated on total covered assets. Similarly, the percentage of non-eligible activities was 97.14%. The latter figure includes both the activities that, as they are calculated on the denominator only, are considered as non-eligible by default, and the activities that, as they are included in the denominator, are not eligible to date but are potentially as such. The total percentage of 97.14% includes therefore a 35.92% of potentially eligible activities; as this percentage is calculated on the numerator proportion only and is not eligible to date, it represents the actual and potential improvement margin of Banca Generali.

In order to provide a more transparent data representative of Banca Generali's business, the scope of the analysis ought be limited to those activities potentially classified as eligible on total covered assets; accordingly, the maximum potential percentage of eligible activities that Banca Generali could achieve is 38.79% (of which 7.38% currently classified as eligible and 92.62% classified as non-eligible to date but potentially eligible in the future). The processing of this data was made possible thanks to the cooperation of the various banking functions, with the fundamental support and coordination of the Data Management Department, capable of harmonising the functions' internal requirements with regulatory obligations. The processing of information broken down by type of counterparty, according to regulatory requirements, was facilitated by the use of ad-hoc filters applied to the data in order to classify counterparties with a greater granularity both at the numerator and denominator, by identifying the gross book value of companies covered or not covered by Articles 19-*bis* and 29-*bis* of the NFRD (Non Financial Reporting Directive), i.e., by distinguishing counterparties into listed and unlisted entities and whether they are resident in a European or non-European country. This analysis is, as of today, illustrative and approximate, since the assessments pursuant to Article 19-*bis* and 29-*bis* of the NFRD require further details and verifications that do not depend on the Company and are still being issued by the relevant bodies.

The eligibility calculation was developed on the basis of a methodology that made it possible to:
> identify positions attributable to European issuers, primarily equity and corporate bonds; non-European issuers were not considered eligible, as were government and semi-government issuers, inter-bank loans and exposures to banks;
> classify issuers according to the four-digit NACE (Nomenclature statistique des activités économiques dans la Communauté européenne) codes, although, as mentioned above, this classification can only provide a partial identification of the sectors included within the scope of the taxonomy (and therefore, while its use remains not recommended for an accurate mandatory disclosure, it represents a good basis for the voluntary disclosure). The mapping of these positions against NACE categories was carried out through some major, internationally recognised data providers. It was then verified whether the issuer's main NACE sector of activity corresponds to the NACE sectors identified as eligible.

Some of the limitations of the eligibility calculation are closely related to the lack of factual and actual data which, considering the still low level of refinement of the data used for this first voluntary reporting analysis, are not capable of determining a clear classification of information by taxonomy target[35]. In particular, the analysis did not take into account the provisions of Delegated Regulation No. 2021/2139 the methodological limitation of which is closely related to the lack of information, data and specificities that will have to be provided as from 2022 by the counterparties concerned and bound by the reporting obligations of Article 8 of Regulation (EU) 2020/582.

[35] Technical screening criteria for climate change mitigation and adaptation targets under Regulation no. 2021/2139 are available as of today.

Stakeholder Engagement

Banca Generali liaises with numerous different stakeholders, both as regards type, and the requirements and needs expressed.

The main channels for dialogue with stakeholders are listed here under. Some details on the activities reported below are given in the dedicated sections (e.g., “Banca Generali and Its Customers”; “Banca Generali and the Distribution Network”).

EMPLOYEES AND THEIR FAMILIES

CHANNELS FOR DIALOGUE

- Engagement survey (every two years)
- Dedicated portal
- Monthly newsletter
- Individual performance evaluation interviews and joint determination of development goals
- Roundtables with unions and workers' representatives
- Annual meeting with all employees
- Events and initiatives
- Internal meetings and cascading initiatives
- Outdoor training sessions

INSTITUTIONS, BUSINESSES, MEDIA, NGOs AND OTHER ORGANISATIONS, OPINION LEADERS, PROFESSIONAL ASSOCIATIONS, NON-PROFIT ORGANISATIONS AND THE WELFARE INDUSTRY

CHANNELS FOR DIALOGUE

- Local conventions on financial education
- Press conferences
- Company points of contact dedicated to media and institutional relations
- Meetings with institutions and NGOs
- Multistakeholder meetings
- Website and mobile apps
- Social activities in favour of community

SHAREHOLDERS, INVESTORS, ANALYSTS, PROXY ADVISORS

CHANNELS FOR DIALOGUE

- General Shareholders’ Meeting
- Media news
- Meetings and interviews with analysts, investors and proxy advisors
- International roadshows
- Company points of contact and digital tools dedicated to relations with financial investors
- Digital channels and social media

CUSTOMERS, CUSTOMER FAMILIES, CONSUMERS

CHANNELS FOR DIALOGUE

- Surveys on the level of satisfaction
- Market researches
- Dialogue with consumer associations
- Communications channels devoted to customers (website, e-mail, toll-free phone number)
- Media
- Dedicated events
- Advertising campaigns
- Periodic documentation and in-depth reporting
- Social support activities
- Social media

SUPPLIERS, STRATEGIC PARTNERS

CHANNELS FOR DIALOGUE

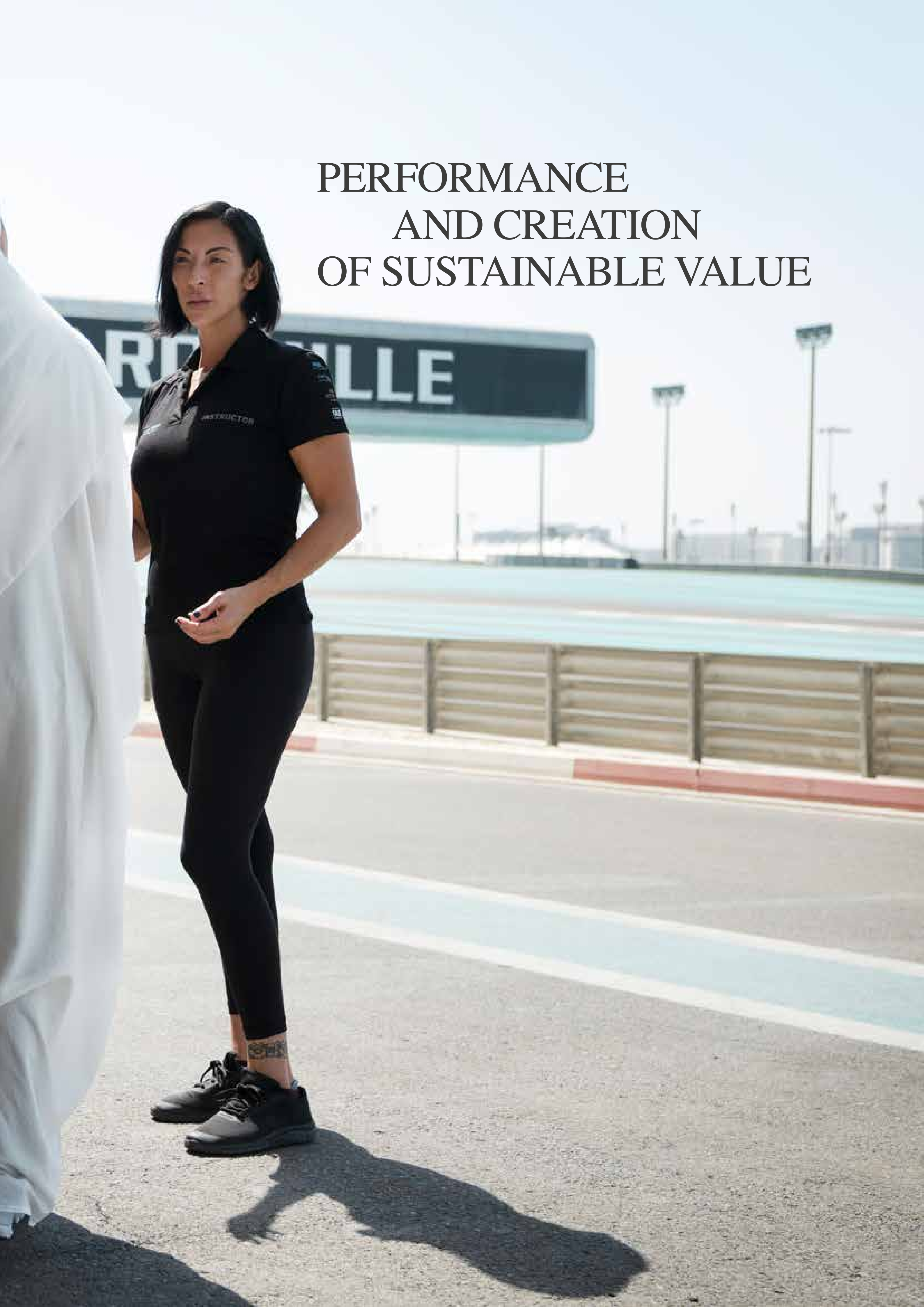
- Meetings with Bank and Networks
- Working groups on common projects
- Participation in local meetings
- Media
- Events

FINANCIAL ADVISORS AND THEIR FAMILIES

CHANNELS FOR DIALOGUE

- Dedicated portal
- Monthly newsletter
- Dedicated conventions
- Eurisko survey on the level of satisfaction
- Website and mobile apps
- Media
- Training
- Local events
- Social media

PERFORMANCE AND CREATION OF SUSTAINABLE VALUE



Summary of Operations

Financial year 2021 closed with a **consolidated net profitposi of 323.1 million euros**, up 18% compared to the previous year. This result marks a new all-time high in the Bank's growth path, testifying to the successful achievement of the 2019-2021 Plan targets, focused on business expansion, revenue diversification and sustainability.

Net profit improved constantly: the **recurring component** totalled **176.6 million euros**, up 15% compared to the previous year, thanks to the sharp increase in total assets and their improved mix, which drove robust revenue growth. Cost discipline and the business model scalability further supported recurring operating growth.

The **non-recurring component** stood at **146.5 million euros**. With regard to the latter, it should be noted that the following trends significantly impacted the results achieved:

> variable fees **at 220.5 million euro**, linked to the favourable market trend and the good average performance generated for clients (5.8% for 2021 and 23.8% for the three-year period);

> the **one-off charge** amounting to **80.6 million euros** incurred for the restructuring of a securitisation portfolio of healthcare receivables held by professional clients, aimed at protecting the latter from potential losses on these investments and successfully completed on 7 October 2021[36];

> a **tax benefit** of **8.6 million euros** associated with the realignment of the carrying value of goodwill, trademarks and intangible assets carried out at the end of June 2021.

The positive result achieved in the year was fostered by the Bank's successful commercial policies set forth by the three-year Plan, as well as by the favourable financial market scenario.

Net inflows amounted to **7.7 billion euros**, up 31% compared to the previous year and with a sharp increase in managed solutions, which accounted for over two thirds of this item (**5.3 billion euros**) thanks both to the Lux IM Sicav and insurance and financial wrapper solutions that offer a higher level of customisation.

At the end of the year, total assets attributable to managed solutions (in-house and third-party funds, financial and insurance wrappers) exceeded 44.3 billion euros, significantly increasing by 18.3% year on year and thus accounting for 51.6% of total assets under management compared to 50.2% at the end of the previous year.

The Bank is also benefiting from a structural growth of demand for qualified financial advisory and is pursuing a growth process oriented to sustainability, including the financial sustainability of results.

Assets under Advisory (BGPA) stood at 7.3 billion euros, up 21% compared to the previous year and accounting for 8.5% of total assets.

Within this context, the Bank far exceeded its net inflows target (14.5 billion euros) and its assets under management target (76-80 billion euros) set in the 2019-2021 three-year Industrial Plan.

Net banking income rose to 779.6 million euros (+26.2%) thanks to the significant increase in **net recurring fees** (446.7 million euros; +22%) and to the robust contribution of **variable fees** (220.5 million euros; +55.6%). **Net financial income** amounted to 112.0 million euros (+2.2%), driven by income from treasury management, including 11.0 million euros linked to the rebalancing of the financial investment portfolio that offset the decrease in net interest income due to a context of extremely low interest rates.

Operating expenses[37] stood at 242.3 million euros, up 6.6% overall and 4.9% with regard to "core" items, marking a modest change, above all in light of the significant business expansion reported in the period. Operating efficiency indicators further improved, remaining at best

[36] For further details on the restructuring of a portfolio of senior bonds issued by some special purpose vehicles for healthcare receivable securitisation that Banca Generali acquired from its customers and concurrently transferred to the Forward Fund, by subscribing its units, reference should be made to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements and to section "One-off charges" in this Director's Report.

[37] See the previous note regarding the restatement of the mandatory contributions paid by the Bank pursuant to the DSGD and BRRD for the protection of the banking system from the net operating expenses aggregate to a separate item.

practice levels: the ratio of total costs to total assets further declined to 28 bps (30 bps at 2020 year-end) and the cost/income ratio, adjusted for non-recurring items, was 35.8% (26.5% on a reported basis).

Provisions, net adjustments and contributions and charges related to the banking system totalled 63.4 million euros, up 20.6 million euros compared to 2020, mainly due to higher provisions for contractual indemnities for the sales network (+5.3 million euros), other items linked to overall risks and charges (+9.2 million euros) and the increase in the contributions to the funds for the protection of the banking system (+4.2 million euros).

Core loans grew to 15.4 billion euros, with a net increase of nearly 3.0 billion euros compared to the previous year (+23.9%).

The **financial assets in the Bank's portfolio** stood at 10.6 billion euros, up 18% compared to the previous year. 96% of the portfolio was invested in bonds with a duration of 1.4 years and 54% of securities was floating rate, and thus well positioned to benefit from any rate increase.

The increase in loans was also driven by loans to banks (+1.3 billion euros), largely attributable to the increase in sight deposits with the ECB (+955 million euros) and the exposure with customers (+211 million euros, net of treasury transactions on the eMTS Repo market managed by CC&G).

The Bank's **capital solidity** continued to far exceed the requirements set by the Bank of Italy for the Bank in its Supervisory Review and Evaluation Process (SREP), including in a context marked by higher absorption due to the Bank's business expansion, the diversification of the financial asset portfolio and the setting up of the new alternative investment portfolio, as well as the continuation of a generous dividend policy.

At 31 December 2021, CET1 ratio was 16.3% and Total Capital Ratio (TCR) was 17.4%, compared to SREP minimum requirements of 7.8% and 11.8%, respectively.

Total **assets under management** (AUM) managed by the Group amounted to **85.7 billion euros** overall, including the 1.1 billion euro contribution deriving from the assets managed by BG Valeur. In addition, managed assets also included 1.2 billion euros in AUC of the Generali Group companies and 4.4 billion euros in funds and Sicavs distributed directly by BGFML, for an overall total of **91.4 billion euros**.

It bears recalling that two company restructuring transactions were performed in the fourth quarter of 2021.

On **8 October 2021**, through an initial contribution of CHF 10 million, the Lugano-based **BG Suisse S.A.** was incorporated with a view to obtaining a Swiss banking licence and creating a new cross-border private service hub to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services.

On **16 October 2021**, a transaction was finalised to acquire from **Binck Bank NV**, a Danish lending institution owned by the Danish Saxo Bank Group, the retail banking business unit of the Italian branch that includes approximately 6,000 deposit and current account schemes instrumental to the said securities deposits.

This acquisition generated overall net inflows of **528 million euros**, of which 109 million euros referring to current account deposits, and falls within a more structured transaction, where the subsidiary BG SAXO SIM acquired the RTO service business unit. The clients acquired by Banca Generali will therefore continue to benefit from the services offered by BG SAXO's cutting-edge trading platform.

Group Economic and Financial Highlights

TABLE 6: CONSOLIDATED ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	31.12.2021	31.12.2020	CHANGE %
Net interest income	83.3	89.6	-7.0
Net financial income	**112.0**	**109.6**	**2.2**
Net fees	667.3	508.0	31.4
Net banking income	**779.3**	**617.6**	**26.2**
Net operating expenses [d]	**-242.3**	**-227.2**	**6.6**
of which: staff expenses	-107.8	-104.3	3.4
Operating result	**537.0**	**390.4**	**37.6**
Provisions and charges related to the banking system [d] and other one-off charges	-141.5	-42.1	236.0
Adjustments to non-performing loans	-2.5	-0.7	281.3
Profit before taxation	**392.7**	**347.3**	**13.1**
Net profit	**323.1**	**274.9**	**17.5**

TABLE 7: PERFORMANCE INDICATORS

	31.12.2021	31.12.2020	CHANGE %
Cost/income ratio [d]	26.5%	31.5%	-15.7
Operating Costs/Total Assets (AUM) – annualised [e]	0.28%	0.31%	-7.4
EBITDA [d]	572.7	423.4	35.3
ROE [a]	28.2%	26.2%	7.9
ROA [b]	0.38%	0.37%	2.1
EPS - Earnings per share (euros)	2.81	2.38	17.7

NET PROFIT
(€ million)

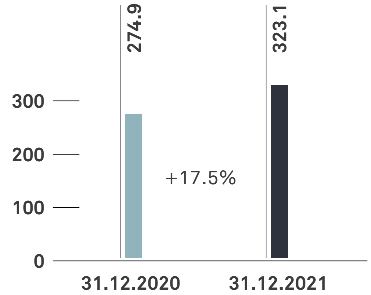


TABLE 8: NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.12.2021	31.12.2020	CHANGE %
Funds and Sicavs	2,922	2,169	34.7
Financial wrappers	938	119	688.2
Insurance wrappers	1,443	894	61.4
Asset management	**5,303**	**3,182**	**66.7**
Insurance/Pension funds	-487	203	n.a.
Securities/Current accounts	2,869	2,481	15.6
Total	**7,685**	**5,866**	**31.0**

TABLE 9: ASSETS UNDER MANAGEMENT & CUSTODY

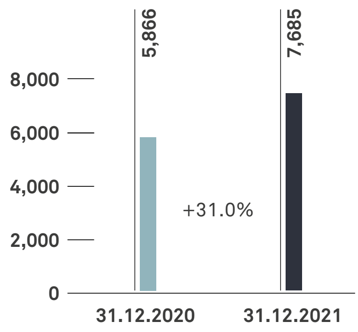
(€ BILLION)	31.12.2021	31.12.2020	CHANGE %
Funds and Sicavs [c]	23.6	19.7	20.0
Financial wrappers [c]	9.4	8.2	15.4
Insurance wrappers	11.2	9.6	17.2
Asset management	**44.3**	**37.4**	**18.3**
Traditional life insurance policies	16.3	16.5	-1.2
AUC	25.2	20.7	22.1
Total [c]	**85.7**	**74.5**	**15.0**

TABLE 10: NET EQUITY

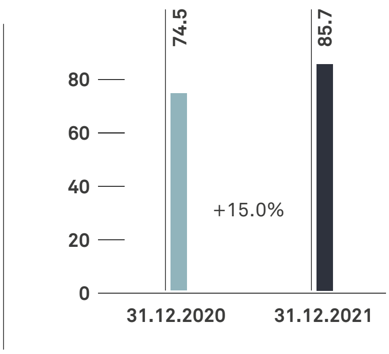
	31.12.2021	31.12.2020	CHANGE %
Net equity (€ million)	1,105.9	1,184.5	-6.6
Own funds (€ million)	759.0	676.1	12.3
Excess capital (€ million)	242.6	242.1	0.2
Total Capital Ratio	17.4%	18.4%	-5.7

(a) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the year and at the end of the previous year.
(b) Ratio of net result for the year to Assoreti's year-end exact AUM and AUM arising from new acquisitions, annualised.
(c) Total Assoreti's AUM were increased by AUM not included in the consolidation scope and generated by the new acquisitions.
(d) For a greater understanding of operating performance, mandatory contributions (of both an ordinary and extraordinary nature) paid to the Italian Interbank Deposit Protection Fund, the European Single Resolution Fund and Italian National Resolution Fund have been reclassified from the general and administrative expenses aggregate to a separate item. The restatement better represents the evolution of the costs linked to the Bank's operating structure by separating them from the systemic charges incurred.
(e) Ratio of operating expenses, gross of non-recurring components, to Assoreti's year-end exact AUM and AUM arising from new acquisitions, annualised.

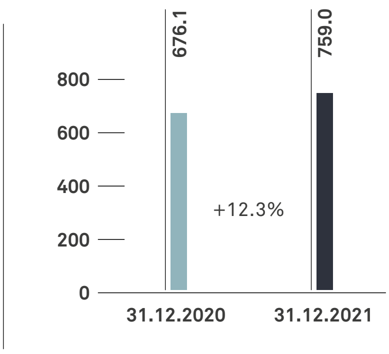
NET INFLOWS
(€ million)



ASSETS UNDER MANAGEMENT
(€ billion)



OWN FUNDS
(€ million)



Macroeconomic Context and Positioning

Macroeconomic Scenario and Future Prospects

In 2021, economic activity continued to gradually recover with gross domestic product (GDP) growth above 5% in both Europe and the United States after the shock caused by the pandemic at the beginning of 2020. The strong performance of financial markets reported in the year was to be ascribed not only to progress in the health sector, owing to the acceleration of the vaccination campaign, but also to the aid received from central banks and governments the world over, which launched expansionary monetary and tax policies in support of the economy.

In particular, President Biden first launched the American Rescue Plan Act (a maxi stimulus of 1.9 trillion dollars) and then a further 2.25 trillion dollar aid plan over eight years to upgrade infrastructures. In Europe, in the first quarter of the year, European Commission Vice-President Dombrovskis indicated the roadmap for the long-awaited Recovery Fund.

The most-discussed issue amongst economic operators during the year was rising inflation. On several occasions, central banks described it as temporary and driven solely by the bottlenecks emerged in some economic sectors due to the imbalance between demand and supply, attributable to the new consumption habits of the global population and the general increase in commodity prices.

However, the highest year-on-year increase in inflation since 1982 recorded in the United States in December led the Federal Reserve to change its monetary policy stance through more hawkish statements than had been made in previous months. During the meeting, Chairman Powell also announced that interest rates would be around 1% at the end of 2022.

The Eurozone inflation figure for December (+4.6%) was also the highest since 1992, yet the European Central Bank continued to make accommodative statements, while also promising the highest level of monetary policy.

Against this backdrop, the main global equity indices recorded markedly positive performances during the year. In particular, the US S&P 500 and European Eurostoxx 50 indices ended the period up approximately 38% and 20%, respectively, in euro. Developed countries outperformed emerging countries, mainly as a result of the underperformance of the Chinese market. China was weighed down, in particular, by the real-estate market crisis, which culminated in the Evergrande case. In addition, by contrast to the other global economies, growth in China was below expectations, penalising stock market performance.

During the year, there were various sector and investment style rotations between value and growth stocks, which resulted in essentially unchanged performance. Some stocks showed very positive yields. In particular, banking stocks benefited from the rise in the main bond curves, and energy stocks from the changed supply and demand dynamics seen on the market. The main investment firms also estimated that next year's corporate earnings will exceed last ten years' average.

On the bond market, medium-/long-term interest rates normalised in the year, thanks to the strong growth and inflation figures. In this context, U.S. ten-year yields went from 0.91% to 1.50% and German ten-year yields from -0.60% to -0.17%.

Furthermore, the expansionary fiscal policies implemented by the European Union resulted in a substantial stabilisation of peripheral spreads, with the BTP-Bund spread ending the year at around 130 bps. During the first three quarters of the year, credit spreads continued the narrowing process that began almost two years ago, facilitated by the expansionary monetary policies adopted by central banks, to then widen in the fourth quarter due to news regarding the new virus variants and statements by central bankers concerning a possible reversal of monetary policy next year.

In 2021, the global commodity price index rose sharply as a result of the attenuation of the health emergency and the consequent global cyclical recovery.

The index's strength was particularly marked in the first three quarters of the year. This was followed by a corrective phase, which was however modest, in the fourth quarter, due to both natural profit-taking and concerns relating to the emergence of the new Omicron variant.

The energy sector was particularly strong during the year, buoyed by both the prudent supply policy implemented by OPEC-Plus members and the limited availability of natural gas, also due to the geopolitical tensions between Russia and the EU/US, as well as to the sharp recovery of demand.

Positive results were also seen in the agriculture and industrial metals sectors (albeit to a more modest extent than in the energy sector), whereas precious metals delivered a negative performance. The latter were adversely affected by the expectations of higher global interest rates driven by the strengthening of the global cycle.

In 2021, the dollar appreciated against the euro by approximately seven percentage points. The strength of the US currency is mainly due to the more imminent end of the accommodative monetary policy in the United States than in Europe.

Future prospects

Gross domestic product is expected to grow markedly in 2022 as well, nearing 5% both in the United States and in the Eurozone, and the main investment firms estimate that corporate earnings will rise above the average for the last ten years. Nonetheless, 2022 will see a paradigm shift in global monetary policy. The main central banks have already announced or are expected to announce the end of the monetary stimuli that enabled the economic system to survive in recent years and, in some cases, as the one of the Federal Reserve, are preparing to raise interest rates. This change of monetary policy, combined with inflation, which currently seems destined to persist in the coming months, may be a source of volatility on equity markets, which are now at all-time highs and, in many cases, with valuations above historical averages. In addition, in the coming year it will be necessary to remain vigilant to new unknown developments associated with the epidemiologic situation on a global scale.

Competitive Positioning

Banca Generali is one of the leading Italian distributors of financial products and services for affluent and private customers through Financial Advisors. The Group's markets of reference are asset management and distribution through its Financial Advisors networks.

The asset management market

In December 2021, the **Italian asset management industry** recorded a total of 1,428 billion euros of assets under management (+13.9% compared to the figure at December of the previous year).

As shown in the following table, **net inflows** from the Italian asset management industry (Assogestioni market) were positive for approximately +76.8 billion euros at the end of December 2021.

The following tables show the evolution of assets under management over the past four years, broken down by product/service type and the associated net inflows.

TABLE 11: EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

	NET INFLOWS				ASSETS			
(€ MILLION)	12.2021	12.2020	12.2019	12.2018	12.2021	12.2020	12.2019	12.2018
Italian funds	5,848	-5,618	-11,362	-3,440	259,028	241,858	245,671	239,101
Foreign funds	58,921	24,487	15,151	3,511	1,004,303	874,624	817,480	711,285
Total funds	**64,769**	**18,869**	**3,789**	**71**	**1,263,331**	**1,116,482**	**1,063,151**	**950,386**
GP Retail	**12,021**	**3,050**	**919**	**-4,319**	**164,343**	**136,704**	**132,338**	**120,755**
Total	**76,790**	**21,919**	**4,708**	**-4,248**	**1,427,674**	**1,253,186**	**1,195,489**	**1,071,141**

Source: Assogestioni.

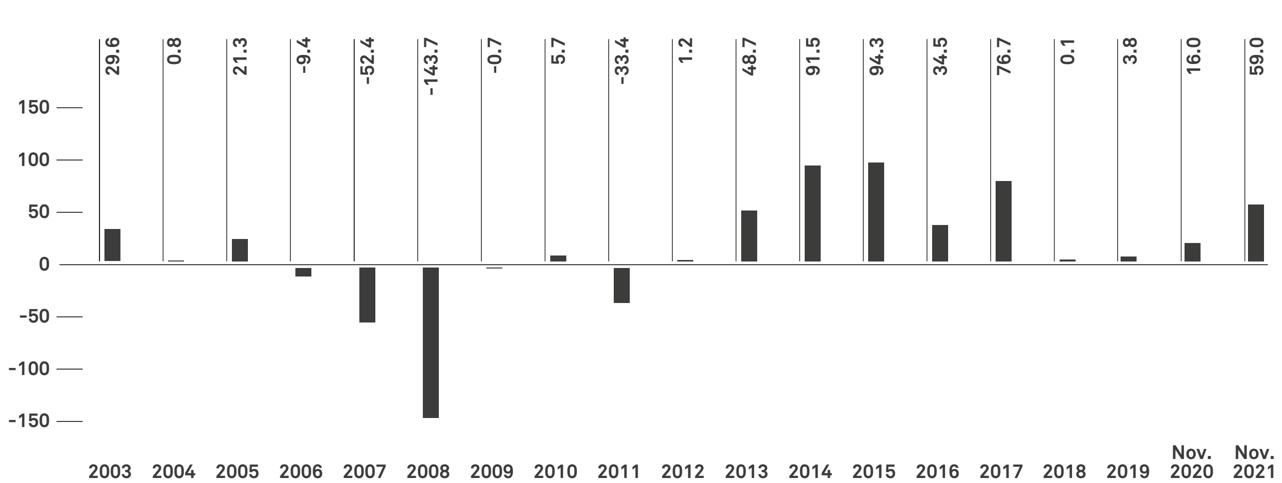
In 2021, **financial markets** were very bullish: the major global equity indices recorded very significant growth, leading exchanges to recover the terrain lost in early 2020 due to the outbreak of the pandemic. This run-up (which had already begun in 2020) was consolidated in the first half of 2021, followed by a further, significant acceleration late in the year.

The **financial assets of Italian households** was slightly higher than at the end of December 2020, due above all to the increase in value of financial assets. This value remained below that seen in Germany and France, but with a lower incidence of liabilities on both assets and disposable income. Households' portfolios continued to be concentrated in the most liquid segments (AUC solutions); in the current scenario, capital protection (life insurance and pension funds) plays an increasingly central role, to the detriment of, for instance, shares, discretionary mandates and equity investments.

As regards **mutual funds** offering, management companies continued to propose forms of investment in a range of high-tech sectors with the aim of achieving positive returns in a low-interest rate scenario. These were complemented by **ESG funds**: "responsible investment" funds that pursue the typical investments of financial management, while also taking account of environmental, social and governance aspects.

In light of the macroeconomic context, **GDP growth estimates** are positive at about +6% in 2021, with good prospects for 2022 as well.

CHART 1: THE UCITS[38] MARKET IN ITALY



[38] Undertakings for Collective Investment in Transferable Securities Source: Assogestioni data

The Assoreti market

At December 2021, **total net inflows** generated by the Financial Advisor networks authorised to make off-premises offer exceeded 57 billion euros, up +32.2% compared to the figure at December 2020.

Assets under management and insurance products recorded 42.9 billion euros (+77.3% compared to 2020), accounting for 75% of total net inflows (56% in 2020). **Net inflows from AUC** solutions amounted to 14.4 billion euros, down about 4.8 billion euros (-24.8% compared to the same period of the previous year).

TABLE 12: TOTAL NET INFLOWS (ASSORETI)

(€ MILLION)	31.12.2021	31.12.2020	CHANGE
Total assets under management	24,608	13,049	11,559
Total insurance products	18,311	11,161	7,150
Total AUC	14,404	19,155	-4,751
Total	**57,324**	**43,366**	**13,958**

Source: Assoreti.

In the **asset management market**, net inflows were mainly driven by direct net investments made in UCITS units, mainly foreign UCITS units, with net volumes of 16.5 billion euros. Net inflows generated by discretionary mandates (chiefly GPF) were also positive with an overall amount of +8.0 billion euros.

With regard to insurance and pension products, net premiums paid during the year amounted to approximately 18.3 billion euros, up 64.1% compared to the previous year. Net inflows were mainly concentrated in unit-linked products (10.1 billion euros) and multi-line policies (6.8 billion euros).

Banca Generali

Banca Generali's **net inflows** amounted to 7.7 billion euros at December 2021, increasing by 31% compared to year-end 2020, thus confirming its role as a market leader with a 13.4% market share.

CHART 2: TOTAL NET INFLOWS ASSORETI – 57.3 € BILLION – AND MARKET SHARE % (December 2021, € million) Source: Assoreti

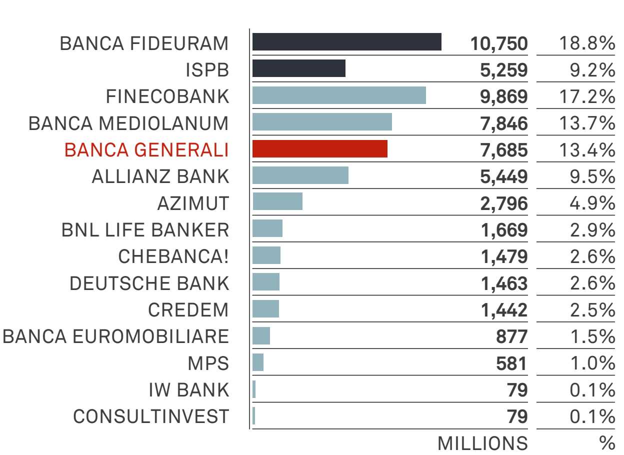
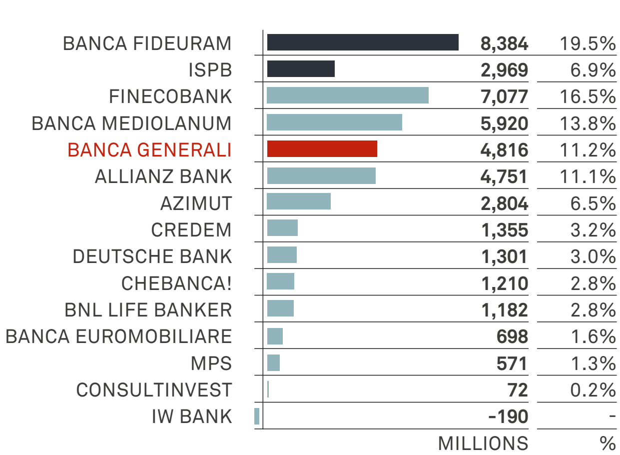


CHART 3: NET INFLOWS FROM AUM AND INSURANCE PRODUCTS ASSORETI – 42.9 € BILLION – AND MARKET SHARE % (December 2021, € million) Source: Assoreti



Insurance and asset management products — the core focus of Financial Advisor networks — accounted for approximately 4.8 billion euro net inflows. Banca Generali confirmed its role as a market leader with an 11.2% market share.

In the year, the Bank also increased the number of its Financial Advisors, which amounted to 2,162 at December 2021, thus continuing to prove highly attractive to talented Financial Advisors interested in joining a company offering an innovative product line and extreme financial solidity due to the overall balance of its assets.

With specific reference to the 2021 December figures, the Bank's net inflows further increased to 7,685 million euros. This result reflected the households' high demand for financial advice, in a context where increasingly greater importance is attached to risk and volatility control and diversification potential. In this context, the Bank is increasingly seen as a beacon for households in search of a secure, reliable and highly professional partner capable of protecting their assets and providing bespoke investment solutions. The figure is even more significant when considering that it only includes net inflows from Banca Generali's Financial Advisors and Private Bankers.

TABLE 13: BANCA GENERALI'S NET INFLOWS

	BG GROUP		Y/Y CHANGES VS 31.12.2020	
(€ MILLION)	31.12.2021	31.12.2020	AMOUNT	%
BG Group funds and Sicavs	1,267	1,344	-77	-5.7%
Third-party funds and Sicavs	1,655	825	830	100.6%
Financial wrappers	938	119	819	688.2%
Insurance wrappers	1,443	894	549	61.4%
Total assets under management	**5,303**	**3,182**	**2,121**	**66.7%**
Total traditional life insurance policies	-487	203	-690	-339.9%
Total AUC	2,869	2,481	388	15.6%
Total net inflows from products placed by the network	**7,685**	**5,866**	**1,819**	**31.0%**

As reported above, at 31 December 2021, Banca Generali's net inflows amounted to 7.7 billion euros, up 31.0%. The Bank mainly focused on **asset management products**, which rose sharply compared to the previous year (+66.7%) reaching 5.3 billion euros thanks to several product categories included in this segment.

Traditional life policies reported net inflows negative at -0.5 billion euros.

In the reporting year, **net inflows from AUC products** were used as a safe haven in a context of market uncertainties.

CHART 4: BANCA GENERALI'S NET INFLOWS EVOLUTION 2010-2021 (€ MILLION)

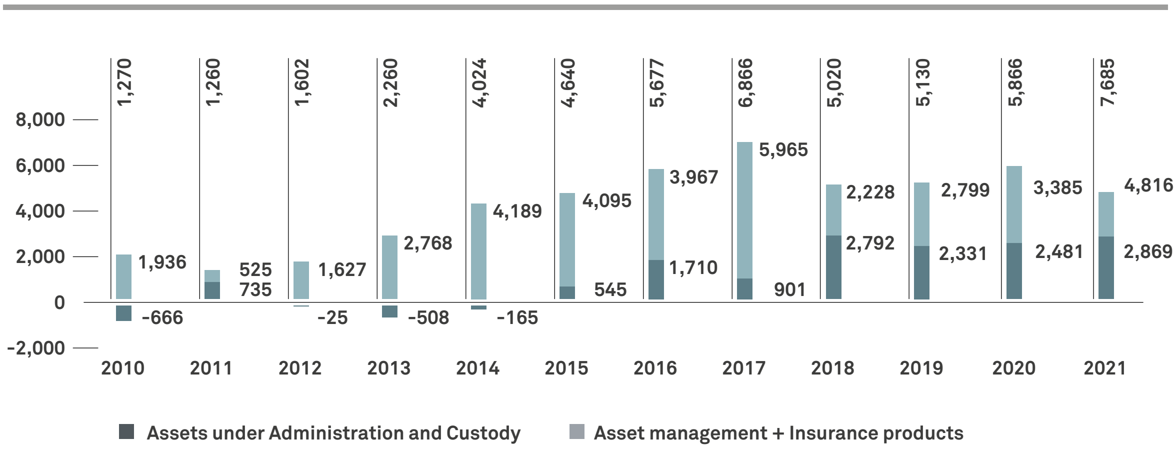
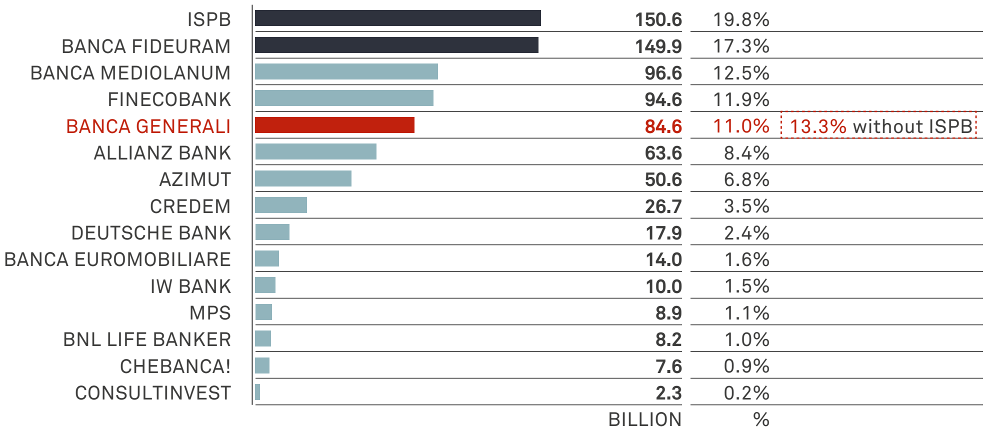


CHART 5: ASSORETI TOTAL ASSETS – 786.4 BILLION EUROS – AND MARKET SHARE %
(DECEMBER 2021; € BILLION)



Source: Assoreti.

In 2021, the Bank reported a positive performance also in terms of **assets under management**, confirming its fifth place in the rankings of the largest companies on the Financial Advisor network market, with a 10.8% market share (a figure that rose to 13.3% if the contribution of Intesa Sanpaolo Private Banking is excluded on a like-for-like basis).

Looking at Banca Generali's market share performance over a longer period of ten years, the Bank's business expansion results extremely significant, with also a stronger presence in all segments on which the Bank has focused its business.

	BANCA GENERALI - MARKET SHARE		
SEGMENT	2011	2016	2021
Targetable financial wealth	0.9%	1.6%	2.3%
Private & HNW financial wealth	1.1%	2.8%	4.6%
Financial Advisors' network	9.8%	12.2%	13.9%

The market share figures shown in the table are based on estimates by Prometeia (the 2021 figures are estimates since the actual figures are not yet available).

In detail, market share of "Targetable financial wealth" increased from 0.9% in 2011 to 2.3% in 2021. "Target financial wealth" means a subset of household financial wealth excluding equity investments in private companies, cash, termination indemnities, trade receivables, non-life insurance reserves and the category "other assets".

Market share in the private and high net worth segment rose almost by a factor of five over the period concerned, bearing out the success of the Bank's strategy of focusing on higher net worth clients.

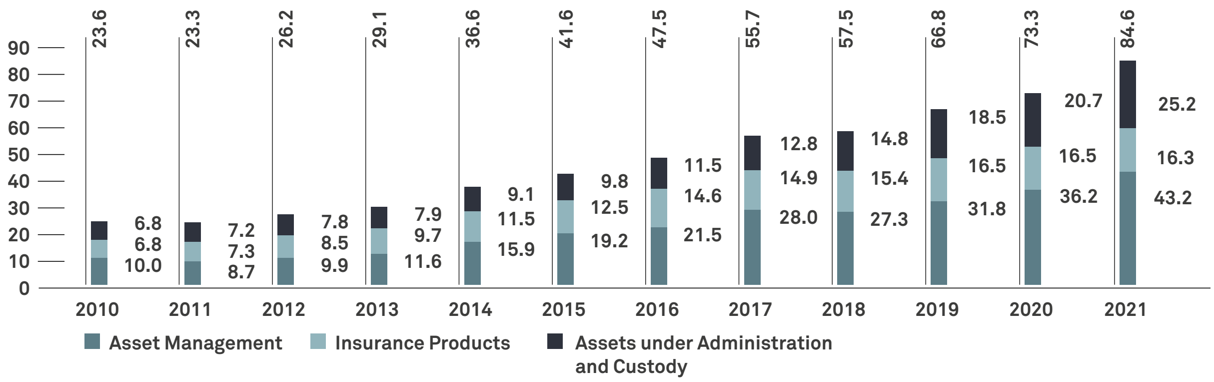
Particularly significant growth was also achieved in terms of the Financial Advisors network, whose market share rose from 9.8% in 2011 to 13.9% in 2021. In the interest of uniformity of comparison of the historical series, the set considered does not include operators availing of networks of employee Relationship Managers. In addition, the historical series was reclassified to take account of the inclusion, over time, of those operators not previously within the Assoreti perimeter.

TABLE 14: BANCA GENERALI'S AUM (ASSORETI SCOPE)

	BG GROUP		CHANGES VS 31.12.2020	
(€ MILLION)	31.12.2021	31.12.2020	IMPORTO	%
BG Group funds and Sicavs	10,445	8,792	1,653	18.8%
Third-party funds and Sicavs	12,973	10,551	2,422	23.0%
Financial wrappers	8,521	7,264	1,257	17.3%
Insurance wrappers	11,247	9,592	1,655	17.3%
Total assets under management	**43,186**	**36,199**	**6,987**	**19.3%**
Total traditional life insurance policies	16,251	16,453	-202	-1.2%
Total AUC	25,209	20,654	4,555	22.1%
Total AUM placed by the network	**84,646**	**73,306**	**11,340**	**15.5%**

In 2021, Banca Generali achieved positive results also in terms of AUM growth (+15.3% compared to December 2020). The ratio of managed products to total assets grew to 51% (49% at 31 December 2020), whereas the ratio of traditional life insurance policies declined as a result of diversification of products based on bond securities at a time of extremely low interest rates that are increasingly persis-tent (19% compared to 22% for 2020). AUC products increased by 22%, accounting for 30% of total assets.

CHART 6: BANCA GENERALI'S TOTAL ASSETS EVOLUTION 2010-2021 (ASSORETI SCOPE)(€ BILLION)

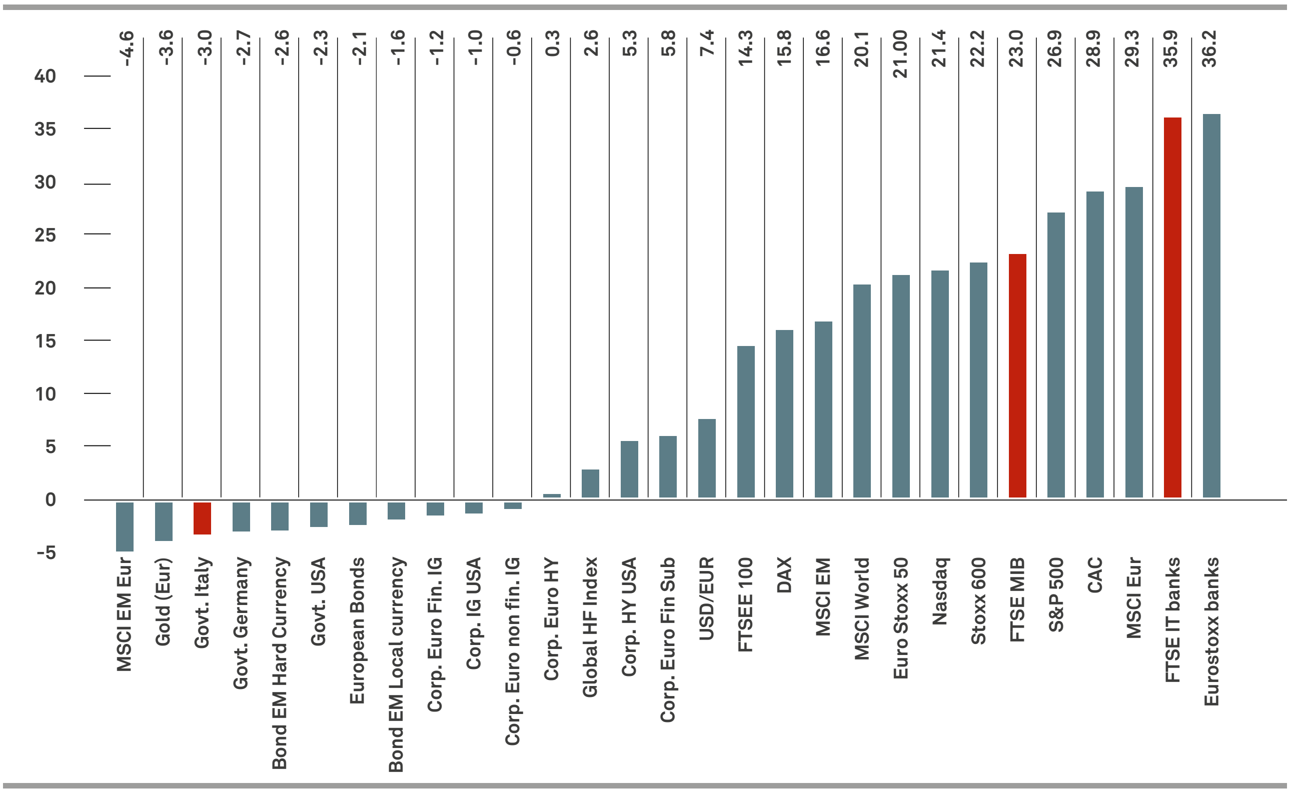


Banca Generali Stock Performance

After a 2020 marked by the outbreak and global spread of the pandemic, **2021 was a year of strong growth on equity markets**, buoyed by the extensive available liquidity and general economic growth driven by programmes in support of the real economy and accommodative policies implemented by the monetary authorities in the main Western economies. The robust performance of the main international exchanges was also driven by higher corporate earnings and the positive progress of the vaccination campaign. Late in the year, the emergence of the new omicron variant and persistent inflationary pressures resulted in a slower performance compared to the rapid growth in the previous months.

The **banking sector** was among those that benefited most from the interventions in support of the economy and the measures taken by the monetary authorities in 2021. At the Italian and European level, the sector delivered positive performances of +35.9% and +36.2%, respectively — the strongest of any asset class at the global level.

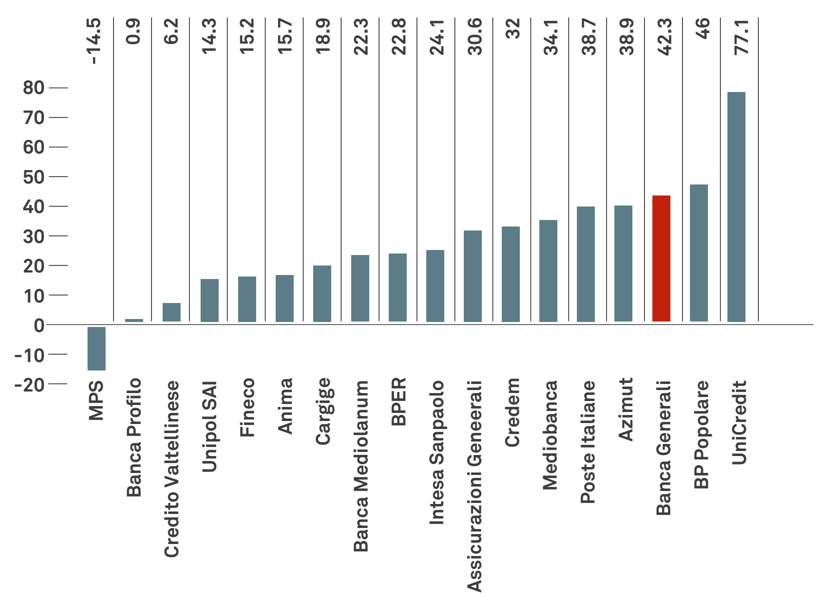
CHART 7: PERFORMANCE OF THE WORLD'S INDEXES IN 2021 (%)



In a favourable scenario for financial stocks, **Banca Generali grew by 42.3% in 2021** to close at **38.75 euros** from 27.24 euros at the end of the previous year.

The Bank thus exceeded the (already excellent) performance registered by the banking and financial sector at the Italian and European level. In addition, Banca Generali was the best of the most directly comparable stocks in Italy, which also posted significant gains (between +15% and +39%).

CHART 8: PERFORMANCE OF THE MAIN FINANCIAL STOCKS ON THE ITALIAN MARKET IN 2021 (%)

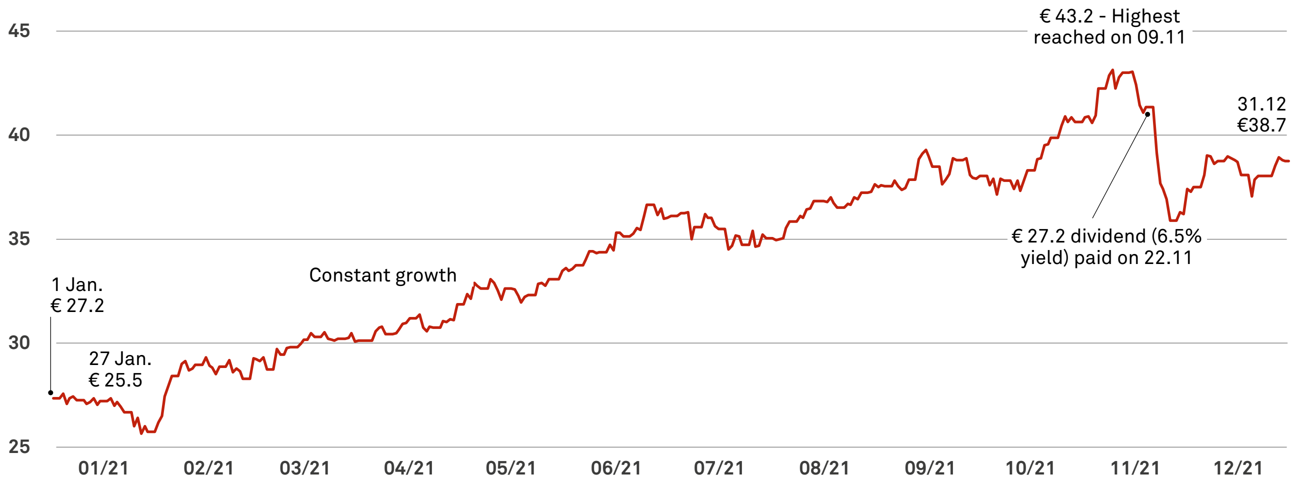


Banca Generali's positive performance was triggered by its success in terms of business expansion and profitability increase, as witnessed by the fact that it exceeded (far in advance of schedule) the sales and financial targets set by the Industrial Plan for the end of 2021.

The combination of the strong financial performance and favourable financial market scenario led the shares to reach their **all-time high since the IPO of 43.2 euros per share** on 9 November 2021.

In addition to this result, the shares also delivered **a 6.5% return** generated by the payment of the dividend of 2.7 euros on 22 November 2021. This dividend is the first of two tranches (totalling 3.3 euros a share) to be paid on cumulative 2019-2020 profits, previously suspended in accordance with the recommendations of the monetary authorities following uncertainties tied to the pandemic.

CHART 9: BANCA GENERALI STOCK PERFORMANCE IN 2021



At the end of 2021, the **Bank's capitalisation was 4,582 million euros**.

TABLE 15: MARKET PRICES OF BANCA GENERALI SHARES - SUMMARY

(EURO)	2017	2018	2019	2020	2021
Maximum	30,50	30,84	31,86	33,00	43,20
Minimum	22,79	17,03	18,24	16,86	25,54
Average	26,86	23,53	25,41	25,90	34,32
Year-end	**27,74**	**18,13**	**28,96**	**27,24**	**38,75**
Capitalisation (€ million)	**3.241**	**2.119**	**3.384**	**3.183**	**4.528**

The Bank's shares amounted to 116,851,637, of which 50.1% held by Assicurazioni Generali. In recent years, the number of the Bank's treasury shares rose, reaching 2,219,469 (1.9% of share capital) at the end of 2021. These shares are intended for the service of long-term remuneration plans for the Bank's Key Personnel, thus confirming that these policies are aligned with the stock performance.

TABLE 16: AUTHORISED SHARE CAPITAL

	2017	2018	2019	2020	2021
Number of shares issued	116,851,637	116,851,637	116,851,637	116,851,637	116,851,637
No. of outstanding shares at year-end (*)	116,379,062	115,922,547	115,384,058	115,083,961	114,632,168
Treasury shares	472,575	92,909	1,467,579	1,767,676	2,219,469

(*) Net of treasury shares.

Business Outlook

In 2022, the macroeconomic scenario will probably be characterised by generalised and robust growth both in the United States and in the European Union, fuelled by the expected positive evolution of the pandemic, although the recent war between Russia and Ukraine could lead to a negative impact on the economic recovery. According to most recent estimates, next year's global gross domestic product is expected to grow by 5%, although the main central banks have announced (or are about to announce) the end of the monetary stimuli that governments and central banks had implemented over the past years to support the whole economic system. This change of monetary policy, combined with inflation, which currently seems destined to persist in the coming months, may be a source of volatility on equity markets. However, uncertainty about the evolution of the pandemic situation at global level and on the Ukraine war loom over these positive growth prospects.

In particular, the so-called **Recovery Fund, a 750 billion euro plan** to save the countries most affected by the economic crisis caused by the coronavirus, will start to generate its positive effects on Europe's growth. Among these countries, the largest beneficiary will be Italy, where 2022 is expected to have good GDP growth with inflation set to increase due to the effects of rising energy bills, accompanied by the risks posed by political instability and downgrade of public debt.

This macroeconomic scenario is overlaid with certain dynamics in the financial intermediation sector that increase its complexity and related risks, potentially impacting results. In particular, several potential impact dynamics persist:

- the complexity of a market characterised by low returns (with the resulting drive to take more risks);
- the volatility and gradual elimination of negative rates as inflation increases;
- regulatory discontinuity (including the entry into force of the MiFID 2 Directive);
- the increasing relevance of technology as a factor for success in the business;
- the evolution of customers in terms of digital and financial literacy, as well as awareness of ESG issues.

In such a context — which is certainly complex and marked by uncertainties, with customers focused on advisory and wealth protection, but not devoid of excellent growth opportunities — choices focusing on service and product innovation, implementation of stronger financial planning and advisory skills, the higher quality of the Bank's network and the emphasis on internationalisation will continue to prove the winning elements for ensuring that Banca Generali enjoys **sustainable growth** and works to gain further market shares in the investment sector.

In light of the above, and consistently with the 2022-2024 Industrial Plan, in 2022, the Banking Group will **focus its attention on increasing the value of service** bringing the Bank even closer to its Financial Advisor network and its clients and increasing its commitment towards **sustainability** themes, while constantly ensuring greater dedication to developing **innovative** model solutions.

In line with the pillars of the new 2022-2024 Industrial Plan, the main measures to be taken in 2022 will concern:

- developing a **range of targeted solutions** that, building on the ecosystem of products, services and platforms already in place in the private segment, enables to better meet the needs of a wider client base — from Affluent clients to High-Net-Worth (HNW) individuals;
- introducing **new service models** that, in a context marked by financial advisor-centric models, allow to enhance Financial Advisors' actions through a greater support by the Bank in managing their clients;
- implementing a new **data-driven network management approach** that, based on an estimate of the growth potential of clients, Financial Advisors and local area, and on the identification of the main gaps, drives the coordinated action of the Bank, its Network Managers and Financial Advisors;
- **innovating** the Bank's model by creating a data-driven, digital and open bank through the development of digital platforms to enhance customer experience, and building new partnerships in specific fields that allow the Bank to consolidate its position with respect to industry trends;
- Consolidating its position in terms of **sustainability**, becoming a point of reference on ESG themes for all stakeholders. In particular, the Bank will be mainly committed to enhancing its value proposition based on SDGs through ongoing expansion of its ESG offering and Financial Advisors' training, creating a work environment that promotes diversity and inclusion and work-life balance, actively contributing to climate protection and acting responsibly towards communities.

Also through the strategic decisions to strike new partnerships in areas with a strong technological component, improve process efficiency, develop the activities with the greatest added value for the network and customers and consolidate its position in terms of sustainability, in 2022 the Banca Generali will focus on containing the increase in costs to levels far below revenue growth. Moreover, the modest increase in costs will be primarily oriented to digital innovation and the development of useful products and services that help further improve the quality of advice provided to customers and the network's productivity.

Economic-Financial Capital

Operating Results at Group Level and by Line of Business

Group's results

The Group's net profit for 2021 was **323.1 million euros**, up 18% compared to 2020.

Overall, **recurring profit** amounted to **176.6 million euros**, increasing by 14.8% compared to the previous year, whereas **non-recurring** items stood at **146.5 million euros (+20.9%)**.

The result of the **non-recurring** component was mainly attributable to:

> variable fees **at 220.5 million euro**, linked to the favourable market trend and the good average performance generated for clients (5.8% for 2021 and 23.8% for the three-year period);
> the **one-off charge** amounting to **80.6 million euros** incurred for the restructuring of a securitisation portfolio of healthcare receivables held by professional clients, aimed at protecting the latter from potential losses on these investments and successfully completed on 7 October 2021[39];
> a **tax benefit** of **8.6 million euros** associated with the realignment of the carrying value of goodwill, trademarks and intangible assets carried out at the end of June 2021.

TABLE 17: PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
Net interest income	83,334	89,644	-6,310	-7.0%
Net income (loss) from trading activities and dividends	28,673	19,939	8,734	43.8%
Net financial income	**112,007**	**109,583**	**2,424**	**2.2%**
Recurring fee income	942,653	782,352	160,301	20.5%
Fee expense	-495,894	-416,087	-79,807	19.2%
Net recurring fees	446,759	366,265	80,494	22.0%
Variable fee income	**220,550**	**141,765**	**78,785**	**55.6%**
Net fees	667,309	508,030	159,279	31.4%
Net banking income	**779,316**	**617,613**	**161,703**	**26.2%**
Staff expenses	**-107,844**	**-104,272**	**-3,572**	**3.4%**
Other general and administrative expenses (net of duty recovery)	-103,664	-94,595	-9,069	9.6%
Net adjustments of property, equipment and intangible assets	-35,654	-32,958	-2,696	8.2%
Other operating expenses/income	4,891	4,605	286	6.2%
Net operating expenses	-242,271	-227,220	-15,051	6.6%
Operating result	**537,045**	**390,393**	**146,652**	**37.6%**
Net adjustments to non-performing loans	**-2,524**	**-662**	**-1,862**	**281.3%**
Net provisions for liabilities and contingencies	-45,383	-30,828	-14,555	47.2%
Other one-off charges	-80,628	-	-80,628	n.a.
Contributions and charges related to the banking system	-15,475	-11,282	-4,193	37.2%
Gains (losses) from equity investments	-289	-331	42	-12.7%
Operating profit before taxation	**392,746**	**347,290**	**45,456**	**13.1%**
Income taxes for the year	-69,639	-72,396	2,757	-3.8%
Net profit attributable to minority interests	4	-25	29	-116.0%
Net profit	**323,103**	**274,919**	**48,184**	**17.5%**

[39] For further details on the restructuring of a portfolio of senior bonds issued by some special purpose vehicles for healthcare receivable securitisation that Banca Generali acquired from its customers and concurrently transferred to the Forward Fund, by subscribing its units, reference should be made to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements and to section "One-off charges" in this Director's Report.

Reclassified **net banking income** amounted to **779.3** million euros, with an increase of **161.7** million euros (+26.2%) compared to 2020, determined by the following factors:
> the contribution of **net recurring fees (+80.5 million euros; +22.0%)**, driven by:
  – the performance of **underwriting fees and fees for banking and financial services (+29.3%)**, which benefited from the revenues generated by initiatives aimed at diversifying the offering implemented in recent years (advanced advisory, placement of certificates, retail brokerage);
  – the increase in **management fee income (+19.1%)**, fuelled by the sharp rise in average assets under management (+21.3%);
> the contribution of **performance fees (+55.6%)**, as illustrated above;
> the virtual stability of **net financial income (+2.4 million euros; +2.2%)**, mainly attributable to income from treasury management, and in particular 11.0 million euros associated with the rebalancing of the financial investment portfolio launched in the third quarter of 2021, which therefore was able to offset the decline in net interest income due to a scenario that continued to be marked by extraordinarily low interest rates.

Operating expenses40 amounted to 242.3 million euros (+6.6%), confirming the thorough cost discipline and the operating leverage potential of the Bank's business model.

Core operating costs[41] totalled 214.1 million euros, up 4.9%, fully in line with the three-year targets and reflecting the AUM growth, the strengthened structure and the launch of new projects aimed at digitally and technologically developing the Bank's infrastructure.

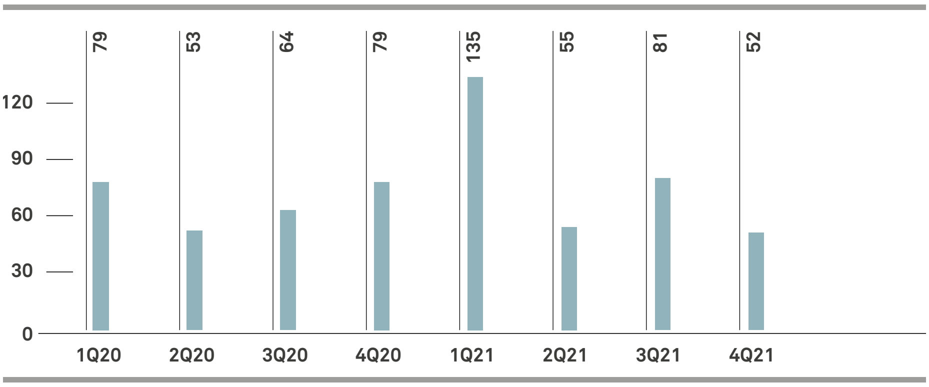
The ratio of total operating expenses to total assets further decreased to 28 bps compared to 30 bps at year-end 2020, whereas the **cost/income ratio**, adjusted for non-recurring items, remained at best practice level, decreasing to 35.8% (26.5% on a reported basis).

Provisions, net adjustments and contributions and charges related to the banking system totalled 63.3 million euros, up 20.6 million euros compared to 2020, mainly due to higher provisions for contractual indemnities for the sales network (+5.3 million euros), other items linked to overall risks and charges (+9.2 million euros) and the increase in the contributions to the funds for the protection of the banking system (+4.2 million euros).

Operating profit before taxation was 392.7 million euros, up 45.5 million euros compared to the previous year (+13.1%).

The **tax burden** for the reporting period, gross of the one-off component arising from the redemption of the value of goodwill, trademarks and intangible assets, stood at 19,9% of the profit before taxation, slightly decreasing compared to the previous year, due mainly to the increased weight of profit generated abroad. Net of the realignment, the Group's tax rate was 17.7%.

CHART 10: QUARTERLY NET PROFIT (€ MILLION)



[40] See the previous note regarding the restatement of the mandatory contributions paid by the Bank pursuant to the DSGD and BRRD for the protection of the banking system from the net operating expenses aggregate to a separate item.
[41] Recurring operating expenses net of expenses related to sales personnel. Core operating expenses referring to 2020 were restated to include also the effect of the changes in the consolidation scope of the previous year.

TABLE 18: QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
Net interest income	18,144	21,306	22,147	21,737	22,564	24,680	22,160	20,240
Net income (loss) from trading activities and dividends	3,986	13,308	8,430	2,949	9,871	1,668	4,422	3,978
Net financial income	**22,130**	**34,614**	**30,577**	**24,686**	**32,435**	**26,348**	**26,582**	**24,218**
Recurring fee income	254,271	239,167	228,059	221,156	207,082	193,268	186,523	195,479
Fee expense	-133,952	-125,147	-119,779	-117,016	-110,716	-101,580	-99,433	-104,358
Net recurring fees	**120,319**	**114,020**	**108,280**	**104,140**	**96,366**	**91,688**	**87,090**	**91,121**
Variable fee income	23,953	31,576	53,984	111,037	41,399	27,172	19,782	53,412
Net fees	**144,272**	**145,596**	**162,264**	**215,177**	**137,765**	**118,860**	**106,872**	**144,533**
Net banking income	**166,402**	**180,210**	**192,841**	**239,863**	**170,200**	**145,208**	**133,454**	**168,751**
Staff expenses	-27,794	-26,760	-26,849	-26,441	-27,801	-25,216	-25,586	-25,669
Other general and administrative expenses	-32,913	-23,826	-24,607	-22,318	-27,607	-22,128	-23,412	-21,448
Net adjustments of property, equipment and intangible assets	-9,842	-8,730	-8,875	-8,207	-9,470	-7,979	-7,771	-7,738
Other operating income/expenses	-638	566	4,029	934	1,599	767	1,469	770
Net operating expenses	**-71,187**	**-58,750**	**-56,302**	**-56,032**	**-63,279**	**-54,556**	**-55,300**	**-54,085**
Operating result	**95,215**	**121,460**	**136,539**	**183,831**	**106,921**	**90,652**	**78,154**	**114,666**
Net adjustments to non-performing loans	1,755	-228	-2,665	-1,386	1,653	2,347	-3,602	-1,060
Net provisions	-19,268	-7,536	-7,268	-11,311	-11,950	-4,487	-6,157	-8,234
Other one-off charges	-628	-	-80,000	-	-	-	-	-
Contributions and charges related to the banking system	-958	-8,380	-1,508	-4,629	-134	-7,129	-965	-3,054
Gains (losses) from equity investments	-112	-68	-50	-59	-204	-52	-38	-37
Operating profit before taxation	**76,004**	**105,248**	**45,048**	**166,446**	**96,286**	**81,331**	**67,392**	**102,281**
Income taxes for the year	-23,722	-24,503	9,588	-31,002	-17,159	-17,505	-14,502	-23,230
Net profit attributable to minority interests	42	-20	-36	18	-12	-6	-6	-1
Net profit	**52,240**	**80,765**	**54,672**	**135,426**	**79,139**	**63,832**	**52,896**	**79,052**

Net interest income

At the end of 2021, net interest income amounted to 83.3 million euros, declining by 6.3 million euros (-7.0%) compared to 2020 as a result of a scenario constantly marked by very low interest rates, which negatively and significantly impacted reinvestment of maturing loans.

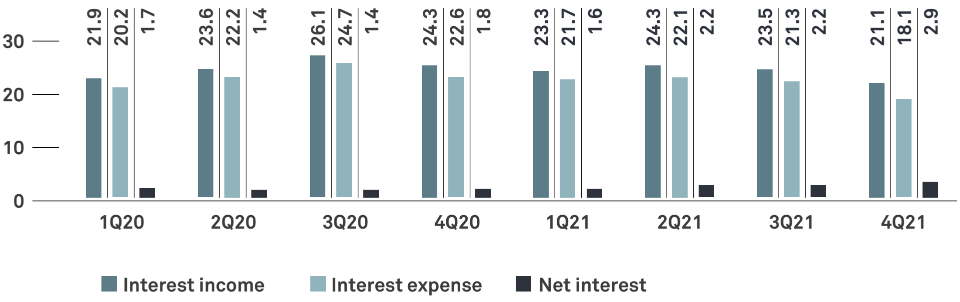
In detail, the debt securities portfolio showed a decline in interest income of 10.5 million euros (-15.5%), fully attributable to the sharp decrease in market interest rates (-31%) that amply offset the increase in average loans (+15.8%).

In addition, within the restructuring of a portfolio of securitised health receivables held by its professional clients in the third quarter of 2021, described in further detail below[42], the investment portfolio was rebalanced. This entailed the divestment of certain positions — mainly corporate securities with high RWA absorption — totalling 440 million euros and the realisation of gains of approximately 11 million euros included in net trading profit. As a result of these divestments and the management of the liquidity generated, net interest income reported a further decline in the fourth quarter, which is expected to be partially offset in the next quarters.

This performance was only partially offset by the increase in loans to customers (+13.6%) and higher proceeds associated with the ECB's financing transactions under the TLTRO 3 programme.

[42] For further details on the restructuring of a portfolio of senior bonds issued by some special purpose vehicles for healthcare receivable securitisation that Banca Generali acquired from its customers and concurrently transferred to the Forward Fund, by subscribing its units, reference should be made to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements and to section "One-off charges" in this Director's Report.

CHART 11: NET INTEREST (€ MILLION)



The average yield of the bond portfolio for the year was approximately 59 bps compared to 81 bps for 2020. The decline in yields was attributable to the following factors:

- greater portfolio diversification and an Italy risk declining from 70.69% to 60.9% in favour of countries with the highest rating, above BBB+ from 6% to 18%;
- the portfolio expansion (+1.2 billion euros compared to the end of 2020) with declining reinvestment rates, in line with the market trend;
- the prudential decline in the portfolio duration from 1.5 to 1.3 years, in line with the Bank's liabilities.

By contrast, interest on loans to customers, most of which are benchmarked on the Euribor, grew significantly (+13.6%), mainly as a result of the increase in the average loan volume (+11.2%), which benefited from both the mortgage loans secured by guarantees from the SME fund granted in 2020 and the marked increase in Lombard loans.

TABLE 19: NET INTEREST INCOME

			CHANGE	
(€ THOUSAND)	2021	2020	AMOUNT	%
Financial assets measured at fair value through profit or loss	99	61	38	62.3%
Financial assets at fair value through other comprehensive income (*)	-5,569	748	-6,317	n.a.
Financial assets measured at amortised cost (*)	62,804	67,010	-4,206	-6.3%
Total financial assets	**57,334**	**67,819**	**-10,485**	**-15.5%**
Loans to banks	31	158	-127	-80.4%
Loans to customers	24,473	21,542	2,931	13.6%
Other liabilities (negative interest expense)	10,380	6,338	4,042	63.8%
Total interest income	**92,218**	**95,857**	**-3,639**	**-3.8%**
Due to banks	823	865	-42	-4.9%
Due to customers	650	743	-93	-12.5%
IFRS 16-related financial liabilities	3,340	3,450	-110	-3.2%
Other assets (negative interest income)	4,071	1,155	2,916	252.5%
Total interest expense	**8,884**	**6,213**	**2,671**	**43.0%**
Net interest income	**83,334**	**89,644**	**-6,310**	**-7.0%**

(*) Including hedging differentials.

The negative interest income paid to counterparties on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 4.1 million euros and 10.4 million euros, respectively.

Income accrued referred to:

- the ECB's refinancing transactions as part of the TLTRO 3 programme (6.6 million euros), increasing compared to 2020 (+3.8 million euros);

- current account deposits by institutional and non-institutional customers, for specific agreements and particularly high deposit brackets (3.4 million euros);
- to a residual extent, treasury funding repurchase agreement transactions with banks and customers (0.4 million euros).

The charges incurred primarily included interest on balances with the ECB (2.7 million euros), referring to amounts in excess of the exemption thresholds introduced by the ECB's tiering system[43].

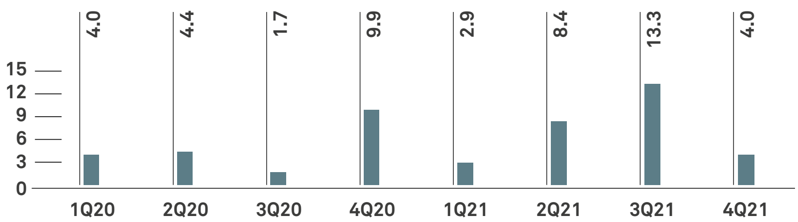
TABLE 20: NET NEGATIVE INTEREST

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
Banks	6,829	2,955	3,874	131.1%
Customers	3,551	3,383	168	5.0%
Total negative interest expense	**10,380**	**6,338**	**4,042**	**63.8%**
Banks	4,045	1,074	2,971	276.6%
Customers	26	81	-55	-67.9%
Total expense for negative interest income	**4,071**	**1,155**	**2,916**	**252.5%**
Net negative interest income and expense	**6,309**	**5,183**	**1,126**	**21.7%**

Net income from trading activities and dividends

Net income from trading activities and dividends is composed of the net income on financial assets and liabilities held for trading and other assets measured at fair value through profit or loss, realised gains and losses from the disposal of financial assets measured at fair value through other compre-hensive income and financial assets measured at amortised cost, dividends and any gain or loss on hedging.

CHART 12: NET RESULT OF FINANCIAL OPERATIONS (€ MILLION)



At the end of 2021, the item yielded a positive contribution of 28.7 million euros, up sharply compared to the previous year, as a result of the aforementioned portfolio rebalancing.

[43] In particular, effective 2019, a variable part of the liquidity in excess of the mandatory reserve held by the credit institutions with the ECB, up to a threshold determined by the mandatory reserves multiplied by six, is exempt from the application of the deposit facility rate, which is currently at -0.5%, and is remunerated at zero percent.

TABLE 21: NET RESULT OF FINANCIAL OPERATIONS

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	%
Dividends and income on UCITS	**1,084**	**2,328**	**-1,244**	**-53.4%**
Trading of financial assets and equity derivatives	-122	-119	-3	2.5%
Trading of financial assets and derivatives on debt securities and interest rates	31	-36	67	-186.1%
Trading of UCITS units	-56	-125	69	-55.2%
Securities transactions	-147	-280	133	-47.5%
Currency and currency derivative transactions	6,653	6,325	328	5.2%
Net income (loss) from trading activities	**6,506**	**6,045**	**461**	**7.6%**
Equity securities and UCITS	97	-3,157	3,254	-103.1%
Debt securities	334	-37	371	n.a.
Financial Advisors' policies	411	373	38	10.2%
Net income (loss) on assets mandatorily measured at fair value through profit and loss	**842**	**-2,821**	**3,663**	**-129.8%**
Net income (loss) from hedging	**2,088**	**-906**	**2,994**	**n.a.**
Gains (losses) from disposal on HTC and HTCS debt securities	18,153	15,293	2,860	18.7%
Net result of financial operations	**28,673**	**19,939**	**8,734**	**43.8%**

Net income from **trading activities** amounted to 6.7 million euros, mainly thanks to the contribution of currency operations.

Outside of the trading book, **net income of assets mandatorily measured at fair value** through profit or loss increased by 3.7 million euros as a result of lower capital losses on investments in UCTIS and other securities. **Net income from hedging** was positive for 2.1 million euros, attributable to the restructuring and the early closing of several asset swap transactions following the disposal of the underlying security.

With regard to the treasury management of debt securities, the HTC portfolios and, to a lower extent, the HTCS portfolios recorded net gains on disposals totalling 18.2 million euros, up compared to 15.3 million euros at the end of the previous year, mainly as a result to the above-mentioned portfolio rebalancing.

Fee income

Fee income amounted to 1,163 million euros, increasing by nearly 26% compared to 2020, driven by higher recurring fees (+20.5%) and the robust growth of nearly 56% in variable fees.

TABLE 22: FEE INCOME

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	%
Underwriting fees	42,724	32,375	10,349	32.0%
Management fees	804,323	675,406	128,917	19.1%
Fees for other services	95,606	74,571	21,035	28.2%
Recurring fees	942,653	782,352	160,301	20.5%
Performance fees	**220,550**	**141,765**	**78,785**	**55.6%**
Total fee income	**1,163,203**	**924,117**	**239,086**	**25.9%**

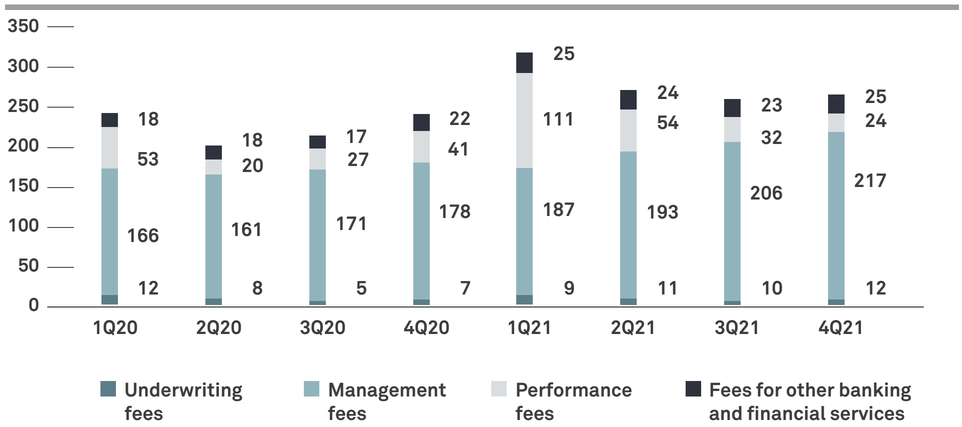
With regard to recurring fees, the increase in the Group's average assets under management (+21.2%) compared to 2020, also triggered by market performance and the gradual shift of customers towards managed solutions, led to a sharp increase in **gross management fees**, which amounted to 804.3 million euros (+19.1%).

The growth was also driven by the significant rise in **underwriting fees and fees for other services, of a banking and financial nature**, that stood at **138.3 million euros** (+29.3%), attributable to the revenues generated by the initiatives aimed at diversifying the Assets under Advisory (BGPA) range (+33.8%), the excellent results of the placement of certificates (+45.9%) and the contribution of the retail brokerage activities (+21.9%), among which the BG SAXO platform continued to gain momentum.

In this regard, it should be noted that **Assets under Advisory** grew significantly at the end of 2021, bringing the total value of AUM to 7.3 billion euros (+21%), accounting for 8.5% of total managed assets.

The **non-recurring component** grew further as a result of the market trends and the positive performance of the Sicavs promoted by the Group (+55.6%) and reached 220.5 million euros compared with 141.8 million euros for the previous year.

CHART 13: BREAKDOWN OF FEE INCOME (€ MILLION)



Fee income from the solicitation of investment and asset management of households reached 1,068 million euros, with a 19.9% increase compared to 2020, net of the aforementioned non-recurring component.

TABLE 23: ASSET MANAGEMENT FEE INCOME

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
1. Collective portfolio management	533,868	392,834	141,034	35.9%
2. Individual portfolio management	92,646	79,591	13,055	16.4%
Fees for portfolio management	**626,514**	**472,425**	**154,089**	**32.6%**
1. Placement of UCITS	146,039	108,622	37,417	34.4%
2. Placement of bonds and equity securities	25,109	18,932	6,177	32.6%
of which: certificates	*23,087*	*15,823*	*7,264*	*45.9%*
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	1,095	898	197	21.9%
4. Distribution of third-party insurance products	268,182	247,984	20,198	8.1%
5. Distribution of other third-party financial products	658	684	-26	-3.8%
Fees for the placement and distribution of financial services	**441,083**	**377,120**	**63,963**	**17.0%**
Asset management fee income	**1,067,597**	**849,545**	**218,052**	**25.7%**

Fee income from **distribution of insurance products** continued to report constant progress (+8.1% compared to 2020), thanks to the steady increase in average AUM in this segment (+6.1%).

With regard to the **Sicavs** promoted by the Banking Group, management fees — net of the effect of non-recurring performance components — grew by 26.0% compared to 2020, thanks to the constant success of the Lux IM Sicav, recently expanded with 23 new sub-funds focused on responsible investment, macro-trends and real economy. This Sicav reported 16.5 billion euro AUM (of which 7.3 billion euros placed directly by the Financial Advisor network).

Fees for the **placement of UCITS** amounted to 146.0 million euros, with an increase of 45.5% on 2020 that showed the constant demand by customers for à-la-carte funds and Sicavs.

The placement of **certificates**, which grew by 45.9% compared to the previous year (+7.3 million euros), was already back to pre-pandemic levels, nearing the record levels reported in the first quarter of 2020.

Fee income for other services, of a banking and financial nature, amounted to 95.6 million euros, thanks to the robust growth in Assets under Advisory (+33.8%) and greater fees for trading driven by the increase in retail customers' trading volumes (+21.9%), including through ongoing growth of operations on the BG Saxo platform.

The marked rise in current account keeping fees (+152.5%) was the result of the effects of the current account repricing action, implemented at the beginning of February this year[44].

TABLE 24: FEE INCOME FOR OTHER SERVICES

			CHANGE	
(€ THOUSAND)	2021	2020	AMOUNT	%
Fees for trading and custody	38,928	31,922	7,006	21.9%
Investment advisory fees	43,720	32,945	10,775	32.7%
o f which: BG Advisory	*35,526*	*26,558*	*8,968*	*33.8%*
Fees for collection and payment services	4,381	4,180	201	4.8%
Fee income and account-keeping expenses	5,017	1,987	3,030	152.5%
Fees for other services	3,560	3,537	23	0.7%
Total fee income for other services	**95,606**	**74,571**	**21,035**	**28.2%**

Fee expense

Fee expense, including fee provisions[45], amounted to 495.9 million euros. The 19.2% increase for the year was essentially in line with the recurring fee income performance (+20.5%).

The Bank's ratio of total payout to total fee income (net of performance fees) was thus 52.6%, slightly down compared to 2020 (53.2%).

[44] The repricing action mainly concerns the item of expenditure referred to as "Annual expenses for interest and fee calculation", for which an increase of 25 euros per annum has been set. This can be reduced to zero if the assets invested by the customer in asset management and/or insurance products, at 31 December in the year, amount to at least 100,000 euros or the customer has entered into an advanced advisory contract.

[45] In order to ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentives related to sales and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 21.4 million euros for 2021 and 14.8 million euros for 2020.

TABLE 25: FEE EXPENSE

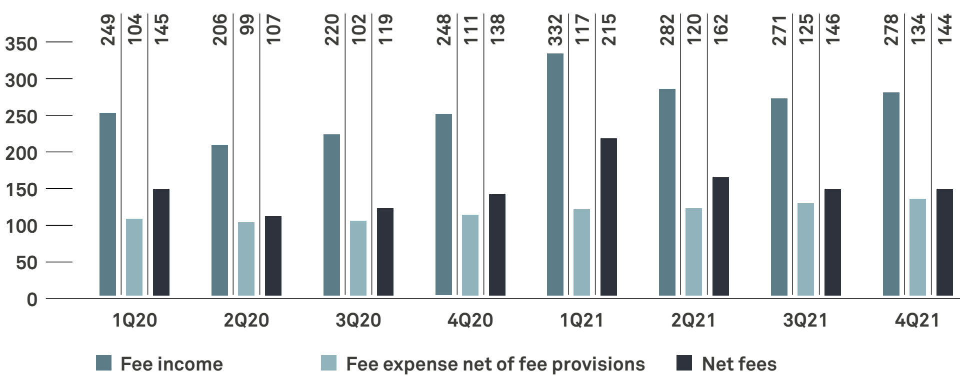
(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
Fees for off-premises offer	440,299	370,628	69,671	18.8%
Ordinary payout	*336,919*	*281,540*	*55,379*	*19.7%*
Extraordinary payout	*103,380*	*89,088*	*14,292*	*16.0%*
Other fees	55,595	45,459	10,136	22.3%
Fees for portfolio management	*36,505*	*30,639*	*5,866*	*19.1%*
Fees for trading in securities and custody	*9,964*	*7,513*	*2,451*	*32.6%*
Fees for collection and payment services	*4,029*	*3,871*	*158*	*4.1%*
Fees for other services	*5,097*	*3,436*	*1,661*	*48.3%*
Total fee expense	**495,894**	**416,087**	**79,807**	**19.2%**

Fee expense for off-premises offer paid to the Financial Advisor network amounted to 440.3 million euros, up 69.7 million euros compared to 2020 (+18.8%), mainly attributable to the increase in ordinary payout (+55.4 million euros), driven by the placement of certificates and advisory and, to a lower extent, to incentive fees (+14.3 million euros).

Fees for portfolio management stood at 36.5 million euros and mostly referred to administration and third-party management fees incurred by the Group's management company for the management of the Sicavs under administration.

Other **fee expense for other services, of both a banking and financial nature**, totalled 19.1 million euros, increasing compared to the 2020 (+28.8%), chiefly as a result of higher fees for trading and custody of securities (+2.4 million euros) and the increase in other fees (+1.7 million euros).

CHART 14: BREAKDOWN OF QUARTERLY FEE INCOME (€ MILLION)



Operating expenses

Operating expenses[46] amounted to 242.3 million euros, up 15.1 million euros compared to 2020 (+6.6%)[47].

Core operating expenses [48] — reclassified including the recent acquisitions — totalled 214.1 million euros (+4.9%), showing an increase that fell within the range set in the three-year Plan and reflecting the AUM growth, the strengthened structure and the launch of new projects aimed at digitally and technologically developing the Bank's infrastructure.

TABLE 26: OPERATING EXPENSES

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
Staff expenses	107,844	104,272	3,572	3.4%
General and administrative expenses and other net income	98,773	89,990	8,783	9.8%
Net adjustments of property, equipment and intangible assets	35,654	32,958	2,696	8.2%
Operating expenses	**242,271**	**227,220**	**15,051**	**6.6%**

Within this aggregate, **staff expenses**, including employees, interim staff and directors, reached 107.8 million euros, up 3.6 million euros (+3.4%) as a result of the workforce turnover and the contained increase in the variable component, arising from the excellent results the Group reported in the year.

TABLE 27: STAFF EXPENSES

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
1 **Employees**	**106,629**	**103,008**	**3,621**	**3.5%**
Ordinary remuneration	77,169	75,166	2,003	2.7%
Variable remuneration and incentives	23,522	21,251	2,271	10.7%
Other employee benefits	5,938	6,591	-653	-9.9%
2) **Other staff**	**-362**	**-237**	**-125**	**52.7%**
3) **Directors and Auditors**	**1,577**	**1,501**	**76**	**5.1%**
Total	**107,844**	**104,272**	**3,572**	**3.4%**

The Group had an employee headcount of 986 at 31 December 2021, increasing compared to the previous year, whereas average headcount rose slightly by 14 compared to 2020.

[46] See the previous note regarding the restatement of the mandatory contributions paid by the Bank pursuant to the DSGD and BRRD for the protection of the banking system from the net operating expenses aggregate to a separate item.

[47] The aggregate included one-off charges of approximately 7.5 million euros linked to M&A transactions.
They mainly included charges linked to M&A transactions underway for 6.6 million euros, of which 4,4 million euros referring to the incorporation and start of operations of BG Suisse and the amortisation of intangible assets arising from the acquisition of Nextam and Valeur for 0.9 million euros, in addition to start-up costs incurred by BG Suisse.
One-off operating charges for 2020 — restated to exclude the effect of the changes in the consolidation scope — had amounted to 4.6 million euros, of which 1.0 million euros for Covid-19-related donations, 0.9 million euros referring to amortisation of intangible assets recognised following the merger transactions, and the remainder (2.7 million euros) to M&A transactions.

[48] Core operating expenses include operating expenses net of costs related to sales personnel and amounted to 20.6 million euros at the end of 2021 (18.6 million euros at the end of 2020).

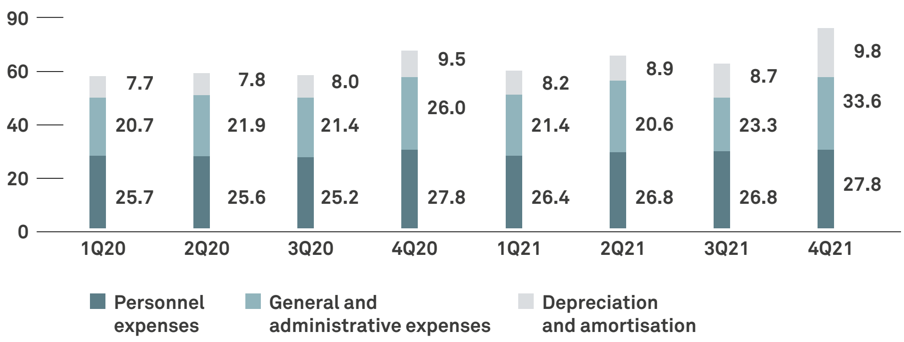
TABLE 28: EMPLOYEES

	31.12.2021	31.12.2020	CHANGE		WEIGHTED AVERAGE (*)	
			IMPORTO	%	2021	2020
Managers	67	65	2	3.1%	66	67
Executives	337	321	16	5.0%	331	312
3rd and 4th level executives	*184*	*175*	*9*	*5.1%*	*180*	*177*
1st and 2nd level executives	*153*	*146*	*7*	*4.8%*	*151*	*135*
Other employees	582	576	6	1.0%	558	561
Total	**986**	**962**	**24**	**2.5%**	**954**	**940**

(*) Quarterly weighted average, with part-time employees considered at 50% by convention.

Other general and administrative expenses and other net income amounted to 98.8 million euros, with an 8.8 million euro increase compared to the previous year (+9.8%), also largely attributable to the effect of one-off charges.

CHART 15: OPERATING COST STRUCTURE (€ MILLION)



Net provisions

Net provisions not related to fees[49] amounted to 45.4 million euros, up 14.6 million euros compared to the previous year, mainly due to higher provisions to cover contractual commitments to the sales network (+5.3 million euros), provisions for legal disputes (5 million euros) and the new redundancy incentive plan (2.3 million euros).

TABLE 29: NET PROVISIONS

(€ THOUSAND)	2021	2020	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	905	1,693	-788	-46.5%
Restructuring provisions — Voluntary redundancy plan	2,300	-365	2,665	n.a.
Provision for legal disputes	5,390	2,464	2,926	118.8%
Provision for contractual indemnities to the sales network	30,316	24,999	5,317	21.3%
Other provisions for liabilities and contingencies	865	2,020	-1,155	-57.2%
Provision for tax and contributions dispute	5,688	-	5,688	n.a.
Guarantees and commitments	-81	17	-98	n.a.
Total	**45,383**	**30,828**	**14,555**	**47.2%**

[49] Fee provisions, which amounted to 21.4 million euros (14.8 million euros in 2020), are recognised under the fee expense aggregate.

Net provisions for contractual indemnities included 13.3 million euros referring to the Framework Loyalty Programme for the Financial Advisor Network, of which the fifth cycle has been launched for the period 2021-2026, and 17.0 million euros referring to the end-of-service indemnity pursuant to Article 1751 of the Italian Civil Code and other correlated contractual mechanisms (portfolio development, management development, retirement bonus).

Net of the Framework Loyalty Programme, the increase in provisions for contractual indemnities was due to the significant increase in the base fees accrued, the change in the discount rate curve applied[50] and the revision of the demographic parameters used due to the modification of the retirement age of Financial Advisors on the basis of the most recent observations made[51].

With regard to provisions relating to personnel, on 17 December 2021 Banca Generali's Board of Directors approved to activate an incentive plan to facilitate the voluntary departure of employees nearest retirement, also in light of the different professional competences linked to the launch of the new 2022-2024 Industrial Plan. The plan, for which 2.3 million euros has been provisioned, has an annual duration ending on 31 December 2022 and is primarily addressed to the pool of employees who will qualify for a pension within five years of termination of employment.

Extraordinary expenses: the healthcare receivable restructuring operation

This item refers to the capital losses and other losses incurred by Banca Generali in relation to an extensive restructuring of a portfolio of senior notes issued by an SPV securitising healthcare receivables, with a notional amount of 478 million euros, held by its professional clients, in order to protect them against a potential loss on the investments concerned.

In particular, the restructuring of the portfolio entailed the following[52]:

> the purchase of the senior securitised notes from the clients for an amount of **457.6 million** euros;

> the simultaneous sale of the notes so purchased to a newly formed Italian fund (AIF), the "Forward Fund", managed by Gardant Investor SGR, for **377.7 million euros**, with the Bank recognising a trading loss of **79.9 million euros**[53];

> the subscription by the Bank of the majority of the shares of the above Fund, with a **98%** stake; in particular, Banca Generali subscribed shares of the newly formed fund totalling **490 million euros** (A shares), of which **378 million euros** already paid at the time of purchase of the notes, whereas the remaining **10 million euros** (B shares) were subscribed by Gardant S.p.A., the parent company of the management firm that promoted the formation and assumed full, independent management of the fund.

To carry out this operation, in last July Banca Generali tendered an offer to all interested clients. This offer was successfully completed on 30 September 2021 and settled on 7 October 2021, concurrently with the sale of the notes to the fund and subscription of the shares. The operation had a 100% success rate, with all clients participating in the initiative.

The shares of the Forward Fund subscribed were recognised in the portfolio of **financial assets mandatorily measured at fair value** through profit or loss, with an unrealised loss of approximately **0.7 million euros** during the year.

The decision was taken in light of certain critical issues in the procedures for the recovery of the healthcare receivables — also related to the long-standing pandemic situation —, and in light of the outcome of an analysis of the receivables portfolio carried out with the support of a sector specialist that gave a lower-than-expected valuation.

[50] In particular, the discount rate applied to actuarial provisions is determined on the basis of the annual average EURIRS rates applicable to the average life of the population, increased by the spread between the ten-year BTP and ten-year EURIRS. The rate used was therefore decreased as a result of the narrowing of spreads on government bonds in the December 2020–December 2021 period.

[51] In particular, on the basis of observations of the average retirement age over a 5-year time horizon, the estimated age for Financial Advisors was raised to about 70, an increase of two years over the estimate based on the legal parameters.

[52] For further information on the transaction, reference should be made to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements.

[53] Total one-off charges reported include also capital losses arising from the fair value adjustment of the units of the Fund, whose value was estimated at 0.7 million euros at 31 December 2021.

In this regard, it bears noting that although the Bank had acted only as Placement Agent in these securitisation transactions, it has nonetheless decided to undertake to protect its clients and strengthening its trust-based relationship with them.

The strategic goal of the restructuring was thus essentially to transfer the aforementioned notes from the Bank's customers to a specialised, independent professional operator with specific expertise in managing illiquid portfolios and the servicing of securitisations, capable of optimising the process of recovering the cash flows generated by the notes by restructuring their maturities and ensuring better management of the repayment of the underlying receivables and concurrent reinvestment of the proceeds of such payments.

When fully operational, the Fund, which has a duration of 15 years, will be tasked with managing a complex portfolio of alternative investments, also including infrastructure and corporate lending investments, up to a maximum investment of 550 million euros, in order to achieve an expected total return of between 2% and 3% over the life of the Fund.

In this framework, the position taken by the Bank was essentially that of passive investor in a broader financial instrument, fully compliant with its investment policies.

Accordingly, the Fund Regulations signed by Banca Generali provide that, within the framework of the guidelines established, all powers relating to relevant decisions regarding management of the fund be irrevocably transferred to the management company, which may therefore operate in full autonomy, reserving only rights of a protective nature for the Bank.

The complex transaction outlined above required significant assessments of the accounting treatment adopted.

In particular, on the basis of IFRS 9, the Bank deemed the requirements to have been met for derecognition of the senior notes transferred and the recognition of the Forward Fund among financial assets mandatorily measured at fair value.

In addition, despite a very significant exposure to the risks and benefits of the investment, there was not deemed to be a situation of control pursuant to IFRS 10 since the Bank, as stated above, has exclusively rights of a protective nature and is therefore not able to influence its management.

In addition, the subsequent measurement of the fund at fair value is also subject to subjective assessments by company management.

Adjustments

Net adjustments to non-performing loans amounted to 2.5 million euros, up compared to the previous year.

TABLE 30: NET ADJUSTMENTS TO NON-PERFORMING LOANS

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	2021	2020	CHANGE
Specific adjustments/reversals	**-1,455**	**601**	**-854**	**-1,267**	**413**
Non-performing loans of the banking book	-1,019	587	-432	-683	251
Operating loans to customers	-436	14	-422	-584	162
Portfolio adjustments/reversals	**-1,670**	**-**	**-1,670**	**605**	**-2,275**
Performing debt securities	-911	-	-911	1,534	-2,445
Performing loans to customers and banks	-759	-	-759	-929	170
Total	**-3,125**	**601**	**-2,524**	**-662**	**-1,862**

Provisions for expected credit losses (ECLs) on the portfolio of debt securities and on performing loans to customers and banks (Stage 1 and Stage 2) showed net adjustments for 1.7 million euros.

The portfolio of performing loans to customers reported adjustments for 0.8 million euros, mainly attributable to the new rating models for the private and corporate segments.

The debt securities portfolio recorded net adjustments for 0.9 million euros as a result of the expansion of investment volumes, only partly offset by a lower risk level of the government bond portfolio.

Specific adjustments totalled 0.9 million euros and referred to new positions classified as unlikely-to-pay and past-due (0.4 million euros) and the impairment or write-off of past advances to Financial Advisors and operating receivables for services rendered to customers (0.4 million euros).

Contributions and charges related to the banking system

Expenses related to the contributions to the Italian National Resolution (FRN) and Interbank Deposit Protection Funds (FITD) amounted to 15.5 million euros, increasing by 4.2 million euros compared to the previous year.

This aggregates included ordinary contributions to the **Single Resolution Fund** (4.6 million euros), the last tranche of the addition contribution to the aforementioned **National Resolution Fund** (FRN), managed by the Bank of Italy to cover the prior expenses related to interventions undertaken in 2015 as part of the Resolution plan for four local banks (1.5 million euros), and the contributions to the **Interbank Deposit Protection Fund** (FITD), amounting to 9.3 million euros and including additional contributions necessary to the gradual replenishment of outlays linked to the bail-outs implemented in the previous years[54].

TABLE 31: CONTRIBUTIONS AND CHARGES RELATED TO THE BANKING SYSTEM

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
BRRD - FRU: ordinary contributions	4,629	3,054	1,575	51.6%
BRRD - FRN: additional contributions (for four banks in 2015)	1,508	964	544	56.4%
DGSD - FITD: ordinary and additional contributions	6,951	5,093	1,858	36.5%
DGSD - FITD: additional contributions for interventions (Carige, Banca Popolare di Bari)	2,387	2,171	216	9.9%
Contributions and charges related to the banking system	**15,475**	**11,282**	**4,193**	**37.2%**

Income taxes

Income taxes for the year on a current and deferred basis were estimated at 69.6 million euros and included the benefits arising from the operations to realign the carrying and tax values of goodwill, trademarks and other intangible assets at the end of the first half of 2021, amounting to 8.6 million euros.

Gross of this component, ordinary taxes for the year would have been 78.3 million euros, up 5.9 million euros compared to the previous year.

The estimated total tax rate declined to 17.7%, whereas the tax rate gross of the realignment operations was 19.9%, down compared to the previous year (20.8%), chiefly due to the increase in the share of profits generated abroad.

[54] Reference is made in particular to the interventions in favour of Carige in 2019 and of Banca Popolare di Bari in 2020, whose effects on the FITD resources have been divided in instalments up to 2024.

TABLE 32: INCOME TAXES

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
Current taxes for the year	-90,729	-74,348	-16,381	22.0%
Prior years' taxes	1,482	2,058	-576	-28.0%
Changes of prepaid taxation (+/-)	13,927	1,530	12,397	n.a.
Changes of deferred taxation (+/-)	5,681	-1,636	7,317	n.a.
Total	**-69,639**	**-72,396**	**2,757**	**-3.8%**
Realignment operations	8,627	-	8,627	n.a.
Taxes gross of realignment operations	**-78,266**	**-72,396**	**-5,870**	**8.1%**

Realignment operations

At the end of the first half of the year, Banca Generali proceeded to exercise the option to carry out several operations to realign the carrying and tax values of goodwill, trademarks and other intangible assets, through payment of the related substitute taxes by the income tax payment deadline for the 2020 tax period.

In detail, misalignments between carrying and tax values were subject to realignment in the following cases:

- goodwill stated in the Financial Statements at 31 December 2019, pursuant to Article 110 of Decree Law No. 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law through payment of a 3% substitute tax, and subsequent right to benefit from the ensuing off-balance sheet amortisation over a period of 18 years (subsequently raised to 50 years);
- goodwill, trademarks and intangible assets, resulting from the merger — effective 1 January 2020 for accounting and tax purposes — of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  - Article 15 of Decree Law No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
  - Article 176, paragraph 2-*ter*, of the TUIR (so-called "ordinary redemption"), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset.

The first operation concerned both goodwill resulting from taxable operations for which the misalignment was generated by the off-balance sheet deduction of amortisation amounts, and goodwill resulting from tax-neutral merger operations, for which the Bank had in the past already exercised the special redemption option.

These operations led to:

- the **release of the deferred tax liabilities (DTLs)** for the accounting items deriving from taxable operations (purchase of business units) for which the off-balance sheet amortisation of the tax value has already been made, for an amount of 6.2 million euros;
- the recognition, in compliance with the OIC application document No. 1 of 27 February 2009, of **deferred tax assets (DTAs)** for the accounting items from **non-taxable operations (mergers)**, for an amount of 6.5 million euros;
- **the recognition through profit and loss of the substitute tax** paid and to be paid in instalments for an amount of 4.0 million euros.

Substitute tax on realignments	-4,026
DTAs recognised on realigned goodwill	6,463
Reversal of DTLs on goodwill, trademarks and intangible assets	6,190
Economic impact of realignments	**8,627**

With regard to the realignment of goodwill pursuant to Article 110 of Decree Law 104/2021, the 2022 Budget Law (Law 234 of 30.12.2021) extended the duration of tax amortisation from 18 to 50 years, without prejudice to the possibility of maintaining the initial duration of 18 years by paying the greater tax due for the ordinary redemption transactions or revoking the transaction in full with a refund of the substitute tax paid. As a consequence of these changes, Banca Generali derecognised the DTAs the reversal period of which exceeds the initial term of 18 years, for a total of 4.5 million euros.

Earnings per share

In 2021, basic net earnings per share were 2.81 euros, up sharply compared to the previous year (+0.43 euros).

	2021	2020	CHANGE AMOUNT	CHANGE %
Net profit for the year (€ thousand)	323,103	274,919	48,184	17.5%
Earnings attributable to ordinary shares (€ thousand)	323,103	274,919	48,184	17.5%
Average number of outstanding shares (thousand)	115,016	115,340	-324	-0.3%
EPS - Earnings per share (euros)	**2.81**	**2.38**	**0.43**	**17.9%**
Average number of outstanding shares with diluted share capital	115,016	115,340	-324	-0.3%
EPS – Diluted earnings per share (euros)	**2.81**	**2.38**	**0.43**	**17.9%**

Comprehensive income

The Banking Group's comprehensive income is determined by the consolidated net profit and all other components that contribute to company performance without being reflected in the Profit and Loss Account, such as changes in valuation reserves for HTCS debt securities measured at fair value through other comprehensive income.

At the end of 2021, the latter component provided a negative overall contribution of -4.3 million euros, against a net positive change of 0.9 million euros recorded at the end of the previous year.

In detail, HTCS portfolio valuation reserves decreased as a result of the following factors:

> a decrease in net valuation capital gains totalling -3.1 million euros, gross of adjustments and reversal of collective reserves;
> the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-3.3 million euros);
> a positive net tax effect (+2.1 million euros) associated with the above changes and mainly resulting from a net reduction in DTLs.

TABLE 33: COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
Net profit	**323,107**	**274,894**	**48,213**	**17.5%**
Other income, net of income taxes:				
with transfer to Profit and Loss Account:				
Exchange differences	494	-2	496	n.a.
Financial assets measured at fair value through other comprehensive income	-4,336	862	-5,198	n.a.
without transfer to Profit and Loss Account:				
Financial assets measured at fair value through other comprehensive income	-327	-210	-117	55.7%
Actuarial gains (losses) from defined benefit plans	630	-318	948	n.a.
Total other income, net of income taxes	**-3,539**	**332**	**-3,871**	**n.a.**
Comprehensive income	**319,568**	**275,226**	**44,342**	**16.1%**
Consolidated comprehensive income attributable to minority interests	67	-21	88	n.a.
Comprehensive income attributable to the Group	**319,501**	**275,247**	**44,255**	**16.1%**

Results by line of business

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions (so-called "management approach").

The **Private Banking CGU (PB CGU)** consists of the assets attributable to the network of Financial Advisors managing total client assets of less than 50 million euros, as well as the assets attributable to Relationship Managers and the respective clients.

The **Wealth Management CGU (WM CGU)** consists of the assets attributable to the network of Financial Advisors managing total client assets of more than 50 million, in addition to Swiss operations.

In light of the business nature, the Group assesses the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments.

The financial aggregates presented for each segment therefore consist of net interest, net fees and income from trading activities and dividends. They include both components arising from transactions with third parties external to the Group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

The interest expense incurred by the segments mentioned below was determined on the basis of the actual interest paid on each segment's direct inflows. Interest income for the segments includes the actual interest accrued on the loans issued to customers in each segment. Both components are recognised net of the share of the "notional interest" calculated on the basis of the TIT (Internal Transfer Rate) and attributed to the Corporate Center segment.

Performance fees have been directly allocated to the business areas which place the products. All the revenue components presented are measured using the same accounting principles adopted to prepare the Group's Consolidated Financial Statements so that segment data can be reconciled more easily with consolidated data.

The following table shows the consolidated profit and loss results of each of the three operating segments, stated net of intra-segment eliminations. For the purpose of a better understanding of the economic data reported below, it bears recalling that changes also reflect the 2021 reallocations among CGUs.

TABLE 34: BANCA GENERALI GROUP - PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT

	31.12.2021				31.12.2020			
	PB CGU	WM CGU	CORPORATE CENTER	TOTAL	PB CGU	WM CGU	CORPORATE CENTER	TOTAL
NET INTEREST INCOME	**14,987**	**8,363**	**59,984**	**83,334**	**9,317**	**5,206**	**75,121**	**89,644**
Fee income	699,721	325,701	137,781	1,163,203	565,734	259,433	98,950	924,117
of which: underwriting	*32,192*	*7,720*	*2,812*	*42,725*	*24,018*	*7,357*	*1,000*	*32,375*
of which: management	*511,772*	*248,313*	*44,239*	*804,323*	*429,350*	*206,569*	*39,486*	*675,406*
of which: performance	*104,218*	*44,736*	*71,596*	*220,550*	*68,888*	*27,510*	*45,367*	*141,765*
of which: other	*51,539*	*24,933*	*19,134*	*95,606*	*43,477*	*17,997*	*13,097*	*74,571*
Fee expense	-318,374	-158,355	-19,165	-495,894	-263,666	-133,463	-18,958	-416,087
of which: incentives	*-13,901*	*-7,547*	*-*	*-21,447*	*-8,958*	*-5,823*	*-*	*-14,781*
NET FEES	**381,347**	**167,345**	**118,616**	**667,309**	**302,067**	**125,970**	**79,992**	**508,030**
Net income (loss) from trading activities and dividends	-	-	-51,955	-51,955	-	-81	20,019	19,939
NET BANKING INCOME	**396,334**	**175,708**	**126,645**	**698,687**	**311,384**	**131,095**	**175,133**	**617,613**
Staff expenses	-	-	-	-107,846	-	-	-	-104,272
Other general and administrative expenses	-	-	-	-203,790	-	-	-	-176,237
Adjustments of property, equipment and intangible assets	-	-	-	-35,653	-	-	-	-32,958
Other operating expenses/income	-	-	-	89,543	-	-	-	74,965
Net operating expenses	**-**	**-**	**-**	**-257,746**	**-**	**-**	**-**	**-238,503**
Operating result	**-**	**-**	**-**	**440,941**	**-**	**-**	**-**	**379,110**
Adjustments of other assets	-	-	-	-2,524	-	-	-	-661
Net provisions	-	-	-	-45,383	-	-	-	-30,828
Gains (losses) from investments and equity investments	-	-	-	-289	-	-	-	-331
Operating profit before taxation	**-**	**-**	**-**	**392,746**	**-**	**-**	**-**	**347,290**
Income taxes - operating activities	-	-	-	-69,638	-	-	-	-72,396
Net profit (loss) from HFS assets	-	-	-	-	-	-	-	-
Net profit (loss) for the year attributable to minority interests	-	-	-	4	-	-	-	-25
Net profit	**-**	**-**	**-**	**323,103**	**-**	**-**	**-**	**274,919**

Private Banking CGU

TABLE 35: PB CGU

	31.12.2021	31.12.2020	CHANGE
Net interest income	14,987	9,317	60.85%
Net fees	381,347	302,067	26.25%
Net income (loss) from trading activities and dividends	-	-	-
Net banking income	**396,334**	**311,384**	**27.28%**
AUM	54,917	48,172	14.00%
Net inflows	4,856	3,905	24.35%
Financial Advisors	1,800	1,745	3.15%
AUM/FA	30.51	27.61	10.52%
Net inflows/FA	2.70	2.24	20.55%

At 31 December 2021, this CGU's AUM amounted to 54.9 billion euros, up about 6.7 billion euros (+14.0%) compared to the previous year. In addition to the stimulus of the market effect, 2021 net inflows (nearly 4.9 billion euros) enabled the PB CGU's Financial Advisors to increase their average portfolio to approximately 30.5 million euros (+10.5%) at year-end.

In 2021, this CGU's net banking income amounted to 396.3 million euros, up 27.3% compared to 2020 (311.4 million euros). This result was attributable to the following factors:
> net interest income, net of notional interest attributable to the Corporate Center CGU, rose by 61%, also as a result of a decline in the curve of the interest rates applied;
> net fees (+26.3%) reported growth in all components. The increase in management fees was primarily due to the significant volume growth, whereas the development of new revenue sources for the Bank drove a rise in fees relating to certificates, the development of financial advisory services rendered against payment and trading.

The CGU's contribution to consolidated net banking income was 57%, up compared to 2020 (50%).

Wealth Management CGU

TABLE 36: CGU WM

	31.12.2021	31.12.2020	CHANGE
Net interest income	8,363	5,206	60.64%
Net fees	167,345	125,970	32.85%
Net income (loss) from trading activities and dividends	-	-81	-100.00%
Net banking income	**175,708**	**131,095**	**34.03%**
AUM	29,897	25,830	15.75%
Net inflows	2,829	1,961	44.27%
Financial Advisors	374	354	5.65%
AUM/FA	79.94	72.97	9.56%
Net inflows/FA	7.56	5.54	36.56%

At 31 December 2021, WM CGU's AUM amounted to 29.9 billion euros, up 4.1 billion euros compared to 2020. The CGU's result was driven by the positive market effect, but above all by net inflows (2.8 billion euros). Thanks to these trends, the average portfolio per Financial Advisor further increased to approximately 80 million euros (73 million euros at 2020 year-end).

In 2021, the CGU's net banking income was 175.7 million euros (131.1 million euros in 2020), up 34%. The reasons of this performance are the same as those already illustrated for the PB CGU. The contribution to the overall net banking income was therefore 25% (21% in 2020).

Corporate Center CGU

TABLE 37: CORPORATE CENTER

	31.12.2021	31.12.2020	CHANGE
Net interest income	59,984	75,121	-20.15%
Net fees	118,616	79,992	48.28%
Net income (loss) from trading activities and dividends	-51,955	20,019	n.a.
Net banking income	**126,645**	**175,133**	**-27.69%**
AUM	6,549	5,333	22.81%
Net inflows	n.a.	n.a.	n.a.
Financial Advisors	n.a.	n.a.	n.a.

At 31 December 2021, the Corporate Centre CGU's AUM amounted to 6.5 billion euros. In 2021, net banking income in the corporate channel reached 126.6 million euros (175.1 million euros in 2020), with a 27.7% decline due to:
> a decrease in net financial income attributable to both a lower net interest income component, impacted by the decrease in notional interests associated with other CGUs, and to gains and losses negative for 52 million following the recognition under this item of the one-off charges linked to the transaction for acquiring notes from securitisations of healthcare receivables reserved for professional clients — an operation aimed at protecting said clients;
> the increase in net fees, largely offsetting these effects. In addition to the positive contribution of performance fees, fees for trading grew as a result of a higher captive trading activity, where-

as management fees rose owing to the increase in assets under management relating to the UCITS underlying the policies placed by Generali Group companies.

The contribution to the overall net banking income was therefore 18% (28% in 2020).

Creation and Distribution of Value Added

The creation of value for all its stakeholders is one of Banca Generali's key objectives.

Most of the economic value generated is distributed to the various stakeholders with which Banca Generali comes into contact in the course of its day-to-day operations, including shareholders, suppliers, Financial Advisors, employees, the State and, finally, the community and the environment.

The economic value retained, calculated as the difference between the economic value generated and economic value distributed, represents the set of resources intended for productive investments aimed to permit economic growth and financial stability, as well as to ensure the creation of new wealth for the benefit of stakeholders.

The economic value generated and distributed was analysed by determining the value added, calculated by restating the items of the 2021 consolidated profit and loss account on the basis of the guidelines issued by the Italian Banking Association and the GRI (Global Reporting Initiative).

The economic value generated is equal to the difference between total revenues and total costs for the purchase of goods and services, less the portion of costs incurred for the benefit of the various categories of stakeholders.

Therefore, the economic value generated includes charges in support of the banking system, inclusive of contributions to the National Resolution and Interbank Deposit Protection Funds amounting to 15.5 million euros and recognised upon distribution of value added, according to the view that they are a form of taxation.

During the distribution process, the net provisions for incentives and indemnities for the network, recoveries of expenses and indemnities charged to Financial Advisors and net provisions for staff were classified in the respective stakeholders category.

In 2021, the economic value generated by the Group's overall operations reached 1,217.6 million euros, up 15.3% compared to the previous year.

TABLE 38: ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED

			CHANGE	
(€ THOUSAND)	2021	2020	AMOUNT	%
Economic value generated	**1,217,603**	**1,055,813**	**161,790**	**15.3%**
Economic value distributed	**1,094,187**	**1,016,595**	**77,592**	**7.6%**
Employees, collaborators and Financial Advisors	573,285	493,175	80,110	16.2%
Suppliers	99,642	90,392	9,250	10.2%
Shareholders and third parties	227,865	274,894	-47,029	-17.1%
Government, entities, institutions and communities	193,395	158,134	35,261	22.3%
Economic value retained	**123,416**	**39,218**	**84,198**	**214.7%**

This value was distributed to stakeholders as follows:

- **employees and collaborators**, including **Financial Advisors**, benefited from approximately **47.1%** of economic value generated, in the total amount of approximately 573.3 million euros (up 16.2% compared to the previous year). Employees and collaborators benefited from 110.3 million euros (+7.3% on 2020) and Financial Advisors from 463 million euros (+18.6% compared to the previous year), inclusive of net provisions for incentives, recruitment plans and other contractual indemnities amounting to 51.8 million euros;
- **shareholders** received **18.7%** of the economic value generated, due in part to payment of a dividend of 1.95 per share, with a 70.5% payout ratio calculated on 2021 consolidated net profit;
- **suppliers** benefited from **8.2%** of the economic value generated, in line with 8.6% in 2020, or approximately 99.6 million euros;

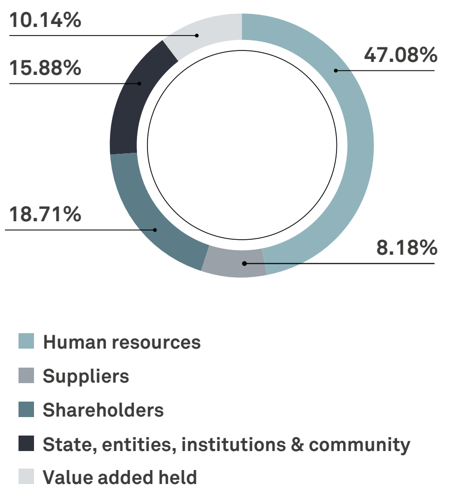
> the **Italian government, institutions and communities** received approximately **15.9%** of the economic value generated, amounting to approximately 193.4 million euros, up compared to the previous year (22.3%); this aggregate also includes the charges in support of the banking system and the stamp duty on current accounts and financial instruments.

Accordingly, the business system also retained — in the form of retained earnings, depreciation and amortisation, residual provisions for risks and changes in deferred tax assets and liabilities — the total amount of 123.4 million euros, or 10.1% of the economic value generated. The amount is to be regarded as an investment that the other categories of stakeholders make each year in order to keep the Company in efficient condition and foster its development.

TABLE 39: DISTRIBUTION OF THE ECONOMIC VALUE GENERATED

	2021	2020
Employees and collaborators	47.08%	46.71%
Suppliers	8.18%	8.56%
Shareholders	18.71%	26.04%
Government, entities, institutions and communities	15.88%	14.98%
Economic value retained	10.14%	3.71%
Total	**100.00%**	**100.00%**

CHART 16: BREAKDOWN OF VALUE ADDED



The following table shows in particular the process of creation of the Group's economic value and its distribution among stakeholders.

TABLE 40: STATEMENT OF DETERMINATION OF THE TOTAL ADDED VALUE

	ITEMS (€ THOUSAND)	2021	2020	CHANGE	%
10.	Interest income and similar revenues	92,218	95,857	-3,639	-3.8%
20.	Interest expense and similar charges	-8,884	-6,213	-2,671	43.0%
40.	Fee income	1,163,203	924,117	239,086	25.9%
50.	Fee expense (net of expenses related to Financial Advisor network) (1)	-55,595	-45,280	-10,315	22.8%
70.	Dividends and similar income	1,084	2,328	-1,244	-53.4%
80.	Net income (loss) from trading activities	-73,426	6,045	-79,471	n.a.
90.	Net income (loss) from hedging	2,088	-906	2,994	n.a.
100.	Gains (losses) on disposal or repurchase of:	18,154	15,293	2,861	18.7%
	a) financial assets measured at amortised cost	15,674	17,450	-1,776	-10.2%
	b) financial assets measured at fair value through other comprehensive income	2,480	-2,157	4,637	n.a.
110.	Net income (loss) from other financial assets and liabilities measured at fair value through profit and loss:	145	-2,821	2,966	-105.1%
	b) financial assets and liabilities mandatorily measured at fair value	145	-2,821	2,966	-105.1%
130.	Net adjustments/reversals due to credit risk relating to:	-2,524	-662	-1,862	n.a.
	a) financial assets measured at amortised cost	-2,266	-779	-1,487	n.a.
	b) financial assets measured at fair value through other comprehensive income	-258	117	-375	n.a.
230.	Other operating expenses/income (4)	81,163	68,045	13,118	19.3%
280.	Gains (losses) on disposal of investments	-23	10	-33	n.a.
	A. TOTAL ECONOMIC VALUE GENERATED	**1,217,603**	**1,055,813**	**161,790**	**15.3%**
190.b	Other general and administrative expenses (2)	-99,642	-90,392	-9,250	10.2%
	ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	**-99,642**	**-90,392**	**-9,250**	**10.2%**
190.a	Staff expenses	-110,263	-102,782	-7,481	7.3%
50.	Fee expense — expenses and provision for external networks (cost of Financial Advisors) (5)	-463,022	-390,393	-72,629	18.6%
	ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND COLLABORATORS	**-573,285**	**-493,175**	**-80,110**	**16.2%**
	ECONOMIC VALUE DISTRIBUTED TO THIRD PARTIES	**-4**	**25**	**-29**	**n.a.**
	Profit distributed to Shareholders	-227,861	-274,919	47,058	-17.1%
	ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS	**-227,861**	**-274,919**	**47,058**	**-17.1%**
190.b	Other general and administrative expenses: indirect taxation (6)	-86,587	-71,914	-14,673	20.4%
190.b	Other general and administrative expense for charges for the Italian National Resolution Fund and the Interbank Deposit Protection Fund (6)	-15,475	-11,282	-4,193	37.2%
300.	Income taxes for the year on operating activities (portion related to current taxes)	-89,247	-72,289	-16,958	23.5%
	ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND LOCAL ADMINISTRATIONS	**-191,309**	**-155,485**	**-35,824**	**23.0%**
190.b	Other general and administrative expenses: contributions to communities and the environment: and charitable gifts (6)	-2,086	-2,649	563	-21.3%
	ECONOMIC VALUE DISTRIBUTED TO COMMUNITIES AND THE ENVIRONMENT	**-2,086**	**-2,649**	**563**	**-21.3%**
	B. TOTAL ECONOMIC VALUE DISTRIBUTED	**-1,094,187**	**-1,016,595**	**-77,592**	**7.6%**
200.	Net provisions for liabilities and contingencies (3)	-11,862	-5,812	-6,050	104.1%
	a) commitments and guarantees issued	82	-17	99	n.a.
	b) other net provisions (3)	-11,944	-5,795	-6,149	106.1%
210.	Net adjustments/reversals of property and equipment	-21,949	-21,511	-438	2.0%
220.	Net adjustments/reversals of intangible assets	-13,705	-11,447	-2,258	19.7%
250.	Gains (losses) from equity investments (portion of valuational component)	-266	-341	75	-22.0%
300.	Income taxes for the year on operating activities (change in deferred tax assets and liabilities)	19,608	-107	19,715	n.a.
	Profit allocated to reserves	-95,242	-	-95,242	n.a.
	C. TOTAL ECONOMIC VALUE RETAINED	**-123,416**	**-39,218**	**-84,198**	**214.7%**

(1) This figure differs from that included in the Profit and Loss Account in the Financial Statements, as the remuneration for the Financial Advisor network has been reclassified to “Staff expenses”.
(2) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of indirect and direct taxes, contributions to the National Resolution and Interbank Deposit Protection Funds and charitable gifts (which have been stated in the related specific items).
(3) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of net provisions for incentives and indemnities in favour of the Financial Advisor network and net provisions for personnel.
(4) This figure differs from that included in the Profit and Loss Account in the Financial Statements, due to the exclusion of expenses recovered from Financial Advisors and staff contingencies (which have been stated in the related specific items).
(5) This figure differs from that included in the Profit and Loss Account in the Financial Statements, as it includes remuneration paid to the Financial Advisor network and the relevant provisions.
(6) This figure is stated as a specific item in the statement of determination of added value.

Group's Capital and Financial Position

At the end of 2021, total consolidated assets amounted to 16.2 billion euros, up by over 3.0 billion euros (+22.9%) compared to the end of 2020.

Total net inflows reached 14.4 billion euros, up 2.9 billion euros overall, as a result of the increase in customer's current account deposits (+2.8 billion euros) and in the interbank position, due to a new TLTRO (+0.2 billion euros).

Core loans thus totalled 15.4 billion euros, up 3.0 billion euros compared to the previous year (+23.9%).

TABLE 41: CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	415,558	48,455	367,103	n.a.
Financial assets at fair value through other comprehensive income	2,543,065	2,730,098	-187,033	-6.9%
Financial assets measured at amortised cost:	12,447,258	9,657,380	2,789,878	28.9%
a) loans to banks (*)	2,811,785	1,236,556	1,575,229	127.4%
b) loans to customers	9,635,473	8,420,824	1,214,649	14.4%
Equity investments	2,048	1,717	331	19.3%
Property, equipment and intangible assets	295,184	288,598	6,586	2.3%
Tax receivables	72,627	49,846	22,781	45.7%
Other assets	413,176	400,895	12,281	3.1%
HFS assets	2,694	-	2,694	n.a.
Total assets	**16,191,610**	**13,176,989**	**3,014,621**	**22.9%**

(*) Sight deposits with the ECB and sight loans with banks have been reclassified among loans to banks.

LIABILITIES AND NET EQUITY (€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Financial liabilities measured at amortised cost:	14,412,354	11,506,596	2,905,758	25.3%
a) due to banks	818,734	598,129	220,605	36.9%
b) due to customers	13,593,620	10,908,467	2,685,153	24.6%
Financial liabilities held for trading and hedging	171,871	69,404	102,467	147.6%
Tax liabilities	28,320	42,516	-14,196	-33.4%
Other liabilities	242,037	181,697	60,340	33.2%
HFS liabilities	318	-	318	n.a.
Special purpose provisions	230,843	192,272	38,571	20.1%
Valuation reserves	522	4,139	-3,617	-87.4%
Equity instruments	50,000	50,000	-	-
Reserves	624,033	726,471	-102,438	-14.1%
Share premium reserve	55,866	57,062	-1,196	-2.1%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-64,822	-45,185	-19,637	43.5%
Net equity attributable to minority interests	313	246	67	27.2%
Net profit (loss) for the year (+/-)	323,103	274,919	48,184	17.5%
Total liabilities and net equity	**16,191,610**	**13,176,989**	**3,014,621**	**22.9%**

TABLE 42: QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Financial assets at fair value through profit or loss	415,558	39,877	40,766	45,555	48,455	47,487	46,448	62,072	64,998
Financial assets at fair value through other comprehensive income	2,543,065	3,305,138	3,522,999	3,411,976	2,730,098	2,363,387	2,430,834	3,117,048	2,778,836
Financial assets measured at amortised cost:	12,447,258	11,461,254	11,308,313	9,889,588	9,657,380	9,703,228	9,107,038	8,558,941	8,206,525
a) loans to banks	2,811,785	2,553,351	2,304,706	1,484,204	1,236,556	1,484,651	1,347,317	1,005,579	1,130,690
b) loans to customers	9,635,473	8,907,903	9,003,607	8,405,384	8,420,824	8,218,577	7,759,721	7,553,362	7,075,835
Equity investments	2,048	2,158	2,205	1,658	1,717	1,906	1,959	2,024	2,061
Property, equipment and intangible assets	295,184	271,649	277,073	280,322	288,598	283,030	286,155	291,560	298,354
Tax receivables	72,627	89,091	88,545	52,882	49,846	47,980	47,735	54,407	51,168
Other assets	413,176	408,090	443,971	353,403	400,895	386,671	402,505	420,815	363,634
HFS assets	2,694	1,648	1,650	1,847	-	-	-	1,268	-
Total assets	**16,191,610**	**15,578,905**	**15,685,522**	**14,037,231**	**13,176,989**	**12,833,689**	**12,322,674**	**12,508,135**	**11,765,576**

LIABILITIES AND NET EQUITY (€ THOUSAND)	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Financial liabilities measured at amortised cost:	14,412,354	13,462,819	13,465,086	12,183,528	11,506,596	11,317,120	10,788,256	11,145,226	10,503,986
a) due to banks	818,734	838,191	877,405	805,612	598,129	593,496	580,630	119,156	94,807
b) due to customers	13,593,620	12,624,628	12,587,681	11,377,916	10,908,467	10,723,624	10,207,626	11,026,070	10,409,179
Financial liabilities held for trading and hedging	171,871	136,860	96,758	78,082	69,404	40,891	27,243	11,059	8,685
Tax liabilities	28,320	57,543	60,595	69,593	42,516	42,331	27,094	31,492	13,618
Other liabilities	242,037	588,253	789,391	184,119	181,697	184,842	472,417	159,176	147,097
HFS liabilities	318	381	284	384	-	-	-	356	-
Special purpose provisions	230,843	287,410	282,928	201,785	192,272	180,774	176,336	177,981	174,522
Valuation reserves	522	1,309	2,871	2,444	4,139	3,284	877	-10,866	3,813
Equity instruments	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reserves	624,033	615,354	613,397	1,002,866	726,471	689,914	507,834	727,414	454,465
Share premium reserve	55,866	55,825	55,875	57,062	57,062	57,066	57,202	57,729	57,729
Share capital	116,852	116,852	116,852	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-64,822	-64,822	-38,888	-45,185	-45,185	-45,200	-33,395	-37,356	-37,356
Net equity attributable to minority interests	313	258	275	275	246	35	10	20	26
Net profit (loss) for the year (+/-)	323,103	270,863	190,098	135,426	274,919	195,780	131,948	79,052	272,139
Total net equity and liabilities	**16,191,610**	**15,578,905**	**15,685,522**	**14,037,231**	**13,176,989**	**12,833,689**	**12,322,674**	**12,508,135**	**11,765,576**

Direct Inflows from Customers

Total direct inflows from customers amounted to 13.6 billion euros, with an increase of 2,685 million euros (+24.6%) compared to the figure at 31 December 2020, chiefly attributable to the rise in the balances of customers' current accounts.

TABLE 43: DUE TO CUSTOMERS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
1. Current accounts and sight deposits	13,231,340	10,440,898	2,790,442	26.7%
2. Term deposits	-	-	-	n.a.
3. Financing	7,441	144,937	-137,496	-94.9%
Repurchase agreements	-	144,937	-144,937	-100.0%
Other (collateral margins)	7,441	-	7,441	n.a.
4. Other debts	354,839	322,632	32,207	10.0%
IFRS 16-related lease liabilities	156,363	148,952	7,411	5.0%
Operating debts to sales network	157,980	122,752	35,228	28.7%
Other debts (money orders, amounts at the disposal of customers)	40,496	50,928	-10,432	-20.5%
Total due to customers	**13,593,620**	**10,908,467**	**2,685,153**	**24.6%**

Inflows from sight deposits, not related to the Assicurazioni Generali Group, rose by nearly 2,558 million euros, chiefly generated by inflows from customers included in the Assoreti perimeter (+1,944 million euros) and awaiting reinvestment as part of a specific investment plan.

Captive inflows generated from the treasury management of the companies within the Assicurazioni Generali Group grew by over 239 million euros to 573 million euros at year-end, accounting for 4.2% of total inflows.

TABLE 44: INFLOWS FROM CUSTOMERS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Inflows from Parent Company	38,848	25,235	13,613	53.9%
Inflows from other subsidiaries of the Generali Group	455,997	236,703	219,294	92.6%
IFRS 16-related lease financial liabilities	77,778	71,191	6,587	9.3%
Total inflows from Generali Group	**572,623**	**333,129**	**239,494**	**71.9%**
Inflows from other parties	13,020,997	10,575,338	2,445,659	23.1%
of which: current accounts	*12,737,092*	*10,179,540*	*2,557,552*	*25.1%*
Total inflows from customers	**13,593,620**	**10,908,467**	**2,685,153**	**24.6%**

The end of the year saw the full unwinding of very short-term treasury repurchase agreements entered into on the eMTS Repo market managed by CC&G and correlated to similar lending transactions.

The non-interest-bearing debt position consisted of accounts payable to the sales network for the placement of financial products and services, as well as of other sums made available to customers, primarily relating to claims settlement activity by the Group's companies (money orders). This segment decreased, mostly as a result of the higher money orders for claims issued at the end of December 2020 on behalf of insurance companies.

Core loans

Core loans totalled 15.4 billion euros overall, with a net increase of nearly 2,970 million euros compared to 31 December 2020 (+23.9%).

Investments in the portfolio of financial assets, which grew by approximately 1,616 million euros (+17.9%), made up the largest component of the aggregate, which, however, was also driven by the rise in loans to banks (+1,295 million euros), largely attributable to the increase in sight deposits with the ECB (+955 million euros).

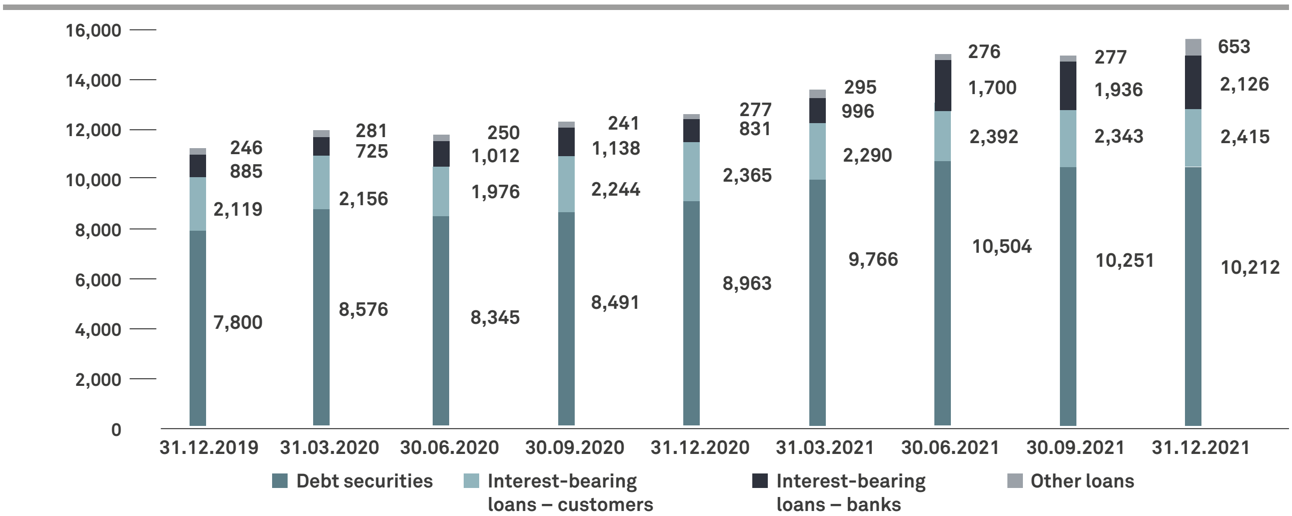
Exposures towards customers, net of the unwinding of several treasury repurchase agreements on the eMTS Repo market managed by CC&G, grew by 211 million euros, driven by current account overdraft facilities.

TABLE 45: INTEREST-BEARING FINANCIAL ASSETS AND LOANS

			CHANGE	
(€ THOUSAND)	31.12.2021	31.12.2020	AMOUNT	%
Financial assets measured at fair value through profit or loss	415,558	48,455	367,103	n.a.
Financial assets measured at fair value through other comprehensive income	2,543,065	2,730,098	-187,033	-6.9%
Financial assets measured at amortised cost	7,683,260	6,247,549	1,435,711	23.0%
Financial assets	**10,641,883**	**9,026,102**	**1,615,781**	**17.9%**
Loans to and deposits with banks (*)	2,125,833	831,313	1,294,520	155.7%
Loans to customers	2,415,273	2,364,706	50,567	2.1%
of which: treasury transactions on the eMTS Repo market	-	*160,907*	*-160,907*	*-100.0%*
Operating loans and other loans	222,892	213,812	9,080	4.2%
Total interest-bearing financial assets and loans	**15,405,881**	**12,435,933**	**2,969,948**	**23.9%**

(*) ECB sight deposits and sight loans included.

Chart 17: QUARTERLY EVOLUTION OF LOANS (€ MILLION)



Overall, investments in financial instruments accounted for 69.1% of total core loans, slightly decreasing compared to 72.6% at the end of 2020, and continued to be mainly driven by the expansion of the portfolio of securities issued by the government and supranational and other public institutions (+14.9%), and a careful and prudent diversification process regarding investments on corporate and financial debt securities.

The increase in the residual component of equity securities, UCITS and similar securities referred to the subscription (377 million euros) of the units of the Forward Fund, a newly formed Italian fund (AIF) managed by Gardant SGR and specialised in illiquid investments[55].

[55] For further details on the restructuring transaction of a portfolio of senior bonds issued by some special purpose vehicles for healthcare receivable securitisation that Banca Generali acquired from its customers and concurrently transferred to the Forward Fund, by subscribing its units, reference should be made to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements and to section "One-off charges" in this Director's Report.

TABLE 46: FINANCIAL ASSETS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Government securities	8,223,459	7,611,129	612,330	8.0%
Supranational and other public institutions	577,821	49,236	528,585	n.a.
Securities issued by banks	860,285	605,190	255,095	42.2%
Securities issued by other issuers	550,710	697,621	-146,911	-21.1%
Equity securities and other securities	429,608	62,926	366,682	n.a.
Total financial assets	**10,641,883**	**9,026,102**	**1,615,781**	**17.9%**

Investments concentrated in the held-to-collect (HTC) portfolio, driven by financial assets measured at amortised cost and held for long-term investment purposes, which amounted to about 7.7 billion euros at year-end, increasing by 1.4 billion euros (+23.0%).

The held-to-collect-and-sell (HTCS) portfolio, i.e., financial assets measured at fair value with a balancing entry to net equity without any particular time constraints, declined by 187 million euros (-6.9%) at year-end, mainly attributable to corporate securities and Italian government bonds.

In addition, the Bank actively continued to operate in asset swap derivatives, through the trading of interest rate swaps to hedge debt securities, mostly Italian and foreign fixed-rate and index-linked government bonds allocated to the HTCS and HTC portfolios.

For each position, consisting of a hedged derivative, a specific highly effective fair value hedging relationship is formed.

At the end of 2021, the notional amounts of the hedging derivatives outstanding amounted to approximately 2,543 million euros, of which 310 million euros relating to the HTCS portfolio. The asset swap portfolio reported a net balance of 2,561 million euros and a fair value of 2,604 million euros overall.

The overall portfolio remained focused on sovereign debt, which increased by 1.1 billion euros, accounting for 82.7% of total investments in financial instruments, slightly down compared to the end of the previous year (84.9%).

TABLE 47: EXPOSURE TO THE SOVEREIGN RISK BY PORTFOLIO

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Financial assets measured at fair value through profit or loss	-	45	-45	-100.0%
Financial assets measured at fair value through other comprehensive income	2,285,776	2,337,209	-51,433	-2.2%
Financial assets measured at amortised cost	6,515,504	5,323,111	1,192,393	22.4%
Total	**8,801,280**	**7,660,365**	**1,140,915**	**14.9%**
Total foreign government bonds	**3,242,127**	**2,186,250**	**1,055,877**	**48.3%**
Total Italian government bonds	**5,559,153**	**5,474,115**	**85,038**	**1.6%**

The portion of the portfolio invested in Italian government bonds was essentially stable at 5 billion euros, with a ratio to total volumes decreasing to 63.2% compared to 71.5% at the end of 2020.

Foreign sovereign debt increased by approximately 1.1 billion euros (+48.3%) to 3.2 billion euros, or 36.8% of the total government portfolio.

At the end of the year, this component was allocated primarily to the HTCS portfolio (1.6 billion euros) and the HTC portfolio (1.6 billion euros) and was concentrated primarily on EU bonds, with a particular focus on the Iberian peninsula, Greece and Eastern countries.

The overall geographical breakdown of the debt securities portfolio indicated therefore a decline in the concentration of investments in Italian securities, which fell from 70.6% at the end of 2020 to 60.9%, against an exposure to Spain, primarily represented by government bonds, which amounted to 14.4%.

At the end of 2021, the share of financial assets with a maturity of more than 3 years declined slightly to 46.4% compared to the end of 2020 (50.8%).

The portfolio of debt securities had an overall average residual life of about 3.8 years. In particular, the average maturity of the HTC portfolio was 4.7 years, whereas the average maturity of the HTCS portfolio declined to 0.9 years.

53.6% of the portfolio was made up of issues with variable-rate or inflation-linked coupons, including hedged securities, and 46.4% of fixed-rate issues with zero coupons.

CHART 18: BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO

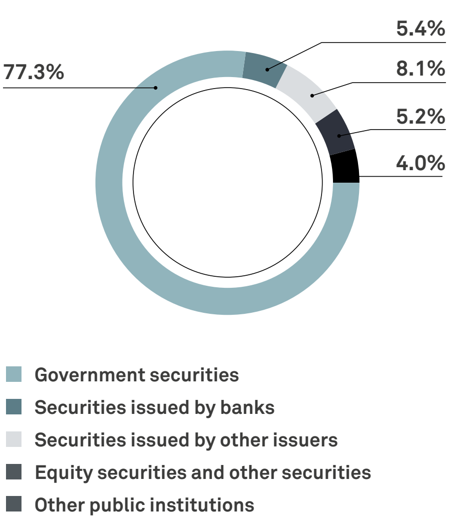


CHART 19: GEOGRAPHICAL BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO

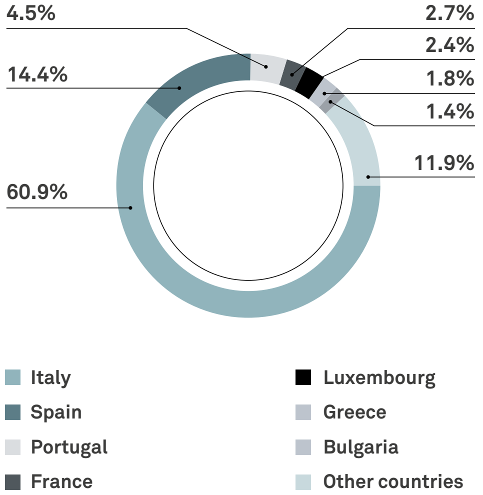


CHART 21: BREAKDOWN OF BONDS PORTFOLIO BY MATURITY AT 31.12.2021

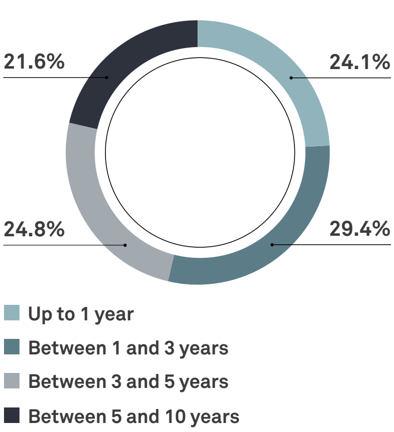
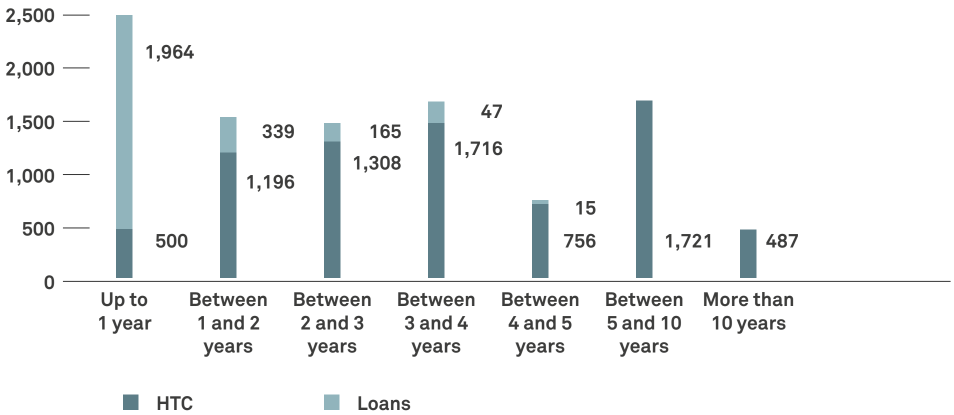


CHART 20: BONDS PORTFOLIO MATURITY (€ MILLION)



Loans to customers exceeded 2,415 million euros and, net of short-term treasury repurchase agreement transactions on the multilateral system eMTS Repo managed by CC&G, rose by over 211 million euros compared to the end of 2020 (+9.6%) due to both new Lombard loans and, to a lower extent, initiatives in support of the economic system within the framework of the Covid-19 emergency.

In detail, the volume of new Lombard loans, fully secured by pledged financial instruments, grew by over **290 million euros**, bringing the total for this type of exposures to over **1,232 million euros**.

New mortgage loans secured by guarantees from the SME fund, pursuant to Article 13 of the Liquidity Decree-Law No. 23/2020, amounted to 127 million euros at the end of the year.

Moratorium applications, both public and specific to the Bank, such as the "Liquidity for the Nation" initiative, totalled 178 million euros, with a residual amount still outstanding at the end of the year of about 42 million euros.

TABLE 48: LOANS AND OPERATING LOANS AND OTHER LOANS

			CHANGE	
(€ THOUSAND)	31.12.2021	31.12.2020	AMOUNT	%
Current accounts	1,567,177	1,299,682	267,495	20.6%
Mortgages and personal loans	843,271	898,703	-55,432	-6.2%
Other financing and loans not in current accounts	4,825	5,414	-589	-10.9%
RRPs with CC&G on MTS REPO	-	160,907	-160,907	-100.0%
Loans	**2,415,273**	**2,364,706**	**50,567**	**2.1%**
Operating loans to management companies	157,646	150,735	6,911	4.6%
Sums advanced to Financial Advisors	31,119	23,297	7,822	33.6%
Stock exchange interest-bearing daily margin	2,257	24,096	-21,839	-90.6%
Charges to be debited and other loans	21,816	14,977	6,839	45.7%
Operating loans and other loans	**212,838**	**213,105**	**-267**	**-0.1%**

Operating loans and other loans declined slightly (-0,1%) due to the reduction in collateral margins paid in relation with derivatives trading on the Eurex market that offset the increase in trade receivables accrued on the placement and distribution of financial and insurance and in advances to sales network.

Net **non-performing exposures** on loans to customers amounted to **31.8 million** euros, or 1.32% of total loans reported in the table above.

The aggregate includes all the exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. (now EFG Bank AG) upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty.

Net of this aggregate, non-performing exposures on loans to customers amounted to **13.8 million** euros and consisted for nearly 95% of credit facilities secured by financial collaterals mainly in the form of pledges on financial instruments and/or similar products, such as mandate to policy redemption.

Unsecured exposures on loans to customers, for which risk is effectively borne by the Bank, amounted to just **1.3 million** euros, or around **0.06%** of total loans to customers.

The portfolio of non-performing loans (loans to customers excluding performing loans and securities) increased by 7.2 million euros, mostly attributable to the growth of positions past due or expired (+4.3 million euros).

TABLE 49: NON-PERFORMING EXPOSURES

(€ THOUSAND)	31.12.2021 BAD LOANS	31.12.2021 UNLIKELY TO PAY	31.12.2021 PAST-DUE AND/OR EXPIRED EXPOSURES	31.12.2021 TOTAL	31.12.2020 BAD LOANS	31.12.2020 UNLIKELY TO PAY	31.12.2020 PAST-DUE AND/OR EXPIRED EXPOSURES	31.12.2020 TOTAL	DELTA	CHANGE %
Gross exposure	28,650	6,751	8,451	43,852	29,034	4,078	3,563	36,675	7,177	20%
Adjustments	9,679	994	1,349	12,022	10,129	1,212	738	12,079	-57	-
Total net exposure	**18,971**	**5,757**	**7,102**	**31,830**	**18,905**	**2,866**	**2,825**	**24,596**	**7,234**	**29%**
Gross exposure	26,082	-	-	26,082	26,116	-	-	26,116	-34	-
Adjustments	8,067	-	-	8,067	8,484	-	-	8,484	-417	-5%
Exposure guaranteed by net indemnity	**18,015**	**-**	**-**	**18,015**	**17,632**	**-**	**-**	**17,632**	**383**	**2%**
Gross exposure	2,568	6,751	8,451	17,770	2,918	4,078	3,563	10,559	7,211	68%
Adjustments	1,612	994	1,349	3,955	1,645	1,212	738	3,595	360	10%
Exposure net of indemnity	**956**	**5,757**	**7,102**	**13,815**	**1,273**	**2,866**	**2,825**	**6,964**	**6,851**	**98%**
Net guaranteed exposure	921	5,518	6,034	12,473	1,246	2,596	2,574	6,416	6,057	94%
Net exposure not guaranteed	**35**	**239**	**1,068**	**1,342**	**27**	**270**	**251**	**548**	**794**	**145%**

At 31 December 2021, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of over 1,307 million euros, up sharply compared to a net exposure of 233 million euros at the end of the previous year, mainly due to the marked increase in net exposure towards central banks (+955 million euros), partly offset by a new financing transaction undertaken with the ECB under the seventh cycle of the TLTRO 3 programme for 200 million euros.

In the year, repurchase agreements with underlying ABSs for a residual amount of 200 million euros were entered into with banking counterparties.

TABLE 50: NET INTERBANK POSITION

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
1. Repayable on demand	**1,593,647**	**640,814**	**952,833**	**148.7%**
Sight deposits with ECB and Bank of Italy (*)	1,504,015	548,980	955,035	174.0%
Sight deposits with credit institutions	-	190	-190	-100.0%
Transfer accounts	89,632	91,644	-2,012	-2.2%
2. Time deposits	**532,186**	**190,499**	**341,687**	**179.4%**
Mandatory reserve	130,137	107,772	22,365	20.8%
Term deposits	31,646	24,585	7,061	28.7%
Repurchase agreements	199,805	-	199,805	n.a.
Collateral margins	170,598	58,142	112,456	193.4%
Total loans to banks	**2,125,833**	**831,313**	**1,294,520**	**155.7%**
1. Due to Central Banks	**690,725**	**497,361**	**193,364**	**38.9%**
TLTRO	690,725	497,361	193,364	38.9%
2. Due to banks	**128,009**	**100,768**	**27,241**	**27.0%**
Transfer accounts	96,022	77,034	18,988	24.6%
Repurchase agreements	11,752	6,014	5,738	95.4%
Collateral margins	670	-	670	n.a.
Other debts	19,565	17,720	1,845	10.4%
Total due to banks	**818,734**	**598,129**	**220,605**	**36.9%**
Net interbank position	**1,307,099**	**233,184**	**1,073,915**	**n.a.**

(*) Reclassified from Item 10 – Sight loans to Central Banks.

Central bank debt consists of the following three-year financing operations disbursed as part of the TLTRO 3 (Targeted Long Term Refinancing Operation) programme:

- TLTRO 3, series IV, in the amount of 500 million euros, disbursed on 24 June 2020 and maturing on 24 June 2023, without prejudice to the possibility of early repayment starting as of the end of September 2021;
- TLTRO 3, series VII, in the amount of 200 million euros, disbursed on 24 March 2021 and maturing on 27 March 2024, without prejudice to the possibility of early repayment as of the end of March 2022.

Following the modifications to the TLTRO programme approved by the ECB in January 2021, the interest rate applicable to each transaction was set at a level equal to the average of the main Eurosystem refinancing operations, currently -0.5%, except for periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022, in which a special interest rate reduced by 50 basis points could apply under certain conditions and up to a maximum negative rate of 1%.

In particular, the special interest rate will apply where in the period 23 March 2020–23 March 2021 (special reference period) and 24 March 2021–24 March 2022 (additional special reference period), net eligible loan flows disbursed to households for credit purposes other than home purchases and to non-financial companies residing in the Euro area (net lending special) are greater than or equal to zero.

It should be noted that at 31 December 2021 Banca Generali was well above the targets.

Provisions

Total special-purpose provisions neared 231 million euros, up 38.6 million compared to the previous year (+20.1%), mainly due to provisions for contractual indemnities of the sales network (+25.6 million euros), the provision to cover the tax dispute (+5.0 million euros) and the new voluntary redundancy incentives plan (+2.3 million euros).

TABLE 51: PROVISIONS

			CHANGE	
(€ THOUSAND)	31.12.2021	31.12.2020	AMOUNT	%
Provision for termination indemnity	4,335	4,936	-601	-12.2%
Provisions for guarantees issued and commitments	43	124	-81	-65.3%
Provisions for pensions and similar obligations	2,974	3,751	-777	-20.7%
Other provisions for liabilities and contingencies	**223,491**	**183,461**	**40,030**	**21.8%**
Provisions for staff expenses	15,656	15,541	115	0.7%
Provision for the redundancy incentive plan	2,462	162	2,300	n.a.
Provisions for legal disputes	16,067	12,923	3,144	24.3%
Provisions for contractual indemnities to the sales network	147,070	121,433	25,637	21.1%
Provisions for sales network incentives	31,270	27,522	3,748	13.6%
Provision for tax and contributions/pension dispute	8,056	2,650	5,406	204.0%
Other provisions for liabilities and contingencies	2,910	3,230	-320	-9.9%
Total provisions	**230,843**	**192,272**	**38,571**	**20.1%**

Contractual indemnities referred to:

- provisions to cover termination Financial Advisor indemnities provided for under Article 1751 of the Italian Civil Code, assessed on an actuarial basis, in the amount of 83.1 million euros;
- other indemnities relating to termination of the agency or management position (management development indemnity, portfolio development indemnity, retirement eligibility bonus) of 30.2 million euros;
- the provision for the service of the annual cycles of the 2017-2026 Framework Loyalty Programme for the Sales Network, which saw the launch of the fifth annual cycle (2021-2026) in 2021, in the amount of 33.8 million euros. The amounts allocated to the latter provision refer to 50% of the accrued indemnity to be paid in cash, whereas the portion payable in Banca Generali shares has been accounted for pursuant to IFRS 2.

The increase in provisions for contractual indemnities was mainly due to the new annual cycle of the Loyalty Framework Programme (+13.3 million euros), as a result of both the expansion of the beneficiaries and the excellent results achieved in terms of net inflows and assets under management during the year.

Net of this item, the net change in other actuarial provisions, amounting to 17.0 million euros, was due to the significant increase in the relevant bases for fees, the reduction in the discounting rates used and the revision of the demographic parameters applied, as a result of the adjustment of the retirement age of Financial Advisors based on the most recent surveys conducted[56].

Accruals to other provisions for liabilities and contingencies also include 7.6 million euros set aside to cover the tax dispute, of which 5 million euros allocated at the end of the reporting year.

Tax dispute

In the tax dispute, two distinct tax audits are being conducted by the Italian Revenue Agency for tax period 2014 and, as limited to 2015, also by the Trieste Economic and Financial Police Unit of the Italian Finance Police, concerning financial year 2015 and following.

The tax audit relating to 2014, launched in March 2017 by the Italian Revenue Agency – Friuli-Venezia Giulia Regional Department, has thus far resulted in the issuance of two Report on Findings (PVC), the first of which on 22 December 2017, primarily containing charges relating to accrual and pertinence of costs, and the second on 29 June 2018, relating to transfer pricing violations.

The time limit for the assessment relating to the year 2014 is pending to date, following the extension granted pursuant to Article 1, paragraph 9, of Decree-Law No. 119 of 23 October 2018.

In November 2019, discussions were also begun with the Large Business Taxpayers Office of the above Department regarding a ruling granted by the Luxembourg Tax Authority to the Luxembourg subsidiary BGFML in 2008, obtained by it via the international administrative cooperation procedure.

Furthermore, with regard to a report of irregularities contained in the 2017 Report on Findings, an assessment notice was issued for the 2015 tax period in a modest amount relating to alleged non-deductibility of costs, but only served on the Bank on 24 February 2022, as a result of the pandemic rules introduced in 2020 in response to the pandemic.

On 4 March 2020, the Trieste Economic and Financial Police Unit of the Italian Finance Police began an audit of VAT, direct taxes and other taxes focusing on “relations with foreign subsidiaries” and concerning all years open for tax purposes, from 2015 to 2020, inclusive.

However, the control activity was significantly influenced by the Covid-19 emergency and was therefore immediately suspended in March 2020, to be resumed in July and then suspended again from October 2020 to November 2021.

On 9 December 2021, the Bank was thus served with an initial Report on Findings concerning 2015 and 2016, focused on disputing the Luxembourg ruling and the transfer pricing method for relations with BGFML adopted by the Bank and subject to disclosure within the framework of the national documentation.

This Report on Findings also contained a recalculation of 2014 taxable income that was not subject to audit by the Economic and Finance Police Unit. The audit continues in relation to subsequent tax periods.

The issuance of the Report on Findings by the Economic and Finance Police Unit also marked the resumption of the assessment process by the Italian Revenue Agency, which on 24 November 2021 served an invitation to appear, to begin due process leading up to the settlement procedure for tax period 2014.

In December and in the first two months of 2022, various exchanges thus took place with the Large Business Taxpayers Office to reach a solution to the tax dispute, the outcome of which is currently still under evaluation.

[56] In particular, on the basis of observations of the average retirement age over a 5-year time horizon, the estimated age for Financial Advisors was raised to about 70, an increase of two years over the estimate based on the legal parameters.

Despite having stressed the correctness of its actions in all venues and deeming the Revenue Agency's claims unfounded, Banca Generali decided to recognise a further prudential provision to cover the claims of 5 million euros, bringing the total provisioned for this tax dispute to approximately 7.6 million euros. The Bank reserves, in any way, the right to dispute any assessment notices based on the alleged irregularities identified in the Report on Findings, through both administrative and judicial process.

Net equity and regulatory aggregates

At 31 December 2021, the Banking Group's consolidated net equity, including net profit for the year, stood at 1,105.9 million euros, net of the 2020 dividend of a maximum 385.6 million euros authorised by the Shareholders' Meeting on 22 April 2021 and partially paid on 22 November 2021 for 283.1 million euros[57].

TABLE 52: CONSOLIDATED NET EQUITY

			CHANGE	
(€ THOUSAND)	31.12.2021	31.12.2020	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	55,866	57,062	-1,196	-2.1%
Reserves	624,033	726,471	-102,438	-14.1%
(Treasury shares)	-64,822	-45,185	-19,637	43.5%
Valuation reserves	522	4,139	-3,617	-87.4%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the year	323,103	274,919	48,184	17.5%
Group net equity	**1,105,554**	**1,184,258**	**-78,704**	**-6.6%**
Net equity attributable to minority interests	313	246	67	27.2%
Consolidated net equity	**1,105,867**	**1,184,504**	**-78,637**	**-6.6%**

The net decrease in net equity in 2021 was influenced by the aforementioned 2020 dividend,[58], as well as by the plan to buy-back treasury shares ended in late September, the negative performance of fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and other reserves included in other comprehensive income, the change in reserves for share-based payments (IFRS 2), and consolidated net profit, as shown in the following table.

[57] In accordance with the applicable 2019-2021 dividend policy, on 22 April 2021 the General Shareholders' Meeting of Banca Generali approved the proposal formulated by the Board of Directors on 5 March 2021 to distribute a dividend of 3.30 euros per share in a total maximum amount of 385.6 million euros, corresponding to a payout ratio of 70.5%, calculated on the total cumulated net profit for the years 2019 and 2020.
It bears recalling that the dividend distribution was suspended until 1 October 2021 in accordance with the Recommendation issued by the ECB on 15 December 2020 on dividend policy within the framework of the Covid-19 emergency, extended by the Bank of Italy to less significant directly supervised institutions.
It was therefore resolved that dividend payout takes place in two tranches, namely 2.70 euros in the fourth quarter of 2021 and 0.60 euros in the first quarter of 2022, and is subject to the satisfaction of the following conditions, in accordance with the provisions of the Recommendation ECB/2020/62: (i) the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; (ii) guaranteeing a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively. On 29 September 2021, the Board of Directors verified the satisfaction of the conditions and resolved to distribute dividend in two tranches, namely on 22 November 2021 and 21 February 2022.

[58] Following the payment of the first tranche, approximately 6.1 million euros of dividends not paid out, primarily referring to the Bank's treasury shares, were reallocated to the dividend reserve.

TABLE 53: CHANGE IN NET EQUITY

(€ THOUSAND)	31.12.2021	31.12.2020
Net equity at year-start	**1,184,504**	**917,668**
Prior years' dividend	-379,550	-
Purchase of treasury shares	-25,984	-12,440
Change in IFRS 2 reserves	8,975	5,823
Change in OCI valuation reserves	-3,539	332
Changes and dividends on AT1 equity instruments	-1,631	-1,632
Consolidated net profit	323,107	274,894
Other effects	-15	-141
Net equity at year-end	**1,105,867**	**1,184,504**
Change	**-78,637**	**266,836**

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 4.6 million euros, due to the stronger volatility that impacted financial markets as a result of the inflation forecasts.

TABLE 54: VALUATION RESERVES

	31.12.2021			31.12.2020	
(€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	3,623	-929	2,694	7,030	-4,336
Valuation reserves - OCI equity securities	415	-1,252	-837	-510	-327
Exchange differences	-	340	340	-131	471
Actuarial gains (losses) from defined benefit plans	-	-1,675	-1,675	-2,250	575
Total	**4,038**	**-3,516**	**522**	**4,139**	**-3,617**

Consolidated own funds amounted to 759.0 million euros, up 82.9 million euros on the end of the previous year, mainly due to the estimated retained earnings (+95.2 million euros), partly offset by the effects of the plan for the buy-back of treasury shares (-25.9 million euros), as shown in the table below.

TABLE 55: CHANGES IN OWN FUNDS

(€ THOUSAND)	
Own funds at 31.12.2020	**676,103**
Estimated regulatory provisions for retained earnings	95,242
Purchase and sale of treasury shares	-25,984
Change in IFRS 2 reserves	8,975
Prior years' dividend not paid out	6,057
Change in OCI reserves on HTCS	-4,179
Change in IAS 19 OCI reserves	577
Change in goodwill and intangible assets (net of related DTLs)	3,798
DTAs through P&L not arising on temporary differences (tax losses)	200
Negative prudential filters (prudent valuation - simplified method)	-183
Changes and dividends on AT1 equity instruments	-1,631
Other effects (other reserves)	-12
Total changes in Tier 1 capital	**82,860**
Total changes in Tier 2 capital	**-**
Own funds at 31.12.2021	**758,963**
Change	**82,860**

In accordance with the Dividend Policy approved for the three-year period 2019-2021[59], Banca Generali's Board of Directors intends to submit to the 2022 General Shareholders' Meeting the proposal to distribute a dividend of 1.95 per share, for an overall maximum amount of 227.9 million euros, equal to payout of 70.5% on the 2021 consolidated net profit.

Dividends will be in two separate tranches of, respectively, 1.15 euros in May 2022 and of 0.80 euros in February 2023.

Capital absorption grew by 55.6 million euros (+19.0%), largely due to the commitments undertaken in underwriting the Forward Fund (+49.5 million euros) and the aforementioned increase in the capital requirement associated with DTAs, partly offset by a reduction in capital absorbed due to exposures to companies and supervised intermediaries (-18.4 million euros).

TABLE 56: OWN FUNDS AND CAPITAL RATIOS

			CHANGE	
(€ THOUSAND)	31.12.2021	31.12.2020	AMOUNT	%
Common Equity Tier 1 capital (CET1)	708,963	626,103	82,860	13.23%
Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total own funds	**758,963**	**676,103**	**82,860**	**12.26%**
Credit and counterparty risk	263,618	218,677	44,941	20.55%
Market risk	26	38	-12	-31.91%
Operating risk	85,227	74,507	10,720	14.39%
Total absorbed capital (Pillar I)	**348,870**	**293,222**	**55,648**	**18.98%**
Total SREP minimum requirements (Pillar II)	**516,328**	**433,969**	**82,359**	**18.98%**
Excess over SREP minimum requirements	242,635	242,134	501	0.21%
Risk-weighted assets	4,360,877	3,665,275	695,602	18.98%
CET1/Risk-weighted assets	16.3%	17.1%	-0.8%	-4.8%
Tier 1/Risk-weighted assets	17.4%	18.4%	-1.0%	-5.7%
Total own funds/Risk-weighted assets (Total Capital Ratio)	**17.4%**	**18.4%**	**-1.0%**	**-5.7%**

At the end of the year, CET1 ratio reached 16.3%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 17.4%, compared to the SREP minimum requirement of 11.84%.

In order to mitigate the significant economic impact of Covid-19 and to promote new loans for businesses and households, the European Commission has promoted a package of banking measures, also including amendments to the CRR, which were adopted by Commission Delegated Regulation (EU) No. 2020/873, published in the OJEU on 26 June 2020. The package includes, *inter alia*,

> new IFRS 9 phase-in rules on own funds that allow the greater collective adjustments to performing positions (Stage 1 and Stage 2) recognised compared to 1 January 2020 to be sterilised during the 2020-2024 period;
> the introduction of a new phase-in filter until 31 December 2022, to exclude from the calculation of CET1 the amount of unrealised profits and losses on exposures towards administrations and public entities recognised since 31 December 2019;
> the acceleration to 30 June 2020 of the timetable for adopting the new SME supporting factor, intended to support exposures to small and medium-sized enterprises by reducing the applicable capital requirements;
> the elimination of the deduction from own funds of IT investments in software implemented in accordance with Commission Delegated Regulation (EU) No. 2020/2176 of 12 November 2020.

In this regard, it should be noted that Banca Generali has not adopted the aforementioned optional phase-in rules. On the other hand, the implementation of the SME supporting factor had a positive impact in terms of the capital requirements for credit risk, whereas the recognition of investments in software increased own funds by approximately 18.8 million euros.

59 The Dividend Policy, approved by the Board of Directors on 8 March 2019 for the 2019-2021 plan period, provided for the distribution, in compliance with the risk profile defined under the Risk Appetite Framework and the overall capital adequacy, of a dividend between 70% and 80% of consolidated net profit, with a floor of 1.25 euros per share and in any event up to the limit of 100% of the consolidated net profit accrued during the year.

The Bank's liquidity ratios maintained excellent levels, with the Liquidity Coverage Ratio (LCR) at 378% and Net Stable Funding Ratio (NSFR) at 222%. The Bank's leverage ratio stood at 4.6%.

TABLE 57: RECONCILIATION STATEMENT BETWEEN PARENT COMPANY BANCA GENERALI'S NET EQUITY AND CONSOLIDATED NET EQUITY

	31.12.2021		
(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	**668,963**	**342,247**	**1,011,210**
Differences between net equity and book value of companies consolidated using the line-by-line method	66,897	-	66,897
- Profit carried forward of consolidated companies	57,446	-	57,446
- Goodwill	8,707	-	8,707
- Other changes	744	-	744
Dividends from consolidated companies	54,550	-333,550	-279,000
Consolidated companies' result for the year	-	315,060	315,060
Net profit attributable to minority interests	309	4	313
Result of associates valued at equity	-154	-266	-420
Valuation reserves - consolidated companies	906	-	906
Goodwill	-8,707	-	-8,707
Consolidation adjustments	-	-392	-392
Net equity of the Banking Group	**782,764**	**323,103**	**1,105,867**

Cash flows

In 2021, operating activities generated a total of over 1,172 million euros in cash flows.

In detail, cash inflows were primarily generated by operations (356 million euros), the sharp increase in net inflows from customers (+2,514 million euros) and banks, and the effect of a new tranche of the TLTRO 3 amounting to 200 million euros. This liquidity was chiefly absorbed by investments in financial assets (-1,569 million euros) and in the interbank segment (-343 million euros).

Net cash flows from operating activities were only partly absorbed by dividends and coupons of the AT1 financial instrument (-286 million euros), the buy-back of treasury shares (-26 million euros) and investments. The acquisition of the Binck Bank business unit generated net cash flows amounting to 109 million euros, following the cash financing by the seller of the direct inflows portfolio acquired.

Cash and cash equivalents at year-end, including sight deposits with the ECB and sight loans with banks, amounted to 1,620 million euros, with a 1,046 million euros increase compared to 2020.

TABLE 58: CASH FLOWS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE
Liquidity generated by operations	**355,816**	**341,748**	**14,068**
Financial assets	-1,568,502	-1,116,546	-451,956
Loans to banks	-343,192	99,375	-442,567
Amounts due to customers	-28,897	-255,579	226,682
Other operating assets	22,640	-33,111	55,751
Total assets	**-1,917,951**	**-1,305,861**	**-612,090**
Amounts due to banks	225,774	505,968	-280,194
Amounts due to customers	2,514,206	476,888	2,037,318
Other operating liabilities	-5,437	60,225	-65,661
Total liabilities	**2,734,543**	**1,043,081**	**1,691,462**
Liquidity generated by/used for operating activities	**1,172,408**	**78,968**	**1,093,440**
Investments	-14,964	-15,275	311
Acquisition and disposal of business units and equity investments	108,327	-294	108,621
Liquidity generated by/used for investing activities	**93,363**	**-15,569**	**108,932**
Dividends paid	-285,396	-2,251	-283,145
Issue/purchase of treasury shares and financial instruments	-25,984	-12,440	-13,544
Liquidity generated by/used for financing activities	**-311,380**	**-14,691**	**-296,689**
Net liquidity generated/used	**954,392**	**48,708**	**905,684**
Cash and cash equivalents	**1,620,334**	**574,108**	**1,046,226**

Parent Company's Operations and Performance of Subsidiaries

Parent Company's Operations

Considering the Banca Generali Group's operating structure, the report on consolidated figures better meets the needs of valid representation of earnings and financial position performance than an analysis of the Bank's aggregates alone.

Accordingly, these comments complete the consolidated information to which primary reference should be made.

Profit and Loss Results [60]

Banca Generali closed 2021 with **net profit of 342.2 million euros**, up compared to 289.2 million euros at the end of the previous year, and setting a new record for the Bank.

[60] The following reclassifications have been made in the presentation of the reclassified Profit and Loss Account in order to facilitate understanding of operating performance:
1) reclassification to the net fee aggregate of the provisions for incentives related to sales and recruitment plans; the net provisions aggregate was restated net of these items, amounting to 21.4 million euros in 2021 and 14.8 million euros in 2020;
2) reclassification to the other general and administrative expenses aggregate of taxes recovered from customers, accounted for among other operating income and expenses and amounting to 84.4 million euros in 2021 and 70.3 million euros in 2020;
3) reclassification of the costs of the mandatory contributions paid by the Bank, pursuant to the DSGD and BRRD for the protection of the banking system (contributions to the Italian Interbank Deposit Protection Fund, European Single Resolution Fund and the Italian National Resolution Fund for previous interventions), from the general and administrative expenses aggregate to a separate item not included in the net operating expenses aggregate; this restatement aligns the Bank's disclosure with the most widespread market practice and enables a better presentation of the performance of costs more closely connected to the Bank's operating structure, separated from the amount of the systemic costs incurred;
4) reclassification of one-off charges (70.9 million euros) referring to the restructuring of the portfolio of securitised healthcare receivables, consisting of trading losses arising from the acquisition of the same, and the fair value adjustment of the units of the Fund concurrently subscribed (0.7 million euros). It should be noted that, at 30 June 2021 and 30 September 2021, these charges amounted to 80 million euros and were recognised under provisions for risks and contingencies.

In detail, it should be noted that the following trends significantly impacted the results achieved:
1. the recognition of **one-off charges** amounting to 80.6 million euros incurred for the restructuring of a securitisation portfolio of healthcare receivables held by professional clients, aimed at protecting the latter from potential losses on these investments and successfully completed on 7 October 2021;
2. a **tax benefit** totalling 8.6 million euros generated by the redemption of the value of goodwill, trademarks and intangible assets carried out at the end of June 2021.

TABLE 59: INCOME STATEMENT

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	CHANGE %
Net interest income	**84,031**	**90,080**	**-6,049**	**-6.7%**
Net income (loss) from trading activities	27,710	17,695	10,015	56.6%
Dividends	334,634	240,645	93,989	39.1%
of which: dividends from equity investments	*333,550*	*238,320*	*95,230*	*40.0%*
Net financial income	**446,375**	**348,420**	**97,955**	**28.1%**
Fee income	740,506	620,305	120,201	19.4%
Fee expense	-459,853	-385,806	-74,047	19.2%
Net fees	**280,653**	**234,499**	**46,154**	**19.7%**
Net banking income	**727,028**	**582,919**	**144,109**	**24.7%**
Staff expenses	-94,509	-90,066	-4,443	4.9%
Other general and administrative expenses	-99,555	-90,584	-8,971	9.9%
Net adjustments of property, equipment and intangible assets	-33,840	-31,502	-2,338	7.4%
Other operating expenses/income	6,144	4,283	1,861	43.5%
Net operating expenses	**-221,760**	**-207,869**	**-13,891**	**6.7%**
Operating result	**505,268**	**375,050**	**130,218**	**34.7%**
Net adjustments to non-performing loans	-1,959	-264	-1,695	n.a.
Net provisions	-45,381	-30,820	-14,561	47.2%
Other one-off charges	-80,628	-	-80,628	n.a.
Contributions and charges related to the banking system	-15,475	-11,282	-4,193	37.2%
Gains (losses) from the disposal of equity investments	-20	-1,363	1343	-98.5%
Operating profit before taxation	**361,805**	**331,321**	**30,484**	**9.2%**
Income taxes for the year of operating activities	-19,558	-42,114	22,556	-53.6%
Net profit	**342,247**	**289,207**	**53,040**	**18.3%**

Reclassified net banking income, net of the dividends from the Banking Group's equity investments, rose by nearly 48.9 million euros (+14.2%) compared to the previous year. This increase was mainly attributable to the increase in net fees (+46.2 million euros) and, to a lower extent, in net income from trading activities, amounting to 27.7 million euros (17.7 million euros in 2020).

Net interest income was 84.0 million euros, down 6.7% on the comparison figure (90.1 million euros). Net interest income was largely attributable to lower interests on financial assets (-10.5 million euros), only partly offset by the transactions with the ECB (+3.9 million euros as imbalance between the TLTRO proceeds and the charges associated with excess sight deposits).

Dividends distributed both in advance and at the end of the year by the Luxembourg-based subsidiary BG Fund Management Luxembourg S.A. amounted to 333.6 million euros, up 95.2 million euros compared to the previous year.

Net fees were 280.7 million euros, up sharply compared to the previous year (+19.7%).

TABLE 60: NET FEES

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	%
Fees for portfolio management	83,244	73,282	9,962	13.6%
Fees for placement of securities and UCITS	295,042	225,311	69,731	30.9%
Fees for distribution of third-party financial products	269,945	249,573	20,372	8.2%
Fees for trading, receipt of orders, and custody of securities and currencies	37,517	30,373	7,144	23.5%
Advisory fees	42,332	32,634	9,698	29.7%
Fees for collection and payment services	4,381	4,180	201	4.8%
Fees for other banking services	8,045	4,952	3,093	62.5%
Total fee income	**740,506**	**620,305**	**120,201**	**19.4%**
Fees for off-premises offer	439,550	369,992	69,558	18.8%
Fees for collection and payment services	4,029	3,871	158	4.1%
Fees for trading and securities custody	9,958	7,510	2,448	32.6%
Fees for portfolio management	1,239	1,051	188	17.9%
Fees for other banking services	5,077	3,382	1,695	50.1%
Total fee expense	**459,853**	**385,806**	**74,047**	**19.2%**
Net fees	**280,653**	**234,499**	**46,154**	**19.7%**

Fee income from the solicitation of investment and asset management of households reached 648.2 million euros, with an increase compared to 2020 (+18.3%). This result was attributable to higher revenues from the distribution of insurance products (+20.2 million euros, +8.2%), thanks to the steady increase in average AUM in this segment, as well as those relating to the placement of UCITS units of the Banking Group (+27.2 million euros, +25.7%) and of third parties (+35.5 million euros; +34.9%). Fees for discretionary grew as well (+9.9 million euros; +13.6%).

Worth of mention is also the excellent result of the placement of certificates, which generated fees for over 23.1 million euros

TABLE 61: ASSET MANAGEMENT FEE INCOME

(€ THOUSAND)	2021	2020	CHANGE AMOUNT	%
1. Individual portfolio management	83,244	73,282	9,962	13.6%
Fees for portfolio management	**83,244**	**73,282**	**9,962**	**13.6%**
1. Placement of Banking Group's UCITS units	133,191	105,957	27,234	25.7%
2. Placement of UCITS units	137,345	101,822	35,523	34.9%
3. Bond placement	24,506	17,532	6,974	39.8%
of which: certificates	*23,087*	*14,422*	*8,665*	*60.1%*
4. Distribution of portfolio management services	1,095	899	196	21.8%
5. Distribution of insurance products	268,180	247,969	20,211	8.2%
6. Distribution of other third-party financial services	670	705	-35	-5.0%
Fees for the placement and distribution of third party products	**564,987**	**474,884**	**90,103**	**19.0%**
Total	**648,231**	**548,166**	**100,065**	**18.3%**

Other fees from banking services offered to customers included fees for trading, order collection, custody and administration fees, advisory fees and fees charged to customers for account-keeping expenses and other services. This aggregate stood at 92.3 million euros, up 20.1 million euros compared to the previous year, thanks to the significant growth of Assets under Advisory (BG Personal Advisory), and brokerage services rendered to retail customers.

Fee expense, including fee provisions, amounted to 459.9 million euros, up 19.2% compared to the previous year, mostly due to the increase in fees paid to the Financial Advisor network for off-premises offers (+69.9 million euros; +18.8%).

The Bank's total payout ratio to total fee income was thus 62.1%, in line with 62.2% in 2020.

The payout ratio for off-premises offers alone, calculated on the basis of asset management fees, amounted to 67.8%, slightly up compared to 67.5% for the previous year.

Total **operating expenses** amounted to 221.8 million euros, up 13.9 million euros overall compared to the previous year (+6.7%).

TABLE 62: OPERATING EXPENSES

			CHANGE	
(€ THOUSAND)	2021	2020	AMOUNT	%
Staff expenses	94,509	90,066	4,443	4.9%
Other general and administrative expenses (net of duty recovery)	99,555	90,584	8,971	9.9%
Net adjustments of property, equipment and intangible assets	33,840	31,502	2,338	7.4%
Other income and expenses (net of duty recovery)	-6,144	-4,283	-1,861	43.5%
Operating expenses	**221,760**	**207,869**	**13,891**	**6.7%**

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments of property, equipment and intangible assets) to net operating income, amounted to 47.8%, compared to 51.2% reported in 2020.

Staff expenses, including employees, interim staff and directors, reached 94.5 million euros, up compared to the previous year (+4.9%). The rise was attributable to both the increase in the ordinary component of remuneration following the workforce expansion (+17 staff compared to 2020) and to the higher variable component linked to the Bank's positive result for the year.

Other general and administrative expenses, net of recoveries of taxes paid by clients, amounted to 99.6 million euros, increasing by 8.9 million euros (+9.9%) compared to the previous year. The increase was largely attributable to higher costs incurred for IT outsourcing and consultancy.

Net provisions not related to fees amounted to 45.4 million euros, with an increase of 14.6 million euros (+47.2%) compared to 2020. The increase in this item was led by provisions for contractual indemnities for the sales network (+5.3 million euros), chiefly due to the adjustment of discount rates applied to the statistical-actuarial assessment, and by the provisions for tax and contributions/pension dispute (+5.7 million euros).

Net adjustments for non-performing loans stood at 1.9 million euros compared to 0.3 million for the previous year as a result of greater write-downs on the portfolio of debt securities.

One-off charges, amounting to 80.6 million euros, refer to the capital losses and other losses incurred by Banca Generali in relation to an extensive restructuring of a portfolio of senior notes issued by an SPV securitising healthcare receivables, with a notional amount of 478 million euros, held by its professional clients, in order to protect them against a potential loss on the investments concerned.

Expenses related to the contributions to the Italian National Resolution and Interbank Deposit Protection Funds amounted to 15.5 million euros and included both the ordinary contributions to the Single Resolution Fund (4.6 million euros) and the additional contribution requested by the National Resolution Fund managed by the Bank of Italy to cover the prior expenses related to interventions undertaken in 2015 as part of the Resolution plan for four local banks (1.5 million euros).

Income taxes for the year on a current and deferred basis were estimated at 19.6 million euros and included the benefits arising from the operations to realign the carrying and tax values of goodwill, trademarks and other intangible assets at the end of June, amounting to 8.6 million euros. Gross of this component, ordinary taxes for the year would have been 28.2 million euros, down 13.9 million euros.

The estimated total **tax rate** declined to 5.4%, whereas the tax rate gross of the realignment operations was 7.8%, down compared to the previous year (12.7%), chiefly due to:
> the higher weight of the result of dividends from equity investments subject to reduced taxation;
> the reduction of profit before taxation net of aforementioned dividends, with respect to one-off charges incurred.

Balance sheet and net equity aggregates

At the end of 2021, **total assets** amounted to **16.1 billion euros**, increasing by 3.0 billion euros compared to the end of 2020 (+23.0%).

Total **net inflows** reached 14.4 billion euros, up 2.9 billion euros overall, as a result of the increase in customer's current account deposits (+2.8 billion euros) and in the interbank position, due to a new TLTRO (+0.2 billion euros).

At year-end, **core loans** stood at 15.3 billion euros (+24.0%).

TABLE 63: ASSETS

			CHANGE	
(€ THOUSAND)	31.12.2021	31.12.2020	AMOUNT	%
Financial assets at fair value through profit or loss	415,558	48,455	367,103	n.a.
Financial assets at fair value through other comprehensive income	2,543,065	2,730,098	-187,033	-6.9%
Financial assets measured at amortised cost	12,356,258	9,576,590	2,779,668	29.0%
a) loans to banks (*)	2,782,569	1,213,399	1,569,170	129.3%
b) loans to customers	9,573,689	8,363,191	1,210,498	14.5%
Hedging derivatives	11,357	2,486	8,871	n.a.
Equity investments	25,572	16,827	8,745	52.0%
Property, equipment and intangible assets	278,396	270,632	7,764	2.9%
Tax receivables	71,107	48,107	23,000	47.8%
Other assets	401,201	397,354	3,847	1.0%
HFS assets	1,115	-	1,115	n.a.
Total assets	**16,103,629**	**13,090,549**	**3,013,080**	**23.0%**

(*) Sight deposits with the ECB and current accounts and sight deposits with banks have been reclassified among loans to banks.

TABLE 64: NET EQUITY AND LIABILITIES

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Financial liabilities measured at amortised cost:	14,449,422	11,563,118	2,886,304	25.0%
a) due to banks	818,734	598,129	220,605	36.9%
b) due to customers	13,630,688	10,964,989	2,665,699	24.3%
HFT financial liabilities	4,551	1,551	3,000	193.4%
Hedging derivatives	167,320	67,853	99,467	146.6%
Tax liabilities	7,972	21,859	-13,887	-63.5%
Other liabilities	235,465	176,262	59,203	33.6%
Special purpose provisions	227,689	188,319	39,370	20.9%
Valuation reserves	-384	4,158	-4,542	-109.2%
Equity instruments	50,000	50,000	-	-
Reserves	511,451	599,493	-88,042	-14.7%
Share premium reserve	55,866	57,062	-1,196	-2.1%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-64,822	-45,185	-19,637	43.5%
Net profit (loss) for the year (+/-)	342,247	289,207	53,040	18.3%
Total liabilities and net equity	**16,103,629**	**13,090,549**	**3,013,080**	**23.0%**

Direct inflows from customers exceeded 13.6 billion euros, up 2.7 billion euros compared to 31 December 2020, mainly as a result of the increase in sight deposits by retail customers (+2.8 billion euros). Current account deposits also grew owing to the acquisition of the Binck Bank Italy business unit, finalised in 16 October 2021. The current account liquidity acquired form the business unit amounted to 103.9 million euros at 31 December 2021.

TABLE 65: LOANS TO CUSTOMERS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
1. Current accounts and sight deposits	13,283,649	10,511,304	2,772,345	26.4%
2. Term deposits	-	-	-	n.a.
3. Financing	7,441	144,937	-137,496	-94.9%
Repurchase agreements	-	144,937	-144,937	-100.0%
Intragroup loans	-	-	-	n.a.
Collateral margins	7,441	-	7,441	n.a.
4. Other debts	339,598	308,748	30,850	10.0%
Operating debts to sales network	147,247	114,029	33,218	29.1%
IFRS 16-related lease liabilities	151,856	143,791	8,065	5.6%
Other (money orders, amounts at the disposal of customers)	40,495	50,928	-10,433	-20.5%
Total due to customers	**13,630,688**	**10,964,989**	**2,665,699**	**24.3%**

Captive inflows from subsidiaries and the companies within the Assicurazioni Generali Group, inclusive of IFRS 16-related liabilities (75.8 million euros) increased by 221.8 million euros to 622.3 million euros at the end of 2021, thus accounting for 4.6% of total net inflows.

TABLE 66: INFLOWS FROM CUSTOMERS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Inflows from subsidiaries	52,309	70,406	-18,097	-25.7%
Inflows from Parent Company	38,848	25,235	13,613	53.9%
Inflows from other subsidiaries	455,400	236,153	219,247	92.8%
IFRS 16-related lease financial liabilities	75,755	68,713	7,042	10.2%
Total inflows from Generali Group	**622,312**	**400,507**	**221,805**	**55.4%**
Inflows from other parties	13,008,376	10,564,482	2,443,894	23.1%
of which: current accounts	*12,737,092*	*10,179,539*	*2,557,553*	*25.1%*
Total inflows from customers	**13,630,688**	**10,964,989**	**2,665,699**	**24.3%**

Inflows from customers external to the Insurance and Banking Group continued to be driven by sight deposits, which reported an increase of nearly 2.6 billion euros and amounted to 12,737 million euros.

The non-interest-bearing debt position consisted of other sums available to customers, primarily relating to claims settlement activity by the Group's insurance companies (money orders), as well as of payables to the sales network for the placement of financial products and services. This item rose by approximately 30.9 million euros.

Core loans totalled 15.3 billion euros overall, up 2,959.7 million euros (+24.0%) compared to 31 December 2020, mainly as a consequence of the increase in investments in financial asset portfolios, which grew by 1,615.8 million euros (+17.9%), in addition to the above-mentioned increase in current account deposits.

TABLE 67: INTEREST-BEARING LOANS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Financial assets measured at fair value through profit or loss	415,558	48,455	367,103	n.a.
Financial assets measured at fair value through other comprehensive income	2,543,065	2,730,098	-187,033	-6.9%
Financial assets measured at amortised cost	12,356,258	9,576,590	2,779,668	29.0%
a) Loans to banks	2,782,569	1,213,399	1,569,170	129.3%
Deposits and financing (*)	2,096,617	808,156	1,288,461	159.4%
Debt securities	675,898	404,536	271,362	67.1%
Other operating loans	10,054	707	9,347	n.a.
b) Loans to customers	9,573,689	8,363,191	1,210,498	14.5%
Loans	2,415,273	2,364,796	50,477	2.1%
Debt securities	7,007,361	5,843,012	1,164,349	19.9%
Other operating loans	151,055	155,383	-4,328	-2.8%
Total interest-bearing financial assets and loans	**15,314,881**	**12,355,143**	**2,959,738**	**24.0%**

(*) ECB sight deposits included.

Loans to customers reached 2,415 million euros, up compared to year-end 2020 (+2.1%), as a result of the combined effect of the decline in repurchase agreements and mortgages and the growth of account credit facilities.

TABLE 68: LOANS AND OPERATING LOANS AND OTHER LOANS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
Current accounts	1,567,177	1,299,682	267,495	20.6%
Mortgages and personal loans	843,271	898,703	-55,432	-6.2%
Other financing and loans not in current accounts	4,825	5,504	-679	-12.3%
Reverse repurchase agreements	-	160,907	-160,907	-100.0%
Total loans	**2,415,273**	**2,364,796**	**50,477**	**2.1%**
Operating loans to management companies	95,873	93,027	2,846	3.1%
Sums advanced to Financial Advisors	31,119	23,297	7,822	33.6%
Stock exchange interest-bearing daily margin	2,257	24,096	-21,839	-90.6%
Charges to be debited and other loans	21,806	14,963	6,843	45.7%
Operating loans and other loans	**151,055**	**155,383**	**-4,328**	**-2.8%**

Net non-performing exposures on loans to customers amounted to 31.8 million euros, or 1.32% of total loans to customers reported in the table above. The aggregate includes all the exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A.[61] upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty.

Net of this aggregate, non-performing exposures on loans to customers amounted to 13.8 million euros and consisted for 95% of credit facilities secured by financial collaterals mainly in the form of pledges of financial instruments and/or similar products, such as mandate to policy redemption.

Unsecured exposures on loans to customers, for which risk is effectively borne by the Bank, amounted to 1.3 million euros, or around 0.06% of total loans to customers.

At 31 December 2021, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of 1,277.9 million euros, up sharply compared to a credit imbalance of 210.0 million euros at the end of the previous year, mainly due to the marked increase in net exposure towards central banks (+761 million euros).

In the first half of the year, a new financing transaction with the ECB was undertaken under the seventh cycle of the TLTRO 3 programme for further 200 million euros, which was however partly offset by a significant increase in sight deposits with the said Central Bank (+955 million euros).

In the year, repurchase agreements with underlying ABSs for a residual amount of 199.8 million euros were entered into with banking counterparties.

[61] As of 7 April 2017, the Swiss operations of BSI S.A. were totally transferred to EFG Bank AG - Lugano Branch, as per the Swiss law on mergers.

TABLE 69: NET INTERBANK POSITION

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	%
1. Repayable on demand	**1,572,300**	**617,819**	**954,481**	**n.a.**
Sight deposits with ECB and Bank of Italy (*)	1,504,015	548,980	955,035	n.a.
Transfer accounts (*)	68,285	68,839	-554	-0.8%
2. Time deposits	**524,317**	**190,337**	**333,980**	**n.a.**
Mandatory reserve	130,137	107,772	22,365	20.8%
Term deposits and current accounts	23,777	24,423	-646	-2.6%
Repurchase agreements	199,805	-	199,805	n.a.
Collateral margins	170,598	58,142	112,456	n.a.
Total loans to banks	**2,096,617**	**808,156**	**1,288,461**	**n.a.**
1. Due to Central Banks	**690,725**	**497,361**	**193,364**	**38.9%**
TLTRO	690,725	497,361	193,364	38.9%
2. Due to banks	**128,009**	**100,768**	**27,241**	**27.0%**
Transfer accounts	96,022	77,034	18,988	24.6%
Repurchase agreements	11,752	6,014	5,738	95.4%
Collateral margins	670	-	670	n.a.
Other debts	19,565	17,720	1,845	10.4%
Total due to banks	**818,734**	**598,129**	**220,605**	**36.9%**
Net interbank position	**1,277,883**	**210,027**	**1,067,856**	**n.a.**

(*) Reclassified from Item 10 – Sight loans with central banks.

Net equity and regulatory aggregates

At 31 December 2021, **net equity**, including net profit for the year, amounted to 1,011.2 million euros compared to 1,071.6 million euros at the end of the previous year.

TABLE 70: NET EQUITY

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	55,866	57,062	-1,196	-2.1%
Reserves	511,451	599,493	-88,042	-14.7%
(Treasury shares)	-64,822	-45,185	-19,637	43.5%
Valuation reserves	-384	4,158	-4,542	-109.2%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the year	342,247	289,207	53,040	18.3%
Total net equity	**1,011,210**	**1,071,587**	**-60,377**	**-5.6%**

In 2021, the 60.4 million euro change in net equity was influenced by the distribution of 2020 dividend[62], as well as by the plan to buy-back treasury shares ended in late September, the negative performance of fair value valuation reserves for the portfolio of financial assets measured at fair

[62] In accordance with the applicable 2019-2021 dividend policy, on 22 April 2021 the General Shareholders' Meeting of Banca Generali approved the proposal formulated by the Board of Directors on 5 March 2021 to distribute a dividend of 3.30 euros per share in a total maximum amount of 385.6 million euros, corresponding to a payout ratio of 70.5%, calculated on the total cumulated net profit for the years 2019 and 2020.
Dividend was to be paid in two tranches, namely 2.70 euros in the fourth quarter of 2021 and 0.60 euros in the first quarter of 2022, subject to the satisfaction of the following conditions, in accordance with the provisions of the Recommendation ECB/2020/62: (i) the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; (ii) guaranteeing a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively. On 29 September 2021, the Board of Directors verified the satisfaction of the conditions and resolved the dividend payment in two tranches, namely on 22 November 2021 and 21 February 2022.

value through other comprehensive income (HTCS) and other reserves included in other comprehensive income, the change in reserves for share-based payments (IFRS 2), and net profit for the year, as shown in the following table.

TABLE 71: CHANGES IN NET EQUITY

(€ THOUSAND)	31.12.2021
Net equity at year-start	**1,071,587**
Dividends approved and distributed	-379,549
Dividend on AT1 equity instruments	-1,631
Buy-back/disposal of treasury shares	-25,788
Matured IFRS 2 reserve for Remuneration Policies	8,715
Matured IFRS 2 reserves on LTIP	171
Change in valuation reserves	-4,542
Net profit (loss) for the year	342,247
Net equity at year-end	**1,011,210**
Change	**-60,377**

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 4.7 million euros, primarily due to the portfolio of government bonds, for which net reserves amounted to +2.0 million euros compared to +5.0 million euros at the end of the previous year.

The aggregate had an overall negative balance of 0.3 million euros compared to +4.2 million euros at the end of 2020 (-4.5 million euros).

Own funds amounted to 676.1 million euros, with an increase of 100.6 million euros compared to 31 December 2020.

(€ THOUSAND)	31.12.2021
Own funds at year - Start	**575,498**
Buy back of treasury shares	-25,788
Reallocation to equity reserve of the previous year’s dividend	6,061
Dividend payout on equity instruments	-1,631
Regulatory provisions for retained earnings for the year	114,387
IFRS2 reserve – Bank’s stock option and stock grant plans (LTIPs)	8,886
Change in OCI reserves	-4,079
Change in IAS 19 reserves	-463
Change in goodwill and other intangible, net of DTLs	3,450
Negative prudential filters and other negative items	-183
Own funds at year - End	**676,138**
Change	**100,640**

At year-end, the aggregate capital for regulatory purposes recorded 273.9 million euros in excess of the amount required to cover credit, market, and operating risks. Total Capital Ratio (TCR) was 17.7%, compared to the minimum requirement of 10.5%, inclusive of a 2.5% capital conservation buffer.

Capital absorption due to credit risk increased by 44.6 million euros compared to the previous year.

TABLE 72: CHANGES IN OWN FUNDS

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	%
Total Common Equity Tier 1 capital (CET1)	626,137	525,498	100,639	19.2%
Total Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Total Own Funds	**676,137**	**575,498**	**100,639**	**17.49%**
Credit risk	257,136	212,569	44,567	21.0%
Market risks	26	38	-12	-31.6%
Operating risk	49,262	47,337	1,925	4.1%
Total own funds absorbed (Pillar I)	**306,424**	**259,944**	**46,480**	**17.9%**
Total SREP minimum requirements (Pillar II)	**402,182**	**341,177**	**61,005**	**17.9%**
Excess over SREP minimum requirements	273,956	234,322	39,634	16.9%
Risk-weighted assets	3,830,300	3,249,300	581,000	17.9%
CET1/Risk-weighted assets	16.3%	16.2%	0.2%	1.1%
Tier 1/Risk-weighted assets	17.7%	17.7%	-0.1%	-0.3%
Own funds/Risk-weighted assets (Total Capital Ratio)	**17.7%**	**17.7%**	**-0.1%**	**-0.3%**

Treasury shares

At 31 December 2021, the Parent Company, Banca Generali, held **2,219,469 treasury shares, equal to 1.9% of share capital, with a value of 64,822 thousand euros**, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

The third quarter of the year saw the completion of the plan to buy-back treasury shares, which was passed by Shareholders' Meeting on 22 April 2021, authorised by the Supervisory Authority on 1 July 2021 and then launched by the Bank on 28 July 2021.

As part of the plan, a total of 700,000 treasury shares were repurchased for an overall value of 25,984 thousand euros for the service of the Banking Group's Remuneration Policies.

In particular, the repurchased shares will be used to cover the commitments under the remuneration plans for Key Personnel in 2021, the fifth cycle of the Framework Loyalty Programme for 2021 and the Long-Term Incentive Plan for the three-year period 2021-2023.

In the reporting year, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 248,207 treasury shares, with a value of 6,347 thousand euros, of which 82,684 shares in service of the 2018 LTIP, were also allotted to the Group's employees and Financial Advisors falling within the Group's Key Personnel, as well as to network managers.

During the year, treasury shares showed the following movements:

TABLE 73: OWN FUNDS AND CAPITAL RATIOS

	NO. OF SHARES	VALUE	AVERAGE PRICE	AVERAGE NO. OF SHARES
Amount at year-start	**1,767,676**	**45,185,184**	**25.56**	**1,767,676.00**
Allotments	-248,207	-6,347,093	25.57	-166,908.00
Purchases	700,000	25,984,332	37.12	234,854.00
Amount at year-end	**2,219,469**	**64,822,424**	**29.21**	**1,835,622**

Pursuant to Article 2357-*ter* of the Italian Civil Code, as per Legislative Decree No. 139/2015, and without prejudice to Bank of Italy Circular No. 262/2015, the value of treasury shares was recognised in the Balance Sheet as a reduction to net equity in Item 200 of Liabilities.

Parent Company shares

At 31 December 2021, Banca Generali held **61,854 shares in the Parent Company, Assicurazioni Generali**, broken down as follows:
- 45,955 shares, originally acquired for the service of stock-option and with no restrictions;
- 15,899 shares repurchased, in the capacity of fund charged with the repurchase of fractions of Assicurazioni Generali shares from free capital increases and with no restrictions.

In the reporting year, the Parent Company shares remained virtually unchanged. At 31 December 2021, they were measured at fair value in the amount of 1,151 thousand euros.

Pursuant to Article 2359-*bis* of the Italian Civil Code, a restricted provision was allocated in relation to the ownership of Parent Company shares.

Performance of Subsidiaries

Performance of BG Fund Management Luxembourg S.A.

BG Fund Management Luxembourg S.A. (hereinafter BGFML) is a company under Luxembourg law specialising in the administration and management of the Sicavs promoted by the Banca Generali Group (Lux IM Sicav and BG Selection Sicav) and the Sicav called BG Alternative, reserved for institutional investors.

In March 2020, the management company also acquired delegated management of the Luxembourg Sicav Nextam Partners Sicav.

BGFML ended 2021 with net profit of 315 million euros, up 90.7 million euros compared to the previous year.

Performance fees rose by 75.9 million euros, whereas management fees rose by 66.3 million euros.

Net banking income amounted to 373.8 million euros (+111.0 million euros on 2020). Operating expenses were 7.9 million euros (+0.8 million euros), of which 5.0 million euros consisted of staff expenses.

The company's net equity amounted to 95.9 million euros, net of a dividend payout of 333.5 million euros, as payment in advance for 2021 and total payment for 2020.

Overall, assets under management at 31 December 2021 amounted to 21,434 million euros, up 2,616 million euros compared to 18,818 million euros at 31 December 2020.

Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended 2021 with a slight net profit and net equity amounting to about 0.9 million euros.

Net banking income amounted to approximately 1.3 million euros and virtually covered operating expenses.

Assets under management totalled 1,394 million euros (1,238 million euros for 2020).

Performance of BG Valeur S.A.

BG Valeur S.A., which became part of the Banca Generali Group on 15 October 2019, is a private banking boutique based in Lugano, Switzerland.

The company ended 2021 with net profit of CHF 16 thousand (14.8 thousand euros), calculated based on local GAAP.

Revenues generated mainly from asset management and advisory services amounted to approximately CHF 9.9 million, whereas operating expenses totalled CHF 8.9 million (of which CHF 7.2 million staff expenses).

BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled CHF 3.0 million at 31 December 2021.

At 31 December 2021, assets under management amounted to 1,081 million euros, up compared to 1,067 million euros at 31 December 2020.

Performance of BG Suisse S.A.

BG Suisse S.A., a joint-stock company under Swiss law based in Lugano, incorporated by Banca Generali on **8 October 2021** through an initial contribution of CHF 10 million with the aim of creating a new cross-border private service hub able to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services.

To this end, in January 2022, the company filed with the Swiss Financial Market Supervisory Authority (FINMA) an application to obtain the banking licence necessary to operate on the Swiss market.

In the fourth quarter of 2021, the company — still in its start-up phase — was essentially inactive and closed 2021 with a net loss of CHF 0.9 million (0.8 million euros), calculated based on local GAAP.

Operating expenses totalled CHF 0.8 million (of which CHF 0.1 million referring to staff expenses).

BG Suisse S.A.'s net equity recognised in its statutory financial statements stood at CHF 9.1 million at 31 December 2021.

Nextam Partners SIM and Nextam Partners Ltd.

The reorganisation of the Nextam Partners Group[63] continued in 2021 with the approval of the divestment of the controlling interest in Nextam Partners SIM S.p.A. and the ongoing member's voluntary liquidation procedure of Nextam Partners Ltd.

On **5 March 2021**, Banca Generali's Board of Directors approved the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group, for a consideration of 1,201 thousand euros[64].

After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on **20 January 2022**. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate.

Pursuant to IFRS 5, the assets and liabilities relating to the company been reclassified to the assets and liabilities referring to disposal groups and liabilities associated with disposal groups.

Following the disposal, settlement agreements were executed with some of the previous shareholders of the Nextam Group with a view to identifying the amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to agreeing the termination of the employment relationship between Banca Generali and the main key manager of the acquired group[65], whereas the employment relationship with the other two key managers has been maintained.

With regard to its statutory financial statements, Nextam SIM S.p.A. ended 2021 with a net profit of 509 thousand euros, down compared to the net loss of 1,175 thousand euros for the previous year. Net banking income amounted to 1,935 thousand euros, sharply increasing compared to 486 thousand euros for 2020, mostly attributable to the effect of the performance fees accrued (1,228 thousand euros). Operating expenses amounted to 1,085 thousand euros, of which 525 thousand staff expenses.

Nextam Partners Ltd launched the member's voluntary liquidation procedure on 16 December 2020 and was thus fully inactive in 2021.

The company has a residual net equity of GBP 186 thousand and the liquidation procedure is expected to be completed by the end of the current year.

[63] For further information, reference should be made to the Annual Integrated Report 2020.
[64] Pursuant to IFRS 5, as of the first quarter of 2021, the interest in the company and, at consolidated level, the assets and liabilities relating to the said company have been reclassified to the assets and liabilities referring to disposal groups and liabilities associated with disposal groups.
[65] At the date of disposal of the interest, a settlement amount of 2.2 million euros was paid to the previous shareholders compared to 3.4 million initially established as earn-out upon acquisition of the Nextam Group. The unpaid residual amounting to 1.2 million was recognised in provisions for contingencies. The agreements with the key managers remains valid and their employment relationship with the Bank continues.

Related Party Transactions

In accordance with Article 2391-*bis* of the Italian Civil Code, the Regulation containing provisions relating to transactions with related parties[66] and the provisions of Part III, Chapter 11, of Bank of Italy Circular No. 285 of 17 December 2013 (33rd update), which resulted in the repeal of Chapter 5, Title V, of Bank of Italy Circular No. 263 of 27 December 2006, Banca Generali's Board of Directors approved its "Procedure for Related Party and Connected Party Transactions", which entered into effect on 1 January 2011 and was last updated on 22 June 2021 with effect from 1 July 2021. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, at the Banking Group level, rules on transactions with related parties and connected parties, governing the related investigation, approval, reporting and disclosure activities.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that in certain cases, the said transactions may be subject to prior approval by the Parent Company, where necessary.

Disclosure on Related Party Transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in 2021, nor were such transactions undertaken with parties other than related parties such as intra-group entities or third parties.

Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, atypical and unusual transactions are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly significant transactions

In 2021, the Banking Group did not undertake any transaction qualifying as "highly significant".

Intra-group highly significant transactions of the Bank

With respect to intra-group highly significant transactions[67], no transactions have been conducted in the reporting period.

Other significant transactions

With regard to ordinary transactions qualifying as "low value" (i.e., transactions of amounts exceeding the significance threshold established in the Procedure for Related Party and Connected Party Transactions) approved by the Board of Directors with a prior non-binding favourable opinion from the Internal Audit and Risk Committee (with the sole exception of the case specified hereunder), the following resolution passed from time to time should be noted:

1. on 25 March 2021, Banca Generali's Board of Directors approved a contract for the provision of services in favour of BG Saxo SIM S.p.A., a joint venture with Banca Generali;
2. on 29 September 2021, the Board of Directors approved the proposal to outsource an activity, qualifying as an essential or important function, to BG Fund Management Luxembourg S.A., in light of the updating of some terms of the previous contract. Given the intra-group nature of this transaction, it qualifies for an exemption from the approval process provided for in the said procedure, including the exemption from the obligation to obtain a non-binding favourable opinion from the Internal Audit and Risk Committee: the approval therefore regarded the outsourcing profiles for the activity in question;

[66] Adopted by Consob by Resolution No. 17221 of 12 March 2010, as subsequently amended by Resolution No. 17389 of 23 June 2010 and most recently by Consob Resolution No. 21624 of 10 December 2020, transposing, at the level of secondary legislation, the contents of Directive (EU) 2017/828 ("Shareholders' Right Directive II") as regards the encouragement of long-term shareholder engagement.

[67] Pursuant to the Procedure on Related Party Transactions, they are exempt from the escalated decision-making process and the obligation to publish a market disclosure document, unless there are significant interests in the subsidiary by other related parties.

3. on 17 December 2021, the Board of Directors approved and confirmed the outsourcing of two functions, which did not qualify as an essential or important, to CSE Consorzio Servizi Bancari Soc. Cons. a r.l., in light of the updating of some terms of the previous contract in place;
4. on 17 December 2021, the Board of Directors approved the outsourcing of an activity, qualifying as an essential or important function, to CSE Consorzio Servizi Bancari Soc. Cons. a r.l.;
5. on 17 December 2021, Banca Generali's Board of Directors approved the renewal of the ceiling for issuing guarantees in favour of a company belonging to the Banking Group;
6. on 17 December 2021, Banca Generali's Board of Directors approved the renewal of the line of credit, within the framework of the AG Group Executives Agreement, to an executive of the Parent Company, Assicurazioni Generali;
7. on 17 December 2021, Banca Generali's Board of Directors approved the renewal of three lease contracts of properties owned by two different companies of the Generali Group, where Banca Generali's offices or premises are located.

Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in 2021 with related parties fall within the Group's ordinary course of business and are usually carried out at arm's length and, in any case, are based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regard these transactions, there were no changes in the situation of related party transactions, which might have a material effect on the financial situation and the results of the Company and the Banking Group compared to 2020.

The developments of ordinary transactions with related parties are presented in the specific section of the Notes and Comments of the Separate and Consolidated Financial Statements for the year ended 31 December 2021, along with other information on related party transactions.

Proposal for the Distribution of Profits

Shareholders,

In 2021, Banca Generali S.p.A. reported a net profit amounting to 342,247,370 euros. In submitting the Financial Statements for the year ended 31 December 2021 for your approval, we propose allocating the net profit for the year as follows:

Net profit (loss) for the year	**342,247,370**
> allocation to retained earnings	**114,386,678**
> allocation per each of the 116,851,637 ordinary shares issued of	
– a dividend of 1.15 euros per share, to be paid in May 2022	134,379,383
– a dividend of 0.80 euros per share, to be paid in February 2023	93,481,309
> for a total of	**227,860,692**

This proposal confirms the dividend policy for the 2019-2021 three-year period, approved at the time by the Board of Directors of Banca Generali, which set the target of a Pay Out Ratio in the range of 70% and 80% of consolidated net profit, with a quantitative floor equal to a dividend of 1.25 euros per share, in line with the risk profile defined within the Risk Appetite Framework (RAF) and the overall capital adequacy continuously monitored through the ICAAP process.

The distribution of dividends, in the amount indicated, was also contingent upon the maintenance over time of a Total Capital Ratio that exceeds the tolerance thresholds defined from time to time in the RAF, and in any event up to the limit of 100% of consolidated net profit.

With regard to the foregoing, it bears underlining that the overall dividend proposed, amounting to 227.9 million euros, is equal to a payout ratio of 70.5% of the consolidated net profit for 2021.

The proposed dividend provides shareholder remuneration consistent with the Group's sustainable profitability, while also ensuring that the Bank and the Banking Group are adequately capitalised. The above is true both from the perspective of the set of rules known as Basel 3 and the recommendations made by the Bank of Italy and ECB. As stated in further detail in the Report on Operations, the individual and consolidated capital requirements determined on the basis of the content of this proposal are well in excess of the mandatory levels set by Community authorities and the Supervisory Authority.

It should be noted that, in the event the proposal is approved, consolidated TCR and CET1 ratio at 31 December 2021 will amount to 17.4% and 16.3%, respectively.

In addition, liquidity ratios confirmed the Group's solidity, with LCR ratio at 378% and NSFR ratio at 222%. At year-end 2021, the leverage ratio was 4.6%.

Furthermore, the possibility of distributing the dividend in two separate moments has again been proposed, with a view to having a dividend distribution method that is more flexible over time.

If approved by the General Shareholders' Meeting, the payment will therefore be as follows:
> 1.15 euros per share, ex-date 23 May 2022; record date 24 May 2022, and payment date 25 May 2022.
> 0.80 euros per share, ex-date 20 February 2023; record date 21 February 2023, and payment date 22 February 2023.

The sums paid will be subject to the ordinary dividend distribution scheme.

It should also be noted that any treasury shares the Bank may hold at the record date and outstanding shares for which limits on the distribution of dividends apply under the applicable Remuneration Policies will not be subject to any distributions. The dividends associated with such shares will therefore be allocated to retained earnings.

In addition, due to the decision to realign the tax value of intangible assets with their book values pursuant to Article 110, paragraph 8-bis, of Decree Law No. 104 of 14 August 2020, as added by Article 1, paragraph 83, of Law No. 178 of 30 December 2020 (2021 Italian Budget Law), a tax restriction must be placed on the reserves in the financial statements in an amount equal to the greater values subject to realignment, net of substitute tax, to which the tax-suspended reserve rules for revaluation balances apply.

The greater book values for which realignment was carried out amounted to 32,811,223 euros, for a total substitute tax due of 984,337 euros.

It is therefore proposed that the General Shareholders' Meeting ratify the Company's decision and restrict a corresponding portion of the retained earnings reserve amounting to 31,826,886 euros.

Lastly, pursuant to Article 6, paragraph 1(a), of Legislative Decree No. 38/2005 currently in force, a portion of net profit for the year corresponding to the capital gains recognised in the Profit and Loss Account, net of the related tax charges and other than those associated with HFT financial instruments and exchange and hedging transactions, based on the application of the fair value criterion, must be allocated to a restricted reserve. This reserve is reduced based on the amount of capital gains realised, also through amortisation, or no longer material due to impairment.

On 31 December 2021, due to sales and reductions of the capital gains accrued, the amount of the restricted reserve previously recognised may be reduced by 729,410 euros by reallocating it to the retained earnings reserve, and thus without the need to allocate a portion of the profit for the year.

Trieste, 9 March 2022

The Board of Directors

Intellectual Capital

Products

The trends that began in 2020 gained considerable momentum in 2021, particularly those relating to government intervention in the economy, the adoption of digital technologies and full integration of sustainability factors and themes. In this context, Banca Generali has developed a product range in line with both the main market trends (and sustainability first and foremost) and the development process that is shaping the focus of the new investment solutions designed for the private-banking sector.

The Banca Generali Group's products

Banca Generali continued down the path to sustainability on which it embarked over two years ago through its increasingly solid partnership with MainStreet Partners. In 2021 the Bank focused on seeking to enhance the distinctiveness of its platform by **including new sustainability strategies**. The enrichment of the platform was inspired by parameters relating to uniformity in terms of distribution by environmental, social and governance factors, the coverage of less represented SDGs and the classification resulting from Regulation (EU) 2019/2088 (SFDR).

At year-end, the two non-reserved closed-ended alternative investment funds **8a+ Real Innovation** and **8a+ Real Italy ELTIF**, established by 8a+ Investimenti SGR S.p.A. in mid-2020 to provide tangible, sustainable support for Italy's economic recovery, reached their final closing. In other alternative investments, the persistent "zero rates" scenario resulted in expansion of the range to include new solutions, such as the non-reserved, closed-ended alternative investment fund **Muzinich Loans Target 2025 ELTIF**, specialised in investments in European syndicated loans (which can be subscribed by both retail and professional customers) and the alternative real-estate fund **Generali Europe Income Holding (GEIH)**, promoted by Generali Investments Luxembourg S.A. and managed by Generali Real Estate. This fund, exclusively reserved for professional clients, invests in prime assets located in major European cities and leased to tenants of high standing.

A highly articulated, vertical approach was taken to revamping and expanding the range of the new **LUX IM** platform, the Luxembourg SICAV reorganised to further showcase the potential of each of its sub-funds and thus facilitate its placement in portfolios. The reorganisation was followed by an expansion of the line, adding a considerable number of sub-funds while also significantly reinforcing the range in terms of diversification, innovation, sustainability and protection.

The monitoring activities regarding **BG Selection Sicav**, the fund-of-fund platform of BGFML with a track record of over ten years, continued in 2021. The main goal of this process was to ensure continuity in terms of performance levels, while also verifying alignment with the investment guidelines promoted by BGFML.

With the aim of constantly improving its services, in 2021 the Bank forged ahead the targeted expansion and adjustment of its offering by applying the open architecture model. The theme of sustainability and the search for new trends and sectors played a key role in formulating the strategy for the choice to enter new segments, populating the platform with next-generation solutions (e.g., digital health, green infrastructure, etc.) or those focused on high-potential markets such as those of China.

The portfolio management service was also expanded to include new lines, some of which feature a clear orientation towards ESG issues. In detail, the BG Solution Top Client range was expanded by including **ESG Advisor Mainstreet Universal Values,** which selects investments consistent with economic and financial valuations in accordance with universal values, in line with ESG principles and the SDGs promoted by the United Nations. The expansion of the BG Solution Top Client range is rounded out by **Advisor Consultique ETF Dynamic Trend**, a line specialised in ETFs and developed with a total return objective over a medium-term horizon. This solution is designed for new customers and/or net inflows or conversion from current accounts managed by an internal team at Banca Generali.

The insurance line has undergone thorough, extensive revamping over the last 12 months, enabling significant milestones to be reached. The year was undoubtedly dominated by the private insurance solution **Lux Protection Life**, an exclusive multi-line police offered by Generali Luxembourg capable of combining all the Generali Group's best insurance expertise into a single instrument. Its distinctive and flexible profile is rounded out by the ability to invest up to 40% of the premium in a segregated account scheme under French law and the large number of instruments that allow the client to build highly diversified portfolios (including in-house funds and multiple highly-sustainable strategies).

Revision of the **investible universe** for multi-line insurance products within the **BG Stile Libero** range was further developed, involving a constant revamping of the solutions offered: The LUX IM range was enhanced through the addition of 24 new diversified sub-funds of the six investment families. The Extra Line was expanded to include new highly qualified investment strategies and ETFs specialised in niche asset classes.

Finally, the second half of the year saw the launch of **BG Stile Libero 40 Plus Private Insurance**, a hybrid, multi-line solution for investing up to 40% in the Ri.Alto BG or Ri.Attiva separate management scheme, with capital super light revaluation mode, accompanied by a wide range of products offered by leading international asset managers to meet the needs of high net worth customers.

In 2021, in line with a market context of a consolidated low rate structure and increasing interest among customers in illiquid instruments, Banca Generali continued its placement of **private credit markets instruments**.

During the year, the **range of asset under custody products** focused on the placement of BTP bonds, the integration of the BG SAXO platform with Banca Generali's whole current account range, the development of important services and participation in specific initiatives relating to the credit card and product industry designed to meet the new customer needs, often generated by the persistence of the Covid-19 pandemic.

The **BG Certificate HUB platform**, an open-architecture service launched in 2019 to increase the diversification and protection of private-banking customers' portfolios through certificate offerings, showed its quality by exceeding important thresholds in terms of amounts placed and through its ability to take advantage of the opportunities generated by the market, with more defensive protected-capital solutions and conditionally protected-capital solutions supported by significant coupon flows in order to meet customers' every need.

Development of new products

Sustainability

Over these 12 months, drawing on its experience, the Bank decided to further enhance its platform by increasing new sustainable strategies and adapting it to the new European SFDR regulation that entered into force in March 2021. Specifically, a section dedicated to the **analysis of ESG risk** was added to bring the platform into line with the requirements of the new European regulation, in addition to the current information, which makes it possible to measure the level of sustainability of the strategy, alignment with individual SDGs and the "physicalisation" of contributions.

Alongside regulatory adaptations, the range of sustainable solutions available on the platform continued to be expanded. Through the customary thorough selection process, the platform can now count on over **265 sustainable UCIs** to increase diversification through greater coverage of asset classes and geographical areas, individual SDGs and sustainable, next-generation sectors that reflect the influence of technology and consumption habits.

The range was expanded in view of parameters such as:
- Uniformity in terms of distribution of strategies by exposure to environmental, social and good governance factors;
- Search to cover less represented SDGs;
- Classification as per Article 8 (*strategies that promote "among other characteristics, environmental or social characteristics, or a combination of those characteristics"*) and Article 9 (*strategies that have "sustainable investment as its objective and an index has been designated as a reference benchmark"*) of Regulation (EU) No. 2019/2088.

In particular, this latter point makes it possible to further increase the quality of the solutions offered by Banca Generali, approximately **40% of whose sustainable strategies are classified as Article 9** and approximately **60% as Article 8**.

All these elements contributed to building a strong range that now enables Banca Generali to offer various highly sustainable investment solutions such as asset management lines with specialised advisory (adhering to the principles set out in the Bank's sustainable policy) and model portfolios, while also complying with the ongoing trend, which, as confirmed by numerous market studies, is towards increasing interest among customers in moving their capital to sustainable solutions, risk and return being equal[68].

In what many term the opportunity of the century[69], Banca Generali will continue to focus closely on customers' sensibilities, given the pandemic's influence on their relationship with sustainability. Investors are starting to attach greater importance to social and economic issue. In light of this assessment[70] – and, of course, the main long-term trends – the Bank's goal will also be to expand its range through strategies with a greater social focus (e.g., education, sustainable food, positive environmental impact on agriculture, etc.).

At 31 December 2021, the platform already offered outstanding solidity and depth, as shown not only by the large number of UCITS that make up its investment universe, but also, and above all, by the **18% share of total AUM in asset management schemes represented by ESG AUM**.

Alternative products

Placement of two non-reserved closed-ended alternative investment funds, **8a+ Real Innovation** and **8a+ Real Italy ELTIF**, established by 8a+ Investimenti SGR S.p.A. in mid-2020, continued, particularly in the first half of 2021. Both solutions, characterised by extensive diversification due to a multi-asset allocation with 70-80% of the portfolio in debt and 20-30% in equity, reached final closing at the end of the year.

Again in the alternative investment area, placement of the non-reserved closed-ended alternative investment fund **Muzinich Loans Target 2025 ELTIF**, specialised in European syndicated loans and available to both retail and professional clients, began in June 2021.

2021 saw also the launch of distribution — to Banca Generali's professional customers only — of the fund **Generali Europe Income Holding (GEIH)**, promoted by Generali Investments Luxembourg S.A. and managed by Generali Real Estate. This is an alternative real-estate fund established in 2015 with a portfolio of over 3 billion euros that invests in prime assets located in major European cities and leased to tenants of high standing.

Lux IM

The process of revamping the organisation and expanding the range of the new LUX IM platform was undoubtedly thorough and innovative: the Sicav, characterised by its distinctiveness in terms of the strategies offered by asset class and individual and specific themes, was reorganised into a simplified classification to facilitate the representation of the potential of each sub-fund and, therefore, their positioning in the portfolio. This process enabled the range to be structured into **six families** with specific objectives, in turn divided by type:

- the **Equity** family, whose goal is to capture the growth trend, is sub-divided into Global, Specialised-Thematic and Geographical (United States, Europe and Emerging);
- the **Bond** family, whose goal is to take advantage of opportunities and extract value from specialised managers, is sub-divided by risk level (High, Medium and Low) into Global, Specialised-Thematic, Geographical and Credit;
- the **Balanced** family, whose goal is to construct the core component of the portfolio while maintaining a moderate risk profile, is sub-divided by risk level (Equity max. 30%, Equity max. 30-60% and Equity min. 60%) into Global, Specialised-Thematic and Geographical;
- the **Flexible** family, whose goal is to manage phases of uncertainty, including according to an opportunistic approach, without exiting the market, is sub-divided into Medium Risk and High Risk;
- the **Non-Directional Alternatives** family, whose goal is to improve the portfolio's efficiency by adding elements of decorrelation, is sub-divided into Medium Risk and Low Risk;

[68] Schroders Global Investor Study 2021.
[69] According to PricewaterhouseCooper's, the assets of ESG funds distributed in Europe will make up 50% of the total in 2025.
[70] As highlighted in some recent major surveys, such as "Schroders Global Investor Study 2021: Pandemic drives sustainability issues up the agenda for investors despite performance challenges".

> the **Cash Parking** family, whose objective is to reduce cash account balances and/or to serve as a point of departure for portfolio construction, is sub-divided into Cash Management and Short Term.

The reorganisation was followed by a phase of expansion of the range, which saw the addition of a considerable number of sub-funds. This made it possible to further expand its scope in terms of innovation, diversification, sustainability and protection.

Numerous ingredients were used to enrich and revamp (through re-branding operations) the platform with solutions enabling it to underscore its unique nature on the market. In 2021 intense work was done in terms of:
> Reinforcing positioning by adding to the range **eight trackers of flagship strategies of asset managers partnering with Banca Generali**;
> Innovation in the areas/sectors with the highest growth rates present on the market, through **enhanced themed/specialised offerings** and **ESG offerings** across all asset classes, as well as new **industrial mandates**;
> Coverage of any gaps in the range and new asset classes through **greater choice of equity sub-funds** and an **increase in investment opportunities in the Asia area**;
> Increase in the number of solutions for managing phases of uncertainty and liquidity.

In the light of these measures, the range was expanded to include:
> **eight tracker sub-funds**, a manifestation of diversification 2.0, characterised by active management and the search for talent. These are flagship strategies managed by winning teams at major partners of Banca Generali replicated within Lux IM. This set includes:
  – **five equity sub-funds with a geographic focus** (**US Equity**, with a concentrated portfolio, by Morgan Stanley; **Emerging Market Equity**, with a widely diversified portfolio, by Morgan Stanley; **Global Equity**, focused on selecting a concentrated number of high-potential and high-quality companies, by Vontobel; **Chinese Equity**, investing in class-A shares with a long track record, by JP Morgan; and **European Equity**, with broad diversification, by BlackRock);
  – **three ESG themed funds** characterised by a **specific focus** and **robust integration of ESG criteria** (ESG **Global Equity**, focused on technologies and services for large cities, by Pictet; **Global Equity**, focused on climate change and development of related technologies by **UBS**; **Global Equity**, **focused on research, diagnosis and treatment of cancer**, supported by a highly specialised investment team with a track record of over 20 years in the biotechnology sector, by **Candriam**);
> **four themed/specialised sub-funds, of which three with an ESG focus** (**ESG Global Equity**, focused on companies involved in research, development, manufacturing and distribution of products and services that promote **the circular economy**, **by Fidelity**); **ESG Global Equity**, focused on selecting companies that offer **innovative solutions in the environmental value chain, by Pictet; ESG Global Equity**, which invests in **clean technologies**, **by Vontobel**; and **Specialised Bond**, which invests according to a global, diversified approach, **selecting convertible instruments**, **by Tyrus**);
> **two new industrial mandates** on next-generation themes and sectors. In further detail:
  – **one Global Equity** mandate that invests in the entire **artificial intelligence value chain** (AI, big data and cybersecurity), with advisory by Reply;
  – **one Global Equity mandate that invests in sustainable innovation of the supply chain** with advisory by an Industrial Committee that identifies long-term themes and trends by analysing comparative intra-sector strength;
> **three ESG sub-funds, of which two Bond funds and one Alternative fund** (**Euro Area Corporate Bond** by **Sycomore**, **ESG Global Bond** by **UBS** and **ESG Alternative Non-Directional**, with controlled volatility and a focus on infrastructure to enhance its defensive profile, by **Ambienta**);
> **one China Bond Sub-Fund by Eurizon**, which along with the aforementioned Chinese market equity tracker by JP Moran increases investment opportunities in the Asia area;
> **four sub-funds, of which one ESG Short-Term Cash Parking** (**12-24 Month Euro Bond** by **Pimco**: **ESG Investment Grade Corporate Bond** by **UBS**; Max. 12-month **High Yield Bond** by **Ver Capital**; **Max. three year Global Bond**, **focused on the US dollar and renminbi**, by **BGFML**).

Finally, completing the picture of the activities carried out, some finishing touches were applied, such as:
> **renaming eight sub-funds**, already characterised their highly sustainable profiles, to **include the ESG label**;
> **renaming and changing the investment policies of four sub-funds** to better align investment opportunities with a market context that has undergone rapid development, above all in terms of bond yields and/or to make the strategy implemented by it more explicit;

> **optimisation**, with related change of delegated manager, of **three sub-funds**, **to assign the strategy to managers with the most significant skills in that asset class**, choosing among Banca Generali's numerous partners.

In keeping with its highly innovative and customer-oriented profile, the platform continued to benefit from specific, custom services such as TWIN MIX and dollar-cost averaging (PAC), constantly updated and monitored.

More specifically:
> using the **TWIN MIX** service, customers may invest the cash balances of their current accounts in low-volatility multi-asset products and plan gradual investment in solutions with strong growth potential, achieving the desired allocation mix over a customisable period. During the year, as a result of the constant monitoring of the service, its flexibility was increased, raising the number of low-volatility-based sub-funds from 5 to 11;
> through the **PAC** service, customers can make customised gradual investment plans, reduce the volatility of their portfolios, stabilise returns in the medium/long term and reduce market timing risk. The PAC service is also constantly monitored, showing a constant uptrend in its use.
> The first half of 2021 saw the revamping of **BG Twin Solution**, a solution that allows customers to gradually invest in the financial markets through an automatic investment plan involving Lux IM funds and that guarantees that the sum subject to the PAC service provides the advantageous return offered by the BG TWIN current account (a current account dedicated to the initiative that differs according to whether this sum consists of an existing liquidity balance or new deposits brought to Banca Generali). This initiative ended in June 2021.

At 31 December, **LuX IM had 80 sub-funds**, of which 18 managed by BG Fund Management Luxembourg and 62 under mandate entrusted to leading international investment houses. Moreover, all strategies are available both in the retail class and in the institutional class within Banca Generali's innovative wrapper solutions (BG Stile Libero, BG Solution and BG Solution Top Client).

BG Selection Sicav

Confirming, also in 2021, the attention dedicated to BG Selection Sicav, the long-standing, innovative Luxembourg-based "fund-of-funds system", whose main characteristic is its broad diversification across multiple levels (instruments, markets, strategies, managers and products), the monitoring activity continued with the aim of ensuring its constant performance and its alignment with the investment guidelines promoted by BG Fund Management Luxembourg.

At 31 December 2021, **BG Selection Sicav had 27 sub-funds**, of which 13 managed by BG Fund Management Luxembourg and 14 under mandate entrusted to leading international investment firms.

Open architecture

In line with the aim of constantly improving its services, in 2021 the Bank continued to forge ahead with the expansion and adjustment of the funds offered by applying the open architecture model. Sustainability and the search for new trends and sectors[71] were the main guiding elements that led to the inclusion of a number of ESG and thematic funds focusing on new generation trends (e.g., digital health, circular economy, sustainable infrastructures, etc.) and high-potential markets such as China, involving both equity and bond solutions.

At 31 December 2021, **Banca Generali's multi-manager retail platform included 65 asset managers with more than 6,400 UCITS** overall.

Portfolio management

The process of expanding the range to feature an increasing focus on the private segment continued in 2021.

In particular, the line-up of portfolio management schemes featuring lines based on investment policies that combine a traditional financial yield objective with social and environmental parameters aligned with the UN SDGs was further expanded. **ESG Advisor Mainstreet Universal Val-**

[71] Many of which were generated by the influence of technology on consumption and the change of habits following the Covid-19 pandemic.

ues was launched within BG Solution Top Client thanks to the specialised advisory service offered by Mainstreet Partners. The line selects investments consistent with economic and financial valuations in accordance with universal values, integrated with environmental, social and governance parameters in line with the SDGs. Covering in particular the social area (SDG 16 – "Peace, justice and strong institutions"), this solution complements the current range of ESG lines, previously mainly focused on environmental and governance factors.

In 2021 **BG Solution Top Client** was also expanded to include another specialised solution available for new customers and/or funds or conversion from a current account. Specifically, this was **Advisor Consultique ETF Dynamic Trend**, a line that seeks a total return over a period of three to five years and is characterised by the use of exchange-traded funds (ETFs), which are traded on the secondary market in real time and thus make it possible to reduce trading times, facilitating a highly active management style. Near the end of the year Banca Generali informed Advisor Consultique of its withdrawal from the investment advisory contract for the line to ensure continuity of achievement of its goals and implement the investment policy using inhouse personnel.

Finally, in the fourth quarter the four investment lines managed by the **Family Office** team at BG Asset Management, previously only available via BG Solution and BG Solution Top Client, were also integrated into **BG Solution Special**. Specifically, the Beta Defensive and Absolute Return management styles were also made available in the investment solution characterised by payment, upon initial subscription, of a bonus to customers of 3% and a recommended holding period of five years, during which redemption fees are applied on a declining basis.

Overall, Banca Generali offers a full portfolio of actively distributed discretionary mandates, composed of BG Solution (41 management lines), BG Solution Top Client (50 management lines), BG Solution Special (34 management lines) and BG Next (1 management line), which cover all investment strategies, with a strong emphasis on customisation — a need typical of high-net-worth customers and in line with the current economic scenario.

Insurance products

In 2021, Banca Generali continued the placement of **Lux Protection Life**, the Generali Luxembourg multi-line policy that offers advanced insurance cover and allows up to 40% of the premium to be invested in a French separate management scheme to ensure solidity and protection. From a financial standpoint, this solution allows broadly diversified portfolios to be constructed, in line with the customer's risk profile: customers have access to over 350 UCITS from the world's top asset managers (including the Lux IM and BG Alternative ranges), as well as a vast assortment of ESG strategies. The highly innovative, deep line-up also includes over 11 dedicated internal funds diversified by manager risk profile and geographical focus.

BG Stile Libero 40 Plus Private Insurance, a private insurance product launched in collaboration with BG VITA, offers the opportunity to invest up to 40% in the separate management scheme with access to a wide, diversified investment universe (approximately 1,000 UCITS of over 50 asset managers) to select highly qualified investment strategies with an extremely flexible approach. In fact, it is possible to invest up to 100% of the LUX IM line and/or Extra line. This product was designed specifically for high net worth customers, who are also offered special conditions.

In addition, revision of the investible universe for **BG Stile Libero** multi-line insurance products also continued, involving a constant renewal of the range of third-party partners. In particular, in early 2021 this revision involved:

- enhancement of the LUX IM range through the addition of 24 new diversified sub-funds of the six investment families;
- themed solutions with next-generation sectors;
- an increased number of UCIs and ETFs with investment processes integrating ESG criteria;
- a selection of passive instruments with a focus on the commodities asset class.

Placement of **BG Insieme - Progetti di Vita** was further developed: a recurring-premium policy designed to allow clients to celebrate their most important life milestones, thus integrating a significant purpose dimension into their investments (e.g., diploma, degree, first home purchase, marriage, birth of the first child, etc.).

Assets Under Administration and Custody (AUC)

In 2021 again, Banca Generali participated in the **placement of the new edition of BTP Futura**, the government bond that offers investors a bond instrument with a simple coupon structure designed to reward those who hold the security until maturity.

In order to support the high level of innovation for which all Banca Generali products are known, solutions and initiatives were launched to meet private-banking customers' new needs, triggered by a scenario still impacted by the Covid-19 emergency. Specifically, the main solutions/initiatives concerned:

- **Integration of the BG SAXO platform into Banca Generali's current account range**
  - From spring 2021, the Bank's retail accounts may be directly linked to the innovative BG SAXO trading platform, previously available solely with the dedicated account BG Extra.
  - Access to the platform was made available by default for the range of retail accounts sold (BG Deluxe, BG Privilege and BG Top Premier), as well as those under specific agreements (Team, Employees and Assieme). For existing clients, an upgrade of the existing accounts will allow access to the platform.

- **"Materiality" agreement with Intesa Sanpaolo renewed**
  - As of May 2021, the possibility of making deposits at advanced ATMs was added to the trading services already available in branch.

- **Security of online card purchases**
  - In early 2021, Banca Generali's entire card range was updated to PSD2 security standards (strong customer authentication) for online purchases. The updates entailed a revamping of the customer experience that involved changes to the front-end interfaces for use of the service.

- **Pay-by-link initiative**
  - Together with its partner Nexi, Banca Generali renewed its commitment to supporting commercial businesses, during the pandemic period, while extending the expiry of the pay-by-link initiative until 31 December 2021.
  - Pay by link offers a remote payment receipt service based on the use of links sent by the merchant to the customer. It makes it possible to manage payments without implementing an e-commerce site.

- **Instant Bank Transfer Service**
  - The new service, available 365 days a year, can be used to transfer money simply and quickly. It is a payment solution at the European level that provides settlement to the payee's account in ten seconds rather than on t+1 as for an ordinary transfer.

- **BG Link Account Aggregation Service**
  - PSD2 introduced the concept of open banking, requiring credit institutions to share information in their possession concerning payment instruments and current accounts with authorised third parties (TPP) through APIs (application programming interfaces). The BG Link account aggregation service falls within this scenario. The new account aggregation service, accessible both from the new Internet banking system and the mobile banking app, includes payment account information services (AISs) and payment instrument services (PISs). In further detail, the AIS feature allows customers to obtain an overview of the financial situations of their payment accounts in a special section of the PIB and app, where they can, if they wish, aggregate information regarding the balances and activity of the accounts they hold with third banks. Using the PIS feature, customers can order payment transactions on previously linked accounts (for the time being SEPA transfers only).

- **BG Saxo**
  - In October 2021, for B2C customers only, the range of trading products available on the BG Saxo platform was expanded to include futures and options. In addition, transactions in shares, bonds and ETFs on three new markets were extended to all customers: Luxembourg Stock Exchange, FFT Exchange – Frankfurt Floor, and Bursa Malaysia.

- **Other initiatives**
  - The BG Twin Solution initiative was confirmed also for the period 1 January-30 June 2021. This solution allows customers to gradually invest in the financial markets through an automatic investment plan involving Lux IM funds and guarantees that the sum subject to the investment plan provides the advantageous return offered by the BG TWIN current account dedicated to the initiative, which differs according to whether this sum consists of an existing balance or new funds transferred to Banca Generali.
  - Over the same period, promotional activity was extended in the area of the exemption from stamp duty for current and new customers who transfer financial instruments to Banca Generali, confirming also the mechanism for determining the bonus aimed at re-

warding not only the new transfers, but also the assets already included in portfolios. Mortgage lending saw instead the renewal of the referral agreement with the Intesa Sanpaolo Group.

Credit Products

- **Lombard loan initiative**
  > Given the continuing Covid-19 emergency and to support customers in need of liquidity, in early 2021 Banca Generali launched a Lombard loan initiative at special rates for customers transferring securities from another bank. Specifically, the initiative included:
  - new Lombard and Lombard Plus loans;
  - increases of already existing Lombard and Lombard plus lines of credit (the conditions associated with the promotion will in this case be applied solely to the incremental part of the investment).

  However, in May this initiative was replaced by that relating **loans secured by assets under administration and custody**, through which customers enjoyed extremely advantageous conditions (for both new inflows and existing assets). In particular, the promotion included forms of credit with pledges on assets under administration and custody such as account credit facilities and loans with terms of under 24 months and Lombard loans (for amounts over 75,000 euros only). The offer was applied to new disbursements and increases of existing credit facilities[72].

- **Suspension of loan payments**
  > In accordance with the Sostegni Bis Decree issued by the Italian government, to protect and support customers not eligible for the Covid-19 emergency support initiatives introduced by ministerial decrees, Banca Generali extended the duration of authorised moratoria on mortgages (first home and other) and instalment loans reserved for private-banking and business customers, first until 30 June 2021 and then until 31 December 2021. Until 30 June 2021 it was also possible, for private banking customers and their children as well as small entrepreneurs, self-employed workers and professionals already customers of the Bank to continue to apply for unsecured account credit facilities.

Certificates

Certificate products enjoyed a record year in 2021. The amount placed on the primary market exceeded 1 billion euros, with 80% placed in public offerings[73] and 20% in private placements[74]. This latter type of placement increased in terms of number (215 compared to 170 ISIN codes in 2020), confirming interest amongst the Banking Group's customers in a highly-personalised service during both placement on the primary market and the subsequent post-sales phases. In 2021 the offerings developed on the primary market were capable of best exploiting all the opportunities created by the market and meeting customers' various needs, ranging from defensive solutions such as protected-capital products focusing on ESG indices to conditionally capital-protected strategies based on high coupon yields.

Innovation and Digitalisation to Support the Network, Customers and Business

Services to support the distribution network

Innovation is a fundamental driver to remain competitive on the market and meet the customers' changing needs in order to create value in the long term.

In 2021 the advanced advisory service **"BG Personal Advisory"** was further revamped through the launch of a new version of the consulting contract, which also envisages a **fee-based option** for funds and SICAVs. The new fee-based option is characterised by a single pricing matrix for all funds and SICAVs (whether in-house or third-party) and the return to customers of part of the management fees borne by the funds and SICAVs included in the advanced advisory contract. As a result, the new contract makes it possible to further expand the range of services available to the distribution network, allowing the service proposed to be personalised and adapted according to customers' specific needs.

[72] In this latter case, the economic conditions envisaged by the promotion will be applied solely to the incremental part of the credit facility.
[73] Offer open to all Banca Generali customers.
[74] Offer formulated ad hoc for certain customers at the request of individual Financial Advisors.

In other developments relating to the advanced advisory service BG Personal Advisory, in view of constant innovation of the tools available to the distribution network, a "**single assets under administration module**" was released in 2021, enabling further optimisation and simplification of operating management of portfolios paired with Banca Generali advisory solutions. The new initiative makes it possible to manage multiple ETF purchase and sale transactions in a single module and with a single signature by the customer, including in completely digital mode.

In continuity with the process that began in 2019, Banca Generali also remained committed to reinforcing the **"BG International Advisory"** advisory line, a service that combines the added value of the investment services offered in Italy by Banca Generali with the opportunity to hold part of their assets with Cornèr Banca S.A., a Swiss bank authorised under the freedom to provide services in Italy.

The new developments in 2021 related to **extension of the advisory portfolios** and **expansion of the investible universe of certificates** with instruments designed ad hoc for the service BG International Advisory and available within the framework of various investment strategies to meet customers' various needs.

Within the framework of the **strategic partnership with SAXO**, in the first half of 2021 measures were taken to facilitate **optimal management of "single accounts"** across all applications in use within the distribution network. These innovative accounts enable integrated, synergistic management of Banca Generali's banking and trading services with BG Saxo's advanced trading services.

The process of innovation and gradual digitalisation of tools in support of the distribution network also continued in other areas, including:

> **a series of changes made to the Advisor Portal** to allow management (including in completely digital form) of requests to update customers' personal details and management of payment instruments and POS terminals, in addition to the launch of new advisory contracts (for both individuals and legal entities) and third-party trustee mandates;

> **the reorganisation of the Advisor Portal dashboard** to further simplify and optimise access to information and features available directly on the home page;

> **expansion of the set of transactions that may be signed in fully digital form**, also including the first subscriptions of portfolio management mandates;

> **extension of the set of documents sent to customers and available for consultation by the distribution network directly on the Bank's systems**;

> **release of post-sale transaction management features for the LUX IM PACs;**

> **update and transformation of the BG Prodotti application into the new BG Prodotti & Advisory tool** accompanying the content already present in core products with advisory service content on both financial and non-financial matters[75], optimising and simplifying access to all commercial information through use of a single application;

> **further expansion of the BG Print service** to allow the printing and customisation of commercial brochures for products/services made available by Banca Generali through systematic use of recycled paper;

> **creation of a direct link between the advisory platform BGPA and the tool BG Personal Portfolio**, which makes it possible to analyse customers' portfolios in terms of both financial analysis (risk/return) and sustainability (ESG).

In 2021, the features available in the BG Personal Portfolio tool were expanded, with a focus on simulation and analysis of investment solutions capable of integrating traditional financial evaluation metrics with specific ESG metrics, so as to provide clients with an overview of the impact of their investments on the 17 United Nations Sustainable Development Goals (SDGs). In particular, a new **analysis of ESG risks** was introduced, based on a quantitative method designed to measure ratings in ESG areas and individual contributions made by an investment (e.g., reduction of pollution, water saved, etc.), underscoring any disputes relating to environmental or social issues or pertaining to the governance sphere. The new analysis — available at the level of both the individual product and the entire portfolio — is also integrated into the printable reports made available by the application.

[75] Real estate, corporate, art, family protection and planning.

New technologies in service of customers

In the **digital transformation process**, 2021 was a year of continuity with the journey already begun by the Banking Group. Banca Generali's efforts sought to continue the process of **revamping the main digital tools available to customers** and further consolidating the **role of digital as an accelerator of the business** and a tool for simplifying and improving the Financial Advisor-customer relationship.

To offer customers a unique range of services in terms of quality, value and sustainability, Banca Generali provided them with access to the new **home banking** portal, developed according to an open banking approach and in accordance with the rules of the agile method, taking advantage of support from qualified partners in the digital sector. The service can be accessed from any device due to the responsive mode, which is also valid for smartphones and tablets. The new home banking system also meets standard market requirements, considering both interface methods for the user[76] and elements relating to transactions. Banca Generali's trader customers are assured the ability to confirm their transactions at a single click through BG's trading platform, in keeping with the confirmation methods already available within the BG Saxo platforms. In addition, the profiles in question can manage their accounts in a single section (e.g., account control/revocation) in a fully autonomous manner. The new "Instant Transfer" type was also introduced, allowing customers to execute transfers in the SEPA area at all times, transferring the desired amount immediately.

The open banking approach was also put into practice through the implementation of **BG Link**, a service that allows customers to consult and operate on their accounts held with other banks, using Banca Generali's home banking and mobile banking app.

In the mobile arena, the **mobile banking app** is the hub for Banca Generali's customers for online management of their accounts and consultation of their investments. In 2021, access to the app was expanded by the version for Huawei devices (in addition to the versions already available for iOS and Android) and integration of the Digital Collaboration service was launched, resulting in the de-activation of the BG Store app. Thanks to the new update, customers can view and confirm offers sent via Digital Collaboration directly from the mobile banking app.

Finally, Digital Collaboration features were enriched to include important new operation types: the **single assets under administration module** for managing flexible portfolios, the **single PAC Lux IM post-sales module** and the **single change of personal details module**.

In 2021 the pandemic and anti-Covid restrictions remained key elements of management of the customer-Financial Advisor relationship with regard to investments. In the year, this service allowed approximately 49,000 transactions to be dematerialised on average each month, for a total value generated of 8,3 billion euros.

To ensure customers access to **digital services that are at once easy to use, secure and protected against fraudulent cyber-attacks**, in 2021 Banca Generali released a new security measure that further reinforces its home banking and mobile banking. For the confirmation of transactions deemed at higher risk, in addition to the existing strong customer authentication the user must now answer two security questions, randomly selected on each occasion from the system from the sixth questions personalised by the customer during the registration phase.

In investments in the **BG Saxo online trading universe**, the range of financial instruments offered was expanded and the BG Saxo Investor, Trader GO and BG SAXO app platforms were revamped. Updated versions of these platforms were released in close collaboration with the brokerage BG Saxo and Saxo Bank to ensure B2C customers an even more intuitive and simple browsing experience during advisory and trading.

Banca Generali has also expanded the range available to customers to include a new account type: the **BG SAXO Consolidated Account**. Customers can use this new tool to manage both the banking component relating to payments and electronic money and online trading services through a single current account and securities portfolio. To ensure optimal management of the BG Saxo Consolidated Account, the home banking system and mobile banking app were updated with ad hoc customisation[77] capable of ensuring a high level of transparency and ease of use for customers.

[76] For example: new graphics, ability to personalise the home page, ability to choose background colours, etc.
[77] E.g., new balance displays.

The process of revamping Banca Generali's digital platforms also extended to the **Pagina Personale Consulente** (FA personal page) platform, which in 2014 became the digital showcase for distribution network professionals wishing to ensure a presence for their customers on the Web as well. With approximately 2,000 personal pages published it became necessary to update the service's front end in terms of the user interface and browsing experience, while maintaining the advantages and peculiarities that had set it apart until that time. The new version of the Pagina Personale Consulente was developed according to a responsive approach to allow users to browse it properly from their smartphones and tablets.

The Internet banking channel is complemented by customer care provided by telephone operators made available to the Banking Group's customers by the **Contact Centre**. In 2021 average call response time was 26 seconds, half that of the previous year. Dropped calls were 2.5%, a satisfactory performance well below the 3% target set by the Bank. Customers contact Customer Care for support with Internet browsing, information and/or assistance with passwords and/or access codes, information and/or instructions for current accounts and assistance with the use of debit and credit cards. In 2021 **a specialised operators segment** was also set up to provide support on issues relating to financial investments, assistance with trading platforms and management and assistance of customers of BG Saxo SIM.

Assistance for the network's financial advisors is managed by **Network Support**, which in 2021 took 139,244 inbound calls of the 180,596 calls placed, with an average response time of 102 seconds. An additional 26,742 calls were answered via call-back, a service that became fully operational over the year and that allows Financial Advisors to book a call-back without having to wait on hold (in 2020, the year it was first introduced, 4,400 calls were managed). In 2021 the Financial Advisors who used the service were called back by operators after an average wait of 13 minutes. This parameter was influenced by various factors, such as the increase in new additions to the network and the introduction of new products (along with the related instruments and platforms) by the Bank. In any event, high net worth Financial Advisors were assured an average response time of around one minute and an average call-back time of just over three minutes.

TABLE 74: CUSTOMER CARE

CUSTOMERS	2021	2020	2019
Total number of calls handled by IVR	389,528	403,887	330,253
Number of calls offered to operators	181,150	219,017	195,635
Response times (seconds)	26”	53’’	80’’
Percentage of calls dropped to operators	2.50%	5.50%	9.60%

TABLE 75: NETWORK SUPPORT CARE

FINANCIAL ADVISORS	2021	2020	2019
Total number of calls handled by IVR	269,348	249,204	274,243
Number of calls offered to operators	180,596	166,913	174,216
Response times (seconds)	102’’	97’’	120’’
Percentage of calls dropped to operators	9.50%	9.80%	11.70%

For the Network Support service, the response time for inbound calls was considered; for further detail regarding the call-back time of assistance managed in call-back mode, please see the detailed table shown below.

TABLE 76: FINANCIAL ADVISORS: BREAKDOWN BY MANAGEMENT PROCEDURE IN 2021

TYPE OF CALL	CALLS RECEIVED	CALL ANSWERED	% OF CALLS DROPPED/ NOT MANAGED	AVERAGE ANSWER/ CALL-BACK TIME
In-bound	153,854	139,244	9.5%	102”
Call-back	26,742	26,722	0.1%	808”

Internal support processes for company business

Operations

To simplify some key processes, **robotics projects** were undertaken to automate some phases of processing. These initiatives made it possible to optimise the resources devoted to the various activities, while also mitigating the risk level of the underlying activities. In particular, the initiatives related to the processes for managing corporate actions, placement of bank transfers and management of personal particular mandates.

Administration

In terms of magnitude and significance, it is worth mentioning the following initiatives, requested by the Regulators (automation of BG pricing policy) and proposed by the Parent Company (Group VAT number) respectively:

> automation of Banca Generali’s pricing policy through the adoption of the Sintea “Galileo” platform integrated in the CSE information system which allows the receipt and evaluation of prices from various providers (Bloomberg, Telekurs, CED Borsa, etc.) inserted in a hierarchical structure of priorities in the supply of the various asset classes: project completed including the operational fine-tuning phase. Interventions are planned during 2021 to make the individual phases of the operational process even more efficient;
> adoption of a single VAT number at Assicurazioni Generali Group level with effect from 1 January 2020: project completed including the operational fine-tuning.

Loans

In keeping with the measures enacted by the Italian government in the 2021 Budget Law and Sostegni Bis Decree, and to continue to guarantee support to customers not covered by the specific initiatives introduced by ministerial decrees relating to liquidity needs tied to the Covid-19 emergency, Banca Generali continued several initiatives launched in the previous year.

These measures include, for example, the **extension of the payment deferrals**, first until 30 June 2021 and then until 31 December 2021.

Until 30 June 2021 it was also possible, for private banking customers and their children as well as small entrepreneurs, self-employed workers and professionals already customers of the Bank to continue **to apply for unsecured account credit facilities**. Customers enjoyed **extremely advantageous conditions of access to forms of credit secured by assets under administration and custody** (both new inflows and existing assets).

To increase the efficiency of internal processes through greater automation, reduce operational risks and comply with new regulatory requirements the Bank also added **new features to its systems**.

Initiatives relating to the loan approval included **developments related to the integrated system for managing electronic loan applications** and, specifically:

> Automatic verification of the target market (in a POG context) for credit products;
> MiFID compliance updates to the customer file;
> Automation of revocation of credit facilities granted to corporate customers;
> Automation of checks on acquisition of policy pledges under the new Intermediaries Regulation issued by Consob.

Initiatives relating to **monitoring throughout the ongoing phase** included:
- Incorporating the new definition of default introduced by European regulations and adopted by the Bank of Italy by integrating early-warning and non-performing position management systems;
- Constantly monitoring the performance of products acquired under pledge from both a qualitative standpoint (eligibility and instruments) and a quantitative perspective (adequacy, concentration and blocking).

Asset management

In 2021, the initiatives implemented within the asset management segment mainly included:
- the expansion of the range of sustainable solutions through the launch of three new ESG lines (Advisor Mainstreet Universal Values, Composite and Composite Plus), which, together with the four pre-existing lines, bring the share of ESG in the BG Solution range to 15%;
- the redefinition of management activity from an ESG perspective, with the implementation of the **responsible investments policy** formulated by the bank;
- the creation of **new automated procedures** for specific customer instructions and requests for personalisation of portfolios under management.

Legal compliance

In 2021 as well, efforts to bringing organisational processes and the IT system into line with new provisions of law continued to be significant. The main changes related to:
- **IVASS Regulation No. 111**: adaptation measures regarding the operation of the insurance sector to fulfil the new IVASS obligations in force from 1 January 2022. The initiatives aimed at establishing a contingency action plan for immediate compliance with the new regulations and at guiding future development on the systems in view of increased automation and more efficient controls;
- **EBA Guidelines on internal governance:** adaptation to the guidelines issued by the European Banking Authority (EBA) on corporate governance through refinement of the internal regulations currently in force;
- **Measures to combat the effects of the Covid-19 pandemic**, in the form of ongoing refinement of the processes/systems/products/services in order to enact the Decrees issued by the Prime Minister's Office and facilitate the remote operation of customers and Financial Advisors, while ensuring adequate control measures;
- **Consob Recommendation No. 1/2020 of 7 May 2020** concerning "Recommendation on how to fulfil the obligation of ex-post reporting of the costs and charges associated with the provision of investment and access services" and **ESMA Document "Questions and Answers on MiFID 2 and MiFIR investor protection and intermediaries topics"**: completion of working groups launched in 2020 for the analysis and development of the regulatory adjustments;
- **IDD2 Regulation**: completion of the working groups launched in 2020 for the analysis and development of adjustments covering multiple areas of the insurance sector (strengthening of adequacy, target market, comparison with non IBIPs products, reinforcement of inducement perception rules, ex-ante policy costs, cost benefit analysis, ongoing suitability);
- Review of the **MiFID 2 customer profiling** methodology, update of the profiling questionnaire, inclusion of updates deriving from ESG legislation: continuation of working groups launched in 2020;
- **New provisions on the development of sustainable finance** (Regulation (EU) No. 2019/2088 on sustainability-related disclosures in the financial services sector, Regulation (EU) 2020/582 on the establishment of a framework to facilitate sustainable investment, Commission Delegated Regulation (EU) No. 2021/1253 amending Delegated Regulation (EU) No. 2017/565, Commission Delegated Regulation (EU) No. 2021/1269 amending Delegated Directive (EU) No. 2017/593 and other ESG regulations relevant for the Bank's operations): launch of working groups for defining the operating processes and for subsequent IT interventions linked to the relevant regulatory provisions, and in particular the provision of investment and portfolio management advisory services;
- **Directive 2015/2366/EU ("PSD2")** with regard to the process of adopting a **platform integrated into Banca Generali's Internet and mobile banking system** (commercially known as "BG Link") functioning as an AISP (account information service provider) and PISP (payment initiation service provider): this platform can be used to receive information regarding the payment accounts held by customers with third-party intermediaries and instructions for payments (in the specific case, standard SEPA transfers) to the same accounts in question using the APIs (application programming interfaces) made available by third-party banks and connected to the service in each case;
- **EBA Guidelines on Loan Origination and Monitoring ("LOM"):** launch of analysis to identify processes of adaptation, including reinforcement and development of safeguards and pro-

cesses of support for the disbursement and monitoring of credit in accordance with the regulatory framework;
> **"Guidelines of the Privacy Authority on the use of cookies and other tracking tools" of 10 June 2021** (updating measure no. 229 of 8 May 2014) on the proper methods of providing information and obtaining consent of data subjects via the Internet, where necessary, in the light of the full application of Regulation (EU) No 2016/679, with specific regard to the use of cookies and other tracking tools.

Marketing Activities

During 2021 Banca Generali focused its efforts on implementing a whole series of marketing initiatives to give close proximity to customers, in a period of major uncertainty linked mainly to the pandemic.

A special section was created on the website to guide the customer in using technological systems to operate remotely (Home banking, Phone Banking, Digital Collaboration etc.) also through simple video tutorials to help customers carry out the tasks enabling the various systems.

Proximity actions were also carried out through social media, which hosted various talk shows with the CEO and various market and finance experts, as well as leaders in the real economy, to analyse the health and economic crisis that has struck all world economies.

In addition, support was given to the launch of a series of solutions to relaunch the real economy (BG4Real Economy), support the system of national small and medium-sized enterprises (securitisations and new credit initiatives) and customers affected by the lockdown and subsequent nationwide restrictions imposed by the Government.

Media Relations

2021 was an event-filled year in the relationship between Banca Generali and the media. In the year, the Group issued **64 institutional press releases** (both in Italian and in English) which covered monthly net inflows results, quarterly results and all main corporate events. The Chief Executive Officer, the two Deputy General Managers and the main top managers made themselves constantly available to the media in order to highlight both the Bank's distinctive credentials and help the public understand the main events of general interest.

At the commercial level, on the other hand, the dialogue with the media was expressed in a constant dialogue about the main product innovations in support of customers that have been released by the Bank. Of these innovations, particular attention was paid to the initiatives delivered through the BG4Real project, through which the Bank supported the investee 8a+ Investimenti in the selection of opportunities to support Italian SMEs with strong innovative features. On the other hand, products innovations resulting from the restyling of the range offered by the Lux IM Sicav received ample coverage in industry media. The nationwide initiatives carried out by the Banca Generali Private network were promptly communicated to the local media, opening dialogue windows aimed at highlighting the importance of social and educational projects especially.

Banca Generali's commitment towards a more sustainable investment universe was marked by constant communications on both inflows from customers generated by this type of solutions and on the innovations developed in collaboration with the partner MainStreet. Again in the field of sustainability, the #BG4SDGS – Time to Change initiative was launched: the project created with Stefano Guindani with a team of headquarters colleagues who helped the photographer look at sustainability through the eyes of Banca Generali, and which will lead Banca Generali to explore the status of the 17 SDGs of the 2030 UN Agenda. Presented in September, this project analysed 3 goals (5, 11 and 12) last year and achieved great media recognition for its unique identity and its innovative features.

The dialogue with the media also had a gateway through the Bank's corporate website, www.bancagenerali.com, which was updated daily providing both institutional communication and news regarding commercial and local projects. The same approach was also adopted by the websites of companies within the scope of the Banking Group. Three of these saw the creation of completely renewed websites in 2021: BG Fund Management Luxembourg, BG Valeur and Generfid. Digital communication also found fundamental assets in social media. Banca Generali's official profiles on Facebook, LinkedIn, Instagram, Twitter and YouTube were updated daily with information and news regarding all aspects of corporate life. Furthermore, on LinkedIn, the Bank strengthened its presence also thanks to the direct dialogue developed by its Chief Executive Officer and the two Deputy General Managers through their personal profiles.

Communications with customers and the network

During the year, communication activity with customers and the Network remained focused on responding to the emergency caused by the pandemic limitations and restrictions. The goal was to offer aid and assistance to our professionals and customers, with constant, up-to-date communications regarding business activities and support for the national economy.

In the first six months of 2021, in consideration of the ongoing pandemic, the Bank continued to offer intensive support to Financial Advisors on all Banca Generali platforms, which had become indispensable within the context of social distancing, both for the Financial Advisors' ongoing training and for supporting their activities with clients. There were also numerous dedicated webinars that, together with the roadshow at the start of the year, the quarterly results events and the June convention, allowed for direct contact with both the top management — as regards the new commercial initiatives and sharing of strategic guidelines — and with the Bank's employees.

Plenty of space was therefore dedicated to initiatives designed to consolidate relationships and the human touch, but also to those focusing on innovation, such as the BG SAXO communication plan and the one for the new Lux IM sub-funds, as well as the ongoing development of the BG4Real Economy project, with the establishment of the holding and the definition of the membership contract, which combines product innovation with support for the real economy.

Communication on initiatives and projects also continued on the commercial and institutional websites, which were also kept constantly up to date as regards sustainability, a subject on which great importance has been placed both in terms of initiatives and of products, following the **Sustainable Finance Disclosure Regulation** coming into effect in March. The subject of sustainability also featured in client communications, with dedicated banners to raise awareness about the issue and to promote the Lux IM ESG sub-funds.

LUX IM

With a view to developing an increasingly inclusive and engaging communication plan that also targets the younger generations, the **Young Lion** initiative was promoted for the children of employees and Financial Advisors. They were asked to draw a lion capable of inspiring the icon that the Bank will use in a whole series of marketing and merchandising materials and for promoting initiatives dedicated to young people and their future.

There was also no shortage of events dedicated to Private Bankers, some still carried out in streaming mode and others face-to-face, rediscovering the pleasure of personal relationships.

In January, a digital roadshow was organised that involved Banca Generali's management and the entire Private and Wealth sales.

In February, the **Digital D Meeting** was organised, engaging first and second line management. During the year various online, but also face-to-face, meetings and discussions were held with the whole network, including, in June a digital meeting focused on products and Lux IM. In October, a roadshow was held in presence, to meet with all local Financial Advisors. In addition to the six physical presence days, a digital stage was held for all those unable to participate directly in the events.

Particular attention was dedicated to the sustainability theme, to which the Bank has been committed for some years now. **#BG4SDGs**, a cycle of exploratory sessions dedicated to the topic of sustainability, was created this year to discuss the goals of the UN 2030 Agenda. The main United Nations sustainability goals are discussed during the meetings, through dialogue with major personalities from the world of culture, science and civil society. The talks, transmitted monthly by our "BG Training & Innovation Hub", are filmed and presented on our institutional website and the Bank's social channels.

#BG4SDGs

7 meetings in 2021 - Participants:

VITTORIO PELLEGRINI
Founder & Chief Innovation Officer at BeDimensional

VALENTINA SUMINI
Space architect and Researcher at MIT Media Lab and Visiting Professor at the Polytechnic of Milan

LUIGI CREMA
Head of Research Unit at Fondazione Bruno Kessler in Trento

GIANMARIO VERONA
Rector of the Bocconi University

BARBARA MAZZOLAI
Director of the Bioinspired Robotics Laboratory at the Istituto Italiano di Tecnologia (IIT) of Genoa and "mother" of the plantoids

MARCO PAVONE
Associate Professor at Stanford University and Director of Autonomous Vehicle Research Lab at NVIDIA

PAUL CUKIERMAN
Founder & Managing Partner at Catalyst Investments

Financial Advisors and customers are provided with some new informational materials useful to better illustrating Banca Generali's fintech services and solutions, including a series of new videos dedicated to the BG SAXO platform and the new home banking site. In support of our bankers' daily activities, specific materials have been made available concerning the evolution of technological systems for operations, such as Digital Collaboration and Quiclic.

As regards advisory and communication for clients, mention should also be made of the reorganisation and new graphics of the financial reports provided by the **Top Financial News** service and the development of videos and brochure projects for the promotion of the products and services offered by the Bank.

Internal communications

The 2021 internal communication plan was developed through a series of initiatives that had as their main objectives the consolidation of internal engagement, proximity in a historic phase still marked by uncertainty and the promotion of a corporate culture based on the sharing of information and knowledge of corporate strategy and values.

2021 was the year of the **Generali Global Engagement Survey**, a Group event now in its fourth edition. For the occasion, an engagement plan dedicated to Banca Generali employees was prepared, with a number of communications focused on people and strategic and business issues. The plan took the form of a series of videos and digital initiatives involving both Top Managerst and fellow employees. The use of innovative engagement tools such as gaming was also tested, alongside these established modes of communication. About 4000 total views of the engagement plan, which led to the achievement of a 96% response rate to the Survey.

Sustainability and innovation were also fundamental pillars of internal communication. 2021 opened with a Survey dedicated to sustainability that involved all headquarters employees.

Innovation was the protagonist, in particular, of a series of 10 video clips made on the world of data. The initiative aimed at introducing concepts related to the world of data management to the entire Bank population.

2021 featured a rich calendar of events dedicated to employees, this year once again all in digital version due to the restrictions related to the Covid-19 pandemic.

In addition to **Employee Digital Meeting**, Together for a new start, and **Digital Christmas Talk**, events that featured Top Managers, employees also had the opportunity to enjoy the digital content of the October Roadshow dedicated to advisors. A way to consolidate headquarters-network proximity so that everyone continues along a common path, taking advantage of the opportunities offered by digital.

Cross-cutting issues were also discussed in the “A coffee with” virtual meetings in which a number of Bank managers dealt with specific issues, with the aim of building a culture based on knowledge sharing.

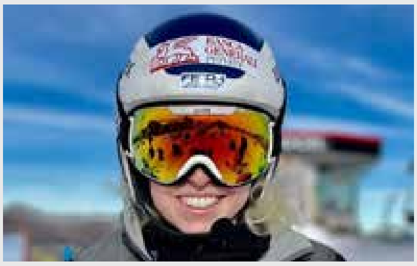
The BG InSite internal communication portal was the main tool for accessing initiatives, activities and communications, as well as utilities and services dedicated to employees. A monthly newsletter dedicated to “Prima Pagina” employees, which gathers important Bank and Group news, has been published on the portal.

Ambassadors

During 2021, Banca Generali’s institutional and nationwide image was associated with a group of testimonials reflecting the Company’s values. The Michelin-starred chef Davide Oldani and the Orchestra Conductor Beatrice Venezi accompanied the Bank in numerous initiatives to promote talent and culture, with a particular focus on two sectors that in the previous year had been among the most affected by the pandemic.

The young and winning faces of Federica Brignone, Guglielmo Bosca and Alex Vinatzer brought the Banca Generali brand to ski slopes all over the world. In particular, this season saw Brignone facing the World Cup races as an athlete to beat since she had taken the Cup the previous year. It was precisely this extraordinary success that was also at the centre of an ad hoc advertising campaign in which the Bank wanted to celebrate the success of its historic testimonial, the first Italian skier to win the coveted crystal cup.

Again in the field of skiing, the team of testimonials expanded with the talented Paralympic skier: Martina Vozza. The young athlete joined the group of skiers sponsored by Banca Generali, confirming the Bank’s commitment to barrier-free inclusion paths.



Human Capital: Human Resources

49% 51%

986 employees

55,145 total training hours
(average of 56 training hours per employee)

824 employees opted to work remotely

Average employee age of 45 years

96% of staff under indefinite-term contract

GGES2021 Response Rate 96%
Engagement Score 84%

At the end of the 2019-2021 Strategic Plan, **people** were confirmed as one of the fundamental pillars behind Banca Generali's success; in fact, it is primarily the people on whom the actual achievement of the results set from time to time by the Banking Group depends.

Accordingly, in 2021 Banca Generali devoted close attention to investments in the **development, growth and management of its human resources**, by spreading a company culture founded on shared values, leveraging diversity and inclusion, and on the need to guarantee the sustainability of the Bank itself in the short, medium and long term.

Banca Generali implement a number of actions to ensure people's safety and to review some initiatives linked to its **People Strategy**, in keeping with the working practices that the prolonged pandemic context has imposed.

The emergency situation linked to the Covid-19 pandemic marked also 2021, placing even more at the centre the theme of Human Capital and its correct management and efficient protection. This has led to the **protection of human resources and personal and professional development** being identified as the two of the main priorities for ensuring business continuity.

With regard to the safety of resources, throughout 2021 emergency **remote working** (starting from February 2020) continued to be applied in all the Banking Group companies, with the exception of front office employees. In this way, it remains possible to guarantee business continuity and development while ensuring, at the same time, people's safety

Again regarding safety, concrete actions have been implemented to manage office attendance in line with the instructions issued by the Government[78].

In this context, the Banca Generali Group has continued to work on the challenges that it had set itself (culture; development of new skills; leadership and talent; organisation and rewarding excellence) with a view to sustainable growth, accompanied by extensive cooperation with trade unions to close two important agreements:

> **renewal of the Supplementary Company Contract** with the renewal of most of the entitlements and introducing particularly significant improvements regarding all the main economic and social protection entitlements;

[78] e.g.: social distancing, use of PPE, flexible working hours, sanitisation of workplace environments.

> agreement on the **Smart Working/Next Normal contract**: one of the first agreements in the banking world that introduces a new way of working based on the "hybrid" logic, where office and smart working will coexist in the management of daily activity and business in general.

The new way of working has introduced a **different way of communicating, developing, training and managing human resources.** In fact, 2021 saw numerous initiatives dedicated to accompanying the population of People Managers and colleagues in the Next Normal in order to support an important change in cultural mindset. In addition to the info-training activities managed by the HR area, many initiatives were carried out by individual Managers within their teams with the aim of reducing the sense of remoteness perceived by colleagues and maximising operational effectiveness (e.g.: weekly meetings, alignment calls between peers, virtual coffee between colleagues and team aperitifs).

2021 also saw considerable attention being paid to the growth and development of BG Group employee skills, through the creation of technical and managerial training courses. The use of e-learning platforms and the implementation of virtual classroom activities made it possible to reach all Banking Group employees in a widespread and timely manner, confirming the positive trend witnessed also in previous years as regards staff involvement in training/information activities.

More specifically, it is worth mentioning the launch of the n**ew BGLab e-learning platform**, to which all Banca Generali Group employees are guaranteed access. BGLab is a simple, intuitive, innovative portal marked by a strong focus on user experience. In addition to collecting the various training courses made available to the Bank's staff (mandatory training, technical training, etc.), the platform facilitates employee self-learning through the so-called "free use materials" (e.g.: videos, manuals and operational materials always available within the portal).

Like it did in 2020, the Bank continued to pay attention not only to the technical and professional development of its people, but also to their **private life**. The launch of several initiatives, provided insight on anti-fragility and resilience, correct nutrition, and the adoption of a healthy life style, the correct life-work management for parents during the various phases of their children's growth.

For the second consecutive year, the **Performance Management** cycle was totally manged remotely, through proving again an important moment of manager-employee dialogue, providing the feedback on the previous year, and defining an individual development plan.

To further enhance Human Capital, working on self-empowerment, and provide additional momentum to job rotation through the job posting channel (which allows each employee to apply for job vacancies within the Generali Group); **a new service advertising vacancies within the Banca Generali Banking Group was introduced** in 2021. This service allows the number of internal applications for the individual position to be increased and development possibilities for employees expanded according to an even more international perspective

The values of **Diversity and Inclusion** are an integral part of the corporate culture and are considered fundamental drivers for the Bank's business, growth, capacity for innovation and performance. The commitment **to pay constant attention to diversity** and possible **vulnerabilities** has led the Bank to define actions aimed at making the working environment open to all resources. The uniqueness in terms of age, gender, personality, experiences, sexual and emotional orientation, and much more **has been accompanied and enhanced by a process of inclusion** that has allowed us to improve the internal climate and, as a result, the company's performance. In fact, also in 2021, the Bank wanted to convey to all people the feeling and awareness of being essential for the Organisation's success.

As far as the social responsibility theme is concerned, voluntary activities such as **"The Human Safety Net" (THSN)**, an initiative sponsored by the Generali Group in which employees are involved in volunteering initiatives during the working day, have been taken forward this year as well. In line with the new ways of working, the initiatives related to THSN have also been reviewed and adapted to the new needs, without affecting the passion and involvement of colleagues who have enthusiastically joined the scheme.

In 2021, the **Generali Global Engagement Survey** was held once again, through which BG Group employees further confirmed their desire to actively participate in the initiatives promoted by the Group and make their voices heard. In line with the results achieved in 2019, the Response Rate achieved for the BG Group was 96%. On the other hand, the Engagement Score increased to 84%, demonstrating the strong commitment of the Banking Group's employees. This will be followed, in 2022, by the definition of a series of "post-survey" initiatives to be organised and implemented through the direct involvement of the company population.

People Strategy

Constantly taking into account the guidelines defined by the People Strategy 2019-2021, the initiatives carried out in 2021 were organised also taking into account the need to adapt these measures to the needs expressed in the year in question by the business and people of Banca Generali

The People Strategy 2021 was developed in line with the priorities identified by the Generali Group as a whole, whose pillars are:

> **Culture**: creating a common culture based on leveraging diversity and inclusion by establishing common objectives, values, behaviours and constant dialogue with top managers. Banca Generali holds a profound conviction that a shared strategy and approach to implementing it are among the key elements for achieving the goals set in the Strategic Plan e for the Banking Group's sustainable growth.

> **Competencies**: developing new competencies to implement the Strategic Plan by supporting individuals in a process of upskilling and reskilling, with a particular focus on digital and technical competencies.

> **Leadership & Talent**: supporting the growth of managers and identifying initiatives aimed at attracting, motivating and retaining talent. Also fundamental in this regard is the preparation of succession plans, which ensure that the Banking Group remains sustainable over time.

> **Organisation**: implementing new ways of doing work and collaborating by introducing tools and initiatives that increase flexibility and agile interaction, exchange of knowledge and personal enrichment. All the innovative approaches to work investigated support the balance between professional and private life, ensuring that all employees are able to contribute effectively to achieving company objectives.

> **Excellence**: rewarding excellence and the creation of long-term sustainable value thanks to attention to merit and a sharper focus on gender pay gap issues within the organization.

These **behaviours** support the People Strategies every day. In line with the Generali Group's approach, the Behaviours describe how the Bank wants to go about its activity every day and are what differentiate it from others. They represent Banca Generali's commitment — both as a Group and as individuals — to delivering results.

Number and Type

CHART 22: EMPLOYEES BY GENDER

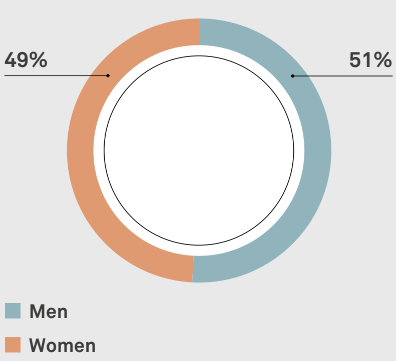


CHART 23: EMPLOYEES BY GEOGRAPHICAL AREA

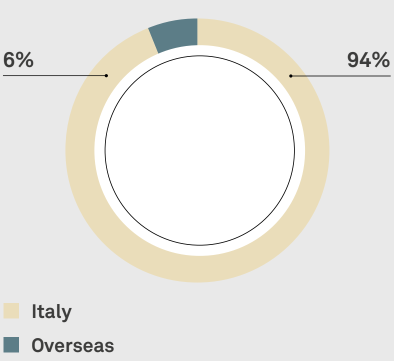


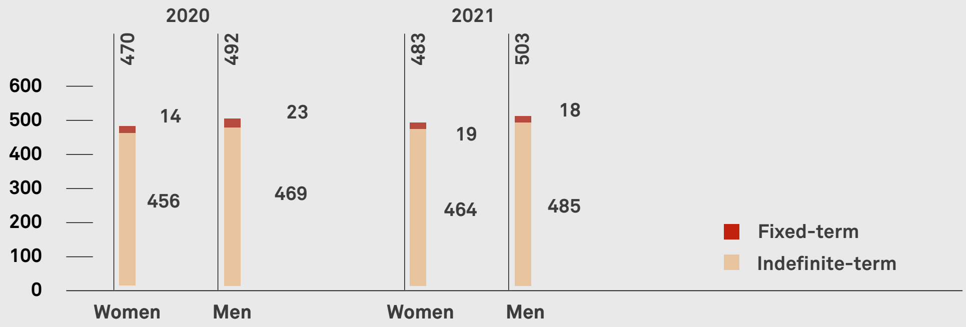
TABLE 77: EMPLOYEES BY TYPE OF CONTRACT AND GENDER

	31.12.2021			31.12.2020		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Indefinite-term contract	464	485	**949**	456	469	**925**
Fixed-term contract	19	18	**37**	14	23	**37**
Total employees	**483**	**503**	**986**	**470**	**492**	**962**

Following internationalisation projects, among other things, compared to 2020 the number of indefinite-term employees rose by 24, confirming the Banking Group's trend towards strengthening and reinforcing permanent workforce.

The increase also includes 11 contracts from fixed- to indefinite-term, in order to both cover new positions and to replace staff who have left previously.

CHART 24: EMPLOYEES BY TYPE OF CONTRACT AND GEOGRAPHICAL AREA



The **percentage of workforce under indefinite-term contract at year-end 2021 is 96%**, unchanged compared to the previous year.

TABLE 78: EMPLOYEES BY TYPE OF CONTRACT AND GEOGRAPHICAL AREA

	31.12.2021			31.12.2020		
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL
Indefinite-term contract	886	63	**949**	872	53	**925**
Fixed-term contract	36	1	**37**	37		**37**
Total employees	**922**	**64**	**986**	**909**	**53**	**962**

94% of the Banking Group's employees worked within the Italian territory (unchanged compared to 2020). The remaining 6% was based in Luxembourg and Switzerland[79].

TABLE 79: EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER

	31.12.2021			31.12.2020		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Full-time	432	498	**930**	418	487	**905**
Part-time	51	5	**56**	52	5	**57**
Total employees	**483**	**503**	**986**	**470**	**492**	**962**

Part-time employees accounted for 6% of the total (unchanged compared to 2020). Those choosing to work part-time are mainly employees with specific physical needs.

[79] Among employees abroad there was a single employee hired in Italy under an indefinite-term contract and seconded to Luxembourg.

To carry out its activities, the Banking Group sometimes uses temporary staff to deal with peak workloads or specific projects.

TABLE 80: ITALY 2021 TURNOVER

	ITALY								
	WOMEN				MEN				
2021	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL WOMEN	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL MEN	TOTAL
Headcount	29	323	115	**467**	35	274	146	**455**	**922**
No. of hirings	23	14	1	**38**	28	13	1	**42**	**80**
No. of terminations	10	12	5	**27**	17	15	7	**39**	**66**
Percentage of hirings[80]	**79%**	**4%**	**1%**	**8%**	**80%**	**5%**	**1%**	**9%**	**9%**
Turnover rate[81]	**34%**	**4%**	**4%**	**6%**	**49%**	**5%**	**5%**	**9%**	**7%**

TABLE 81: ITALY 2020 TURNOVER

	ITALY								
	WOMEN				MEN				
2020	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL WOMEN	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL MEN	TOTAL
Headcount	22	331	103	**456**	33	284	136	**453**	**909**
No. of hirings	25	11	1	**37**	28	23	1	**52**	**89**
No. of terminations	15	14	3	**32**	15	17	6	**38**	**70**
Percentage of hirings	**114%**	**3%**	**1%**	**8%**	**85%**	**8%**	**1%**	**11%**	**10%**
Turnover rate	**68%**	**4%**	**3%**	**7%**	**45%**	**6%**	**4%**	**8%**	**8%**

TABLE 82: 2021 TURNOVER ABROAD

	ABROAD								
	WOMEN				MEN				
2021	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL WOMEN	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL MEN	TOTAL
Headcount	3	7	6	**16**	6	32	10	**48**	**64**
No. of hirings	1	2	1	**4**	4	5	1	**10**	**14**
No. of terminations	-	2	-	**2**	1	-	1	**2**	**4**
Percentage of hirings	33%	29%	17%	**25%**	67%	16%	10%	**21%**	**22%**
Turnover rate	**0%**	**29%**	**-**	**13%**	**17%**	**0%**	**10%**	**4%**	**6%**

TABLE 83: 2020 TURNOVER ABROAD

	ABROAD								
	WOMEN				MEN				
2020	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL WOMEN	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL MEN	TOTAL
Headcount	2	7	5	**14**	3	26	10	**39**	**53**
No. of hirings	1	-	-	**1**	1	1	-	**2**	**3**
No. of terminations	-	3	-	**3**	2	2	3	**7**	**10**
Percentage of hirings	50%	-	-	**7%**	33%	4%	-	**5%**	**6%**
Turnover rate	**0%**	**43%**	**-**	**21%**	**67%**	**8%**	**30%**	**18%**	**19%**

80 The hiring rate in this table is calculated as the ration of newly-hired personnel and total personnel at the end of the reporting year.
81 The turnover rate in this table is calculated as the ration of personnel terminated and total personnel at the end of the reporting year.

In 2021, **the rate of hirings was 10%** (unchanged compared to 2020).

Testifying to the Banking Group's willingness to pursue sustainable growth by investing especially on younger generations, **the highest rate of new recruits was reported for personnel aged under 30 (60%)**, followed by personnel aged between 30 and 50 (36%).

In 2021, **45% of hirings were women** (41% in 2020); of these, 57% were under 30.

The rate of new hires shows how the Banking Group has been able to adapt to the new operating methods adopted during the health emergency. With a view to continuous improvement and the pursuit of excellence, in 2021 the practice of carrying out first interviews remotely through the use of digital channels was incorporated into the selection process, consolidating the positive experience started in 2020. The incorporation of this process into the selection procedure has made it possible to be faster and to be able to scrutinise a greater number of candidates with a structured interview, thus achieving better quality selection shortlists than in the past.

With regard to terminations, 41% of them related to women (44% in 2020). In detail, 48% of the women who left employment were aged between 30 and 50.

It should be noted that turnover figures include not only hirings and terminations of fixed-term contracts (including replacements for maternity leaves), but also transfers to and from other Generali Group companies. Moreover, they include changes due to the newly-incorporated BG Suisse SA, effective October 2021, following which 6 resources were hired (of whom 2 women and 4 men).

Training and Development of Human Capital

It continued to be a priority for the Banca Generali Group's HR Department to run training and development activities also in 2021, so that all employees could continue to grow professionally, develop and acquire new skills and have opportunities to liaise and discuss with colleagues.

55,145
TRAINING HOURS
(**+13%** VS 2020)

In 2021, a total of **55,145 training hours** were provided (48,805 in 2020), of which 413 hours were targeted to young interns. The amount of average training hours received by each employee was 56, exceeding once again the pre-set target of 50 per-capita training hours.

CHART 25: AVERAGE TRAINING HOURS PROVIDED

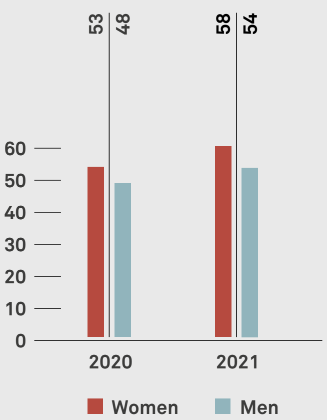


CHART 26: AVERAGE TRAINING HOURS PER PROFESSIONAL POSITION

These figures bear witness to the focus by the Bank and its top management on issues relating to development and continuous updates of employees' technical and managerial skills, preserving conviviality and developing a strong sense of belonging to the Banking Group, stimulating individuals' desire to grow and fostering the creation of a positive work environment marked by high engagement of resources (despite the complexities related to remote working), so as to facilitate relationships of trust and increase fellowship within individual teams.

TABLE 84: AVERAGE TRAINING HOURS BY GENDER AND TYPE OF EMPLOYMENT[82]

	31.12.2021	31.12.2020
Average training hours by employee	56	51
Average training hours by woman	58	53
Average training hours by man	54	48
Average training hours by Manager	56	51
Average training hours by Executive	56	49
Average training hours by Employee	55	52

BGLab Platform

Thanks to the adaptability and versatility of the technological platforms introduced in 2020, it was possible to build a real learning experience in 2021 through the use of training through virtual sessions and e-learning platforms.

In addition to the creation of **virtual classrooms**, the use of e-learning training provided through dedicated platforms was important. 2021 saw the **launch of BGLab**, a new LMS (Learning Management System) platform available to Banca Generali Group employees.

In addition to containing the training required by law as well as training of a technical nature, the platform has allowed the use of an **additional 1,800 hours of self-learning**, thanks to the consultation of free-to-use content (e.g.: videos, in-depth materials, operating manuals, etc.), always available on the platform.

The training activities in 2021 may be subdivided into 4 main macro-activities:

1. INFO-TRAINING ACTIVITIES TO SUPPORT THE NEXT NORMAL

The evolution of the pandemic and the persistence of the state of emergency have introduced new working methods that force managers and employees to live through a period of constant adaptation to the external context. To support the organisational implementation of the defined rules and create a mindset adhering to a "hybrid" culture, which combines remote work and office work, a series of info-training activities have been carried out, designed to accompany this transition to the Next Normal. More specifically:

- **Information webinars with HR** to scrutinise with People Managers and all employees the key points of the union agreement defined, in order to share a common approach and manage the Next Normal's new way of working in an optimal manner: faster, more dynamic, more flexible and more attentive to everyone's needs.
- **MAP2THENEW**: specific training dedicated to the development of key managerial skills to guide and motivate teams in the "new normal", with a particular focus on innovation and the involvement of all. The training, carried out in blended mode, had as its main objective the appropriate dissemination and sharing of a single management style.
- **WORKING SMART**: started in 2021 with a pilot phase, the project will be extended through the involvement of all employees in 2022. The goal will be to create awareness on issues related to three important aspects that will impact on the approach to the "new normal": an adequate organisation of "hybrid life", the use of new communication methods and the development of a new way of collaborating and creating trust within the team.

[82] The 2021 consolidation scope included the whole Banca Generali Group.

2. BEYOND THE PROFESSIONAL SPHERE: PROJECTS DEDICATED TO THE PERSONAL SPHERE

Continuing the work and attention paid to the private sphere of employees, the numerous initiatives carried out in 2021 focused both on emotional support and on right life-work management.

Dedicated projects for parents and employees' children:

- "Le sfide dell'essere genitore oggi" (Today's parenting challenges): series of webinars created with the aim of supporting employees also as parents, focusing attention and exchange of ideas on current issues that affect parents, children and young people and accompany the parent's relationship in the different phases of the child's life.
- **Redooc.com**: digital teaching platform (for students and parents) based on gamification principles and dedicated to the main academic subjects from primary school to university.

Projects for all employees:

- **The Mind Fitness - Anti-fragility & Resilience:** started in 2020 during the first pandemic wave, the project continued until June 2021 as an opportunity to re-orient proposals on the moment, through practical tips on how to build and anti-fragile approach.
- **Meet the Future:** virtual webinars where one could meet and converse with people from the world of business, art and culture, to reflect and make sense of the changes taking place in the world of work. Through new languages and new lenses for interpreting the great changes we have recently experienced and are continuing to experience.
- **@unavitasanaelongeva:** meetings created with the aim of raising awareness among employees on the issues of nutrition and a healthy lifestyle, thanks to the support of experts from the Valter Longo Foundation. The focus of the meetings was on how to follow a diet that favours longevity, concentrating on its key principles, focusing attention on the subject of immune defences and staying in shape even during the holidays, without sacrificing flavour.

3. TRAINING ACTIVITIES LINKED TO THE ANNUAL INDIVIDUAL DEVELOPMENT PLANS AND SPECIFIC TOPICS

In 2021 as well, during the performance management process, the entire Banking Group population enjoyed access to a dedicated training and development catalogue, "Development Linked to Performance", based on the organisation's strategic needs and aimed at defining annual individual development plans. In detail, it included the following programmes:

- **Training aimed at developing managerial and behavioural skills**, to support people in the major strategic changes (transversal competences training) and build a unique managerial style.
- **Training to develop technical skills**, to continue to ensure a widespread technical leadership within the Organisation and competitive on the market. This cluster includes all training activities linked to new product/tool specific to Banca Generali and to new digital skills, which strongly accelerated in 2021.
- **Regulatory/Safety Training**, to make the Bank sustainable in the long-term and protect its employees and the entire Organisation. The activities of this cluster included the certifications (e.g., annual MiFID 2 certification) and training (initial training or updating), related to both legal and security matters.

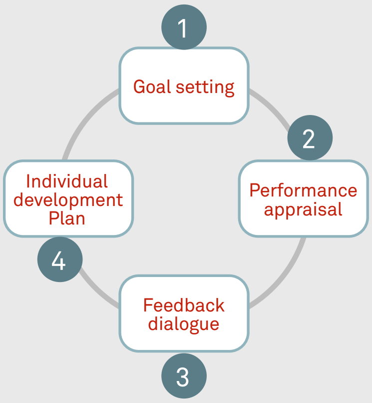
4. SPECIFIC PROJECTS TO SUPPORT ENGAGEMENT AND BANCA GENERALI'S CULTURE

- Moments for meeting and discussion with top management: the proximity of top management has been one of the key factors in managing this period. There have been many initiatives involving employees in order to facilitate communication with top management in an informal setting, also for gathering suggestions and proposals.
- Interfunctional Projects: to strengthen relationships across the different Group structures, pool the experience and expertise of employees from various organisational functions, ensure innovation arising from diverse mindsets and based on multiple perspectives, and thus achieve shared, inclusive and innovative results.
- On Boarding: implementation of Digital On Boarding sessions dedicated to new colleagues to provide information and learn about important procedures and processes, illustrate the distinctive patterns of behaviour to adopt to become an integral part of the Banca Generali Group.
- A coffee with...: meetings open to the entire BG population to learn more about certain bank areas and projects through "open conversations" with their contacts and managers, in front of a virtual coffee

Procedure for Evaluating Human Resources

A company's success is based on constant development of the people that comprise it. The Banca Generali Group has a long track record of performance management, which has always been a key element of the relationship of trust between staff and their managers.

The **Group Performance Management** (GPM) seeks to involve and motivate all Banca Generali employees to achieve important objectives, promoting constant professional development and a culture of excellent performance. The initiative also seeks to ensure that all employees receive structured feedback on their performances and are able to formulate individual professional development plans through transparent, open dialogue.



The process, which was managed remotely also in 2021, consists of **4 different phases**:
> **Performance Appraisal**: the phase of assessment of overall performance.
> **Feedback Dialogue**: a structured meeting between employees and their managers during which the focus is on the results achieved and individual strengths and areas of improvement. In addition to feedback upon that occasion, the constant feedback provided over the year is very important.
> **Individual Development Plan** (IDP): a formal document in which specific development actions are defined. To support the definition of the IDP, the Catalogue "Development Linked to Performance" is available, which offers training and development tools.
> **Goal Setting**: the goals for the following year are set.

This process, already trialled in previous years within the Parent Company Banca Generali and Generfid, has also been recently introduced for colleagues in the BGFML company. In 2021, **99% of eligible employees** received the performance assessment (see comment in the table below)

IN 2021
99% OF ELIGIBLE EMPLOYEES
RECEIVED A PERFORMANCE ASSESSMENT

TABLE 85: % OF EMPLOYEES WHO UNDERWENT A PERFORMANCE ASSESSMENT[83]

	31.12.2021		31.12.2020	
	WOMEN (%)	MEN (%)	WOMEN (%)	MEN (%)
Managers	**92%**	**93%**	92%	97%
Executives	**97%**	**99%**	99%	99%
Employees	**99%**	**100%**	99%	99%
Total	**99%**	**99%**	**99%**	**99%**

Talent development and growth is also promoted and supported through participation in **Development Center** projects organized at the local level and the level of the Generali Group, allowing the Banking Group's people to become aware of and look towards broader, more international and more complex roles. In order to further accelerate meritocracy, along with a sustainable approach to develop people within the company, the tool is useful to the Bank in working in the management pipeline, discovering new talent and supporting constant personal growth.

Engagement

In 2021, the fourth **Generali Global Engagement Survey (GGES21)** was held in collaboration with the consulting firm Willis Towers Watson, which supported its deployment in each Generali Group country.

[83] In line with the approach taken in 2019, the percentage is calculated on the employees of Banca Generali and Generfid actually involved in the skills assessment process: employees with indefinite-term contract as of 31 January 2021, and employed for at least six months. Maternity leaves and long absences are not included.

The survey represents a valuable tool for active listening and a major source of useful inputs for setting up new improvement plans and practical actions to be carried out in the following year starting with the feedback of BG Group people. Again in 2021, the work was essential to understand the strengths of the Banking Group, the progress made compared to the 2019 survey and the areas where further effort is required in order to create the best possible working environment.

One of the numerous initiatives put in place to emphasise the importance of participating in the survey was the creation of a special **communication plan**. This plan accompanied the survey's arrival with videos, games and dedicated news, as well as a cascading "**ROAD TO... Generali Global Engagement Survey 2021**", which engaged the entire population involved in order to best convey useful information for eliminating any doubts or concerns amongst the participants.

Given the particular historic moment, a special section was added to the survey dedicated to the "next normal", useful for feedback on a new way of working that implies alternating days in the office with remote working.

When only the Banca Generali Group is considered, the high level of employee participation is confirmed for this survey as well: a **Response Rate of 96%** (reinforced by the many free comments left by colleagues to expand on their respective responses), the same as in 2019, and an **Engagement Index equal to 84%**. These testify to the strong commitment of the Banking Group's employees and the strong cohesion of the initiatives carried out as regards employee needs.

In 2022, the definition and implementation of "**post-engagement survey**" activities is planned, aimed at supporting ever greater participation in the organisational culture. In particular, a cascading operation will be carried out to scrutinise the data collected within the Bank's individual structures also through the direct involvement of employees, a key tool for ensuring greater adherence of initiatives to the needs and operational reality of BG Group people. At the end of this process, the projects to be carried out to support the areas of improvement that have emerged will be defined.

Diversity & Inclusion

Diversity & Inclusion

For the Banca Generali Group, Diversity is the natural expression of characteristics such as culture, age, gender, cognitive and behavioural skills and all the other traits **that identify people and make them unique**. Their **recognition** and **appreciation** are guiding the BG Group in implementing **inclusion** initiatives to create a stimulating and innovative environment, open to debate and the exchange of expertise.

In 2021, paths dedicated to **inclusive leadership** were launched, with particular regard to the **female universe**, and a development path aimed at a small group of **under-35** employees.

The understanding and appreciation of the needs of different generations to support innovative and creative processes, attract talent and improve the business climate has given life to **BG Forever Young**, a **one-year** training and development programme, dedicated to a selected group of **UNDER 35**s (51 participants), with the aim of **cultivating a culture of talent while maintaining high engagement**. With the support of the best excellent training resources, both internal and external, the path designed unfolds on **4 key drivers**: Self leadership, Networking and knowledge of the Bank, Digital Mindset, Engagement/Challenge. Drivers that have given life to targeted training/development activities, experiential moments and liaison with top management, mentoring and challenge activities.

A person's perception of inclusion in the workplace is linked to their identity, surroundings, and the behaviour of themselves and other people. The desire to create an inclusive working environment has given rise to a series of seminars dedicated to the entire BG population. The series called **BGWomen** is composed of single-theme webinars with a particular focus on constructing an organisational culture oriented towards inclusion and the appreciation of differences. Specific attention paid to the issue of gender differences aimed to create awareness of the main difficulties that women generally face in the workplace.

The enhancement of female professionalism and management skills has given rise to targeted training programmes such as:

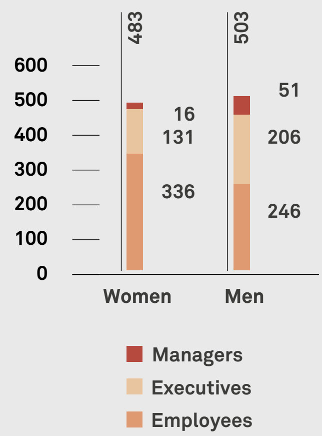
- **BG Impact People**: this programme was created with the goal of supporting female People Managers to build and consolidate their leadership style, and in which female colleagues are asked to liaise with one another to support and develop self-leadership by creating empowerment regarding their own professional path. Leadership styles and archetypal female models, stress management, awareness of one's own life cycle, are just some of the topics explored during the training sessions.
- **Women's Empowerment**: a project dedicated to talented BG women created with the aim of supporting the participants in building their own career path in a solid and structured way The project aims to support the development of new skills and the sharing of ideas, learn assertiveness and enhance self-efficacy and self-determination to bring out latent resources and consciously appropriate their potential.

Another important initiative is BG's adherence to the international community **WEPs (Women Empowerment Principles**, which supports the seven guiding principles launched in 2010 by UN Women and UN Global Compact, which are inspired by international labour and human rights standards and are based on the recognition by companies of an interest and responsibility for gender equality and the empowerment of women. These principles contribute to the **implementation of SDG 5 of the 2030 Agenda** for Sustainable Development **(Gender Equality)**. By joining the WEPs community, Banca Generali confirms the **commitment made at the highest levels of the Company** in respect of **gender equality and collaboration with all the Banking Group's stakeholders to promote practices for the enhancement of female talent**.

The Banca Generali Group actively participates in the initiatives sponsored throughout the Generali Group. For 2021, two specific events should be remembered in relation to the D&I area:

- **The digital event #BeBoldforInclusion**: an initiative carried out with the aim of creating an increasingly inclusive environment in which differences of any nature are not only accepted, but also enhanced through actions aimed at progressively spreading a culture based on D&I themes. This process has to be completed through the deployment of training activities and identification of specific KPIs aimed at constantly monitoring the progress made.
- **The "DiverseAbility" event**: on the occasion of the international day dedicated to people with disabilities (3 December) a webinar was held in which, thanks also to the testimony of a Paralympic athlete, it was possible to discuss the theme of disability and how each of us can make a difference in breaking down barriers and supporting the development of an inclusive organisation.

CHART 27: EMPLOYEES BY GENDER AND PROFESSIONAL POSITION



Diversity & Inclusion are also among the basic principles of selection and recruitment processes, as at least 25% of short-listed candidates (both internal or external) must belong to the less represented gender.

In reflecting the diversity of the Company's workforce, total equality between male and female employees, particularly at top management level, is preserved and promoted. The Banking Group guarantees equal treatment for men and women, both during the selection and management processes, and in the definition of career development and remuneration.

TABLE 86: EMPLOYEES BY PROFESSIONAL POSITION AND GENDER

	31.12.2021			31.12.2020		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	16	51	**67**	15	50	**65**
Executives	131	206	**337**	118	203	**321**
Employees	336	246	**582**	337	239	**576**
Total	**483**	**503**	**986**	**470**	**492**	**962**
Percentage	**49%**	**51%**	**100%**	**49%**	**51%**	**100%**

The percentage of women who serve in positions of responsibility (Managers and Executives) rose to 36%, compared to 34% in 2020. 70% of women falls within the "employee" category, down al 2020 (72%).

TABLE 87: EMPLOYEE BY PROFESSIONAL POSITION AND AGE

	31.12.2021				31.12.2020			
	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL
Managers	-	25	42	**67**	-	22	43	**65**
Executives	1	196	140	**337**	1	192	128	**321**
Employees	72	415	95	**582**	59	434	83	**576**
Total	**73**	**636**	**277**	**986**	**60**	**648**	**254**	**962**
Percentage	**7%**	**65%**	**28%**	**100%**	**6%**	**68%**	**26%**	**100%**

At year-end workforce's average age was 45 (Managers' average age was 53, that of Executives was 48, whereas that of Employees was 42).

CHART 28: EMPLOYEES BY AGE AND PROFESSIONAL POSITION

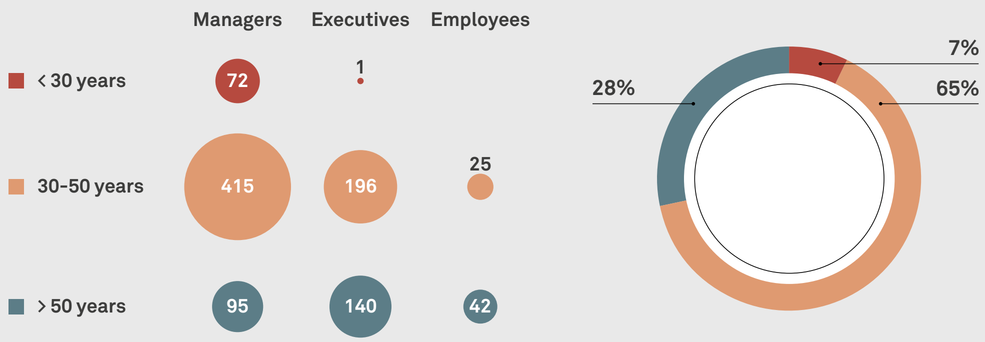


TABLE 88: PROTECTED CLASSES BY PROFESSIONAL POSITION AND GENDER[84]

	31.12.2021			31.12.2020		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	1	-	**1**	1	-	**1**
Executives	2	3	**5**	2	2	**4**
Employees	24	20	**44**	24	20	**44**
Total	**27**	**23**	**50**	**27**	**22**	**49**
Percentuale	**54%**	**46%**	**100%**	**55%**	**45%**	**100%**

Banca Generali Group will continue to focus on the enhancement of human resources, attention and commitment towards collaborators, respect for human dignity, freedom and equality, and equal opportunity in the workplace and on career paths, without any kind of discrimination.

According to this approach, any confirmed episodes of discrimination could give rise to disciplinary charges and penalties. However, in 2021 there were no such events or circumstances to report.

Finally, in line with the aforementioned principles of inclusion and gender equality, the Banca Generali Group ensures full respect of fundamental human rights, in accordance with its internal Policies. In light of the nature of the Company's business and the location of the operations undertaken, no transactions subject to auditing or human right impact assessment were performed during the period.

[84] The figures provided in the table are consistent with the criteria adopted when preparing the reports to the competent bodies. The "protected categories" include all staff with disabilities and employees featured on the list of protected categories. It bears noting that 3 additional staff members (all women), although falling within the list of staff with disabilities, were not taken into account as they did not comply with the criteria established for preparing the reports to the competent bodies.

Compensation and Benefits

Remuneration

Without distinction by gender, Banca Generali offers remuneration in line with the market and additional benefits and incentivisation systems aimed at improving the quality of life of its people and rewarding, on the basis of merit, performance and achievement of specific objectives.

TABLE 89: RATIO OF REMUNERATION OF WOMEN TO THAT OF MEN[85]

	31.12.2021			31.12.2020[86]		
	ITALY	LUXEMBOURG	SWITZERLAND[87]	ITALY	LUXEMBOURG	SWITZERLAND
Managers	0.71	1.56	0.93	0.81	1.59	0.91
Executives	0.77	1.20	0.72	0.76	1.08	0.78
Employees	0.96	0.84	1.12	0.97	0.69	1.02

Total remuneration of women managers is lower than that of men because key strategic responsibility positions are chiefly held by men.

Among executives, the total remuneration of men is greater than that of women because this category includes most of sales personnel and asset managers — mainly men — who benefit from a MBO bonus system or is linked to commercial objectives.

In Luxembourg, differently than in Italy and Switzerland, for the category of managers and executives, the ratio is influenced by the component of female personnel with strategic responsibility.

Among employees, the gap between the total remuneration of women and that of men is due to the presence of part-time contracts (almost fully related to women).

In order to promote a culture based on gender fairness and equal pay, a project was launched in collaboration with the Generali Group to measure the **Gender Pay Gap**[88] and **the Equal Pay Gap**[89]. This project is preparatory to the development of specific actions to mitigate the gaps encountered, with the aim of gradually reducing the gaps observed over the next 4/5 years. The mitigation actions include initiatives aimed at positively affecting gender balance and equal pay, in line with the objectives defined by the Group strategy and with the promoted diversity and inclusion values. The corrective actions that can be implemented or refined include reviewing recruitment processes, defining programmes to accelerate women's careers, developing mentoring and sponsorship paths and implementing awareness programmes on diversity issues and unconscious prejudices.

For further information, reference should be made to the 2021 Remuneration Report.

We SHARE

Since 2019, Banca Generali has taken part in the **We SHARE** project launched by the Generali Group In order to promote a meritocratic work environment, where people's performance is recognised and rewarded. The aim is to promote a culture of ownership and empower in line with the strategic plan and foster staff loyalty in line with the remuneration policy. We SHARE is the first share ownership plan aimed at employees, with the aim of promoting alignment with the strategic objectives and the participation of all our people in the value creation process. The initiative is supported by a dedicated app, the **"We Share App"**, which has been further enriched with a dedicated programme of financial education and sections aimed at keeping participants

[85] Annual amount paid to employees, which includes the amount established by the national collective labour agreement and supplementary agreement, in addition to any other types of additional remuneration, such as seniority of service, overtime, bonuses, allowances and further benefits.
[86] Figures referring to BG Suisse — a newly incorporated company whose corporate processes were still in the start-up phase at 31 December 2021 — are excluded.
[87] Data related to the UK are not presented as workforce included only one employee at year-end 2020.
[88] Understood as equal treatment in terms of the pay gap between women and men throughout the organisation, regardless of the job.
[89] Understood as equal pay in terms of the pay gap between men and women for the same job

constantly updated about information relating to the Generali world, the deployment of actions envisaged by the Strategic Plan and the donations made by We SHARE to The Human Safety Net Foundation.

Benefits & Welfare

All employees of the companies Banca Generali, Generfid and BGFML — regardless of their classification and contract type — enjoy a series of benefits, the cost of which is normally fully borne by the Company. The benefits offered relate to numerous aspects of welfare and, owing to their completeness and widespread adoption, **make the Group a best practice** both within and outside the financial sectors:

> **healthcare:** this provides reimbursements for various cases of health expenses (large procedures, hospitalisation, dental expenses, specialist examinations and treatments, oncology expenses, etc.) incurred by employees or their dependent family members and, in certain situations, by other family members;
> **supplementary pensions:** through a contribution provided by the Company, employees can create a private pension position (also made possible by the Generali Group's Pension Funds), designed to supplement their government pension. This mechanism also makes it possible for employees to meet major personal needs (such as purchase of a first home or extraordinary healthcare expenses), by applying for specific advances, including during the contribution phase;
> **economic indemnity for death, permanent total disability and dread disease**: this is an extremely important social protection mechanism through which the company, in the most serious cases that may affect its employees and thus their families, provides significant sums calculated according to the employee's age, remuneration (basic pay and seniority increases) and family composition;
> **professional accident policy**: this mechanism, which is designed to cover cases of death and permanent total disability, also represents a fundamental tool for protecting both employees and their families.
> **Welfare option for the company bonus**: thanks to the opportunities offered by recent legislation, since 2016 (for middle managers and white-collar employees of Banca Generali S.p.A. and Generfid S.p.A.) it has been possible to "convert" the company cash bonus into welfare, thereby creating the so-called 'welfare credit'. As of 2019, through the introduction of the STAIBENEFIT Portal by Generali Welion, designed like an e-commerce site, employees enjoy access to an extremely wide range of wellbeing and wellness goods and services (flexible benefits). In 2021 this option was confirmed and presented to employees via several online welfare days sessions designed to inform and raise their awareness of the possible advantages, including the option to carry forward the welfare credit without a pre-set time limit.
> **"Pure" welfare:** Banca Generali and Generfid employees receive annual one-off amounts (differing for executives and other personnel) to be used through the Welfare Portal for the reimbursement and/or purchase of the services described above. The carry forward principle also applies to these amounts.

In order to enhance employees' knowledge of the benefits due to them, thus creating and strengthening the sense of belonging and engagement with the Company, the **STAIBENEFIT portal has significantly expanded its functionality**.

Through STAIBENEFIT each employee can view the benefits due, presented in an integrated mode according to the following classification:

> *Core benefits:* due under the CCNL (National Collective Labour Agreement), the company supplementary contract or unilateral company regulations;
> *Flexible benefits:* as already mentioned, are the goods and services that can be reimbursed or purchased (under tax law) with the welfare credit deriving from the conversion of the company bonus or available as pure UT welfare;
> *Conventions:* discounts/concessions normally provided for all employees under commercial agreements entered into by the Generali Group or by individual companies.

The "**Covid-19 Health Cover**" has also been in force since 1 March 2020 for employees serving in Italy, the cost of which is borne in full by the Company. In addition to the Health Fund, this programme provides a daily allowance in the event of hospitalisation, a convalescence allowance following hospitalisation in an Intensive Therapy Unit and a package of post-intervention services to provide the best assistance in managing rehabilitation and household management after discharge.

All employees employed under an indefinite-term contract — and with at least one year's seniority for BG FML staff — also have access to preferential-rate loans and financing.

Worklife balance

IN 2021
824 EMPLOYEES
IN SMART WORKING MODE

750 EMPLOYEES
JOINED THE
SMART WORKING NEW NORMAL
CAMPAIGN

The central role played by people in the 2019-2021 Industrial Plan has naturally driven the implementation of initiatives dedicated to work-life balance. In this regard, the **remote working** modality (also in light of the persistence of the Covid-19 pandemic) was used by 824 employees of Banca Generali and Generfid out a total of 921, involving all corporate functions with the exception of front-end functions operating with customers and logistics support functions.

In line with the measures implemented at Generali Group level, but preserving the specific operational characteristics of the banking and financial business, the most important innovation in terms of work-life balance is the trade union agreement signed on 4 October 2021 on the so-called **Smart Working Next Normal**, namely the new organisational approach to the way of working in the Banking Group once the state of emergency has ended. The agreement in question introduces, on a 12-month trial basis, **a "hybrid" model of work organisation** for employees and middle managers, based on the voluntary choice of the employee (to be formalised by individual agreement) to work remotely[90] up to a maximum of 3 days a week and 10 days a month[91], according to a planned schedule defined precisely and in a timely manner by the employee's own manager.

Other fundamental aspects of the agreement concern:
- **the right to disconnect** which, for example, is made explicit by restricting meetings to the 9:00-18:00 time slot, excluding lunch breaks;
- **the provision, by the Company, of the devices necessary to work remotely** (laptop and smartphone);
- **the provision of meal vouchers even on remote working days** (this is an improvement on the provisions of the CCNL for the Credit sector);
- **a one-off bonus of 300 euros gross per annum**.

In addition, in order to give the utmost importance to the issue of work-life balance, the agreement states that, in the event of particular personal/family circumstances, the employee may request from the Company a different SW arrangement to the daily limits indicated above.

The **Smart Working New Normal subscription campaign** was activated in preparation for the new "hybrid" work model at the end of the state of emergency. More than 750 employees of the approximately 770 invited[92] joined by signing the special individual agreement. A "one-off" payment of 500 euros gross has been made to employees and middle managers participating in the initiative under the terms indicated above.

Again in the work-life balance area, **benefits linked to reduced hours continued to meet the needs of employees or their families** such as, for example, the birth or adoption of children. Personnel returning after a long absence can, in fact, access a number of ad-hoc benefits aimed primarily at employees who have taken parental leave, who may request to their full-time contract to part-time (for an overall period until the child's seventh birthday).

Banca Generali recognises the importance of the "**hour bank**". Beside the right to take periods of leave as set forth by law, it entitles all employees to paid leave for health reasons and at their discretion, in addition to the mandatory maternity and parental leaves.

The work-life balance initiatives that also deserve mention are **flexible start times** in all non front-office functions and the ongoing search for shared solutions at trade union level with regards to working hours.

Banca Generali employees can also benefit, for the use of **childcare facilities both within the Company and private facilities with which the latter entered into special agreements**, of the favourable terms applied to Generali Group staff, including discounted rates, as well as the payment by the Company of annual subscription fees.

Lastly, Banca Generali is committed to the payment of full salary, supplementing the benefits paid by Italian national security institute (INPS), in the event of early maternity leave prescribed by the competent public authorities.

[90] At the normal home or other location agreed with the manager.
[91] Taking into account also the specific provisions on the subject contained in the CCNL for the Credit sector.
[92] Belonging to all contractual categories and both permanent and fixed-term.

Industrial and Trade Union Relations

Banca Generali always observes trade union rights and freedom, with regard to both corporate and local unions and the rights of individual employees.

In 2021, the rate of **trade union membership** [93]was 32% (33% in 2020).

94% of employees are subject to social and national legislation, and the provisions of the National Collective Labour Agreement (Credit Managers). The sole exceptions are the employees of BG FML, BG Valeur SA and BG Suisse SA, to whom the local legislation applies.

The National Collective Labour Agreement provides a well-structured system of union relations to be activated in the form of information-gathering, consultation or bargaining meetings, in order to allow trade unions to carry out their role in the company.

In 2021 trade union relations activity was particularly intense and reached its peak in the negotiations and related agreements on the following two union agreements:

- **Agreement on Smart Working/Next Normal**: this represents one of the first agreements signed in this area in the banking world (certainly the most complete and intricate) and concerns the employees (both permanent and fixed-term) of Banca Generali and Generfid, belonging to all the company's organisational structures with the exception of the physical "front office" functions (activities at branches and logistics).
- **Supplementary Company Bargaining Renewal Agreement (CIA)**: in the face of the cancellation of the CIA and the presentation, in June 2021, of the bargaining platform for renewal by the unions, **most of the entitlements transferred from the CCNL to the CIA as well as other "side" issues were renewed**, introducing **significant improvements to all the main economic and social protection entitlements**, effectively matching the provisions made in the Generali Group and the Asset and Wealth Management Business Unit. The renewal in question, deriving from agreements signed on 25 October and 2 November 2021, will remain valid from 1 July 2021 to 30 June 2024 and concerns the following matters. The new arrangements are also highlighted:
  - a) **Company bonus for the years 2021-2023**: the trade union agreement of 25 October 2021 confirmed the calculation mechanism based on the application of a percentage (in the fixed amount of 1.06% for the three-year period) to the consolidated financial statement item "profit before tax", which represents the most consistent parameter for measuring the cost/income ratio in the specific business situation. The mechanism has also been maintained for the partial/total conversion into welfare of the amount of the bonus (in the cases and limits of the law), to be used as a "welfare credit" for the reimbursement or purchase of goods and services pursuant to Articles 51 and 100 TUIR through the STAIBENEFIT portal. It should be recalled that the conversion into welfare maximises the amount paid to the employee, as the so-called tax and contribution wedge is not applied;
  - b) **A one-off welfare payment 2022-2024**: in order to promote and encourage the use of corporate welfare under the terms mentioned above, the gross amount of 100 euros per annum has been confirmed.
  - c) **Supplementary pensions**: the contribution paid by the company has been increased to 5.1% on basic pay and seniority increases. In addition, with regard to membership of the Group Pension Fund (FPGG), the provisions for the underlying GESAV have been harmonised;
  - d) With regard to **healthcare**, the level of guarantees has in fact been matched with those provided for at Generali Group level by raising all reimbursement ceilings, introducing "personal assistance" services and the principle of "ultractivity" (extended validity) (up to 67 years of age) in favour of pensioners and those who, provided they are at least 55 years of age, consensually terminate the employment relationship;
  - e) **the indemnity for death, permanent total disability and dread disease** is now paid on 100% of the basic pay and seniority increase.

The provisions are confirmed relating to the **accident policy for occupational risks** (the premium of which is paid in full by the employer), to cover cases of death or permanent total disability, as well as **meal vouchers** (7 euros per day) and job classifications.

The commitments to be approached during 2022 have been formalised, through technical committees, in the areas of work-life balance and mortgage, loan and current account concessions, in order to identify possible further improvements compared to current arrangements.

[93] Employees registered with unions vs the total workforce in Italy.

Without prejudice to specific dates of entry into force, the CIA expires in its entirety on 30 June 2024 but provision is made for its automatic annual extension unless cancelled in a timely manner by one of the Parties.

Since it is the result of collective bargaining, it applies to all employees in the professional area category (white collars) and to executives. The only exceptions concern employees with fixed-term contracts, who cannot access the benefits regarding first home mortgages, personal loans as well as one-off welfare.

In addition to these absolutely key issues, trade union relations have also developed through the following meetings provided for by law or by the CCNL for the Credit sector:

- **Annual meeting pursuant to Article 12 CCNL for the Credit sector**, relating to strategic perspectives (balance sheet and business data) and the HR structural profile, in which aggregate information on staff, entry/exit dynamics, professional and career growth and training were shared;
- **meeting on the payout of the company bonus for the 2020 financial year (paid in June 2021)**: on this occasion a trade union report was signed in which, in addition to precisely identifying the unit amounts by job classification level, the welfare option was also confirmed at both the 50% and 100% rates, ensuring a flexible approach regarding the specific needs of employees;
- **trade union procedure pursuant to Article 47 L.428/90 for the transfer of a business unit from Binck Bank to Banca Generali SpA between June and July 2021**, activated and successfully concluded through a so-called “entry” trade union agreement signed on 21 July 2021.

Mention should be made of one of the new arrangements in the trade union field, namely the activation, from September 2021, of the **electronic trade union bulletin board**, created in implementation of the ABI/Trade Unions Agreements on trade union viability in the Credit sector, as well as in application of specific provisions adopted at Generali Group level. The bulletin board represents the technological evolution of the provisions of the Workers’ Statute on the subject of the right to post in the workplace and allows all BG and Generfid employees to access the company Intranet and view the material posted there by the company unions.

Moreover, in implementation of the National Collective Labour Agreement, the activity of **Fondazione Prosolidar**, which is involved in solidarity projects at an international level, was promoted, and saw the participation of more than 600 employees.

Health and Safety in the Workplace

Ordinary management

Banca Generali considers the physical safety of its workers to be a priority; therefore, it guarantees working conditions in a safe, healthy environment, in accordance with existing health and safety legislation, pursuant to the guidelines and coordination of the **Risk Prevention and Workplace Safety service** — the Generali’s **Health & Safety Team**.

Since 1 October 2021, Banca Generali has entrusted the management of health and safety issues to a team of professionals from an external company, which carries out its activities in collaboration with the Generali Group to ensure that procedures/methods/rules are applied uniformly.

Group Company buildings are subject to constant checks to ensure compliance regarding specific architectural constraints and the need to provide all employees with suitable workstations. For instance, parking spaces are guaranteed in the immediate vicinity reserved for differently abled people or employees with significantly reduced motor ability[94], in addition to workstations designed for specific needs, both at the Trieste and Milan offices.

To ensure and define the necessary processes for hazard identification, risk assessment and accident investigation, the **main risks indicated in Legislative Decree 81/08 have been defined and evaluated**, also through specific instrument measurements inside premises. In areas at risk of attacks, specific crime prevention measures and deterrents are implemented, such as access control systems, alarms and video surveillance at the Milan and Trieste offices. The banking branches have also **implemented active and passive security systems** (interblocking entrance doors, cash in-out) and organisational measures including devices to protect deposits, safes, keys, systems, security and emergency equipment.

In terms of the processes available to workers to report any hazards or dangerous situations at

[94] also temporary or on the indication of the competent company’s physician.

work, the circular "Management of obligations in the field of health and safety at work" specifies that there are personnel responsible for reporting to the employer or delegated managers any hazardous conditions or a failure to apply legislation and, that, if a worker is involved in a near-accident or missed accident, he or she can immediately notify HR, the personnel in charge and the SPP in writing, specifying what happened (dynamics of the event, place and time and elements that prevented the event from developing into an accident or incident).Banca Generali is a member of the **OS.SI.F. Associazione per lo sviluppo dell'Osservatorio dell'ABI sulla sicurezza fisica"** whose activities include liaising with the Prefecture to promote useful initiatives to prevent and combat any form of criminal activity against banks and customers.

In this regard, it should be noted that the Bank has signed specific P**rotocols of Understanding between the Italian Banking Association and the individual Prefectures** in the provinces where the Bank's branches are located. The Protocol's main contents provide for Banca Generali to play an active role in reporting the particular risk situations to the competent Police forces (e.g.: serious and unforeseeable shortcomings in the security measures, suspicious movements of people inside and outside bank branches, exceptional aggravations of risk); they also require the Bank to equip each branch with at least 5 security measures, always including, without exception, video-recording and a delayed-opening safe custody device or timed cash dispensing device, as well as other minimum measures indicated in the Protocol itself.

In order to always ensure a rapid response, the head offices in Milan, the operating office in Trieste and the Private Banking Centres with more than 10 employees, have their respective **emergency teams** formed of colleagues with training on first aid and fire safety (training differs on the basis of the type of fire risk, i.e., high, medium or low), as well as on the use of semi-automatic defibrillator (Milan and Trieste offices). Staff working in the branches (both single-employee and multi-employee) and private offices nationwide are also emergency-trained (first aid course and fire safety course).

In 2021, despite the pandemic underway, and as recommended by the legislative decrees/ministerial decrees (DPCM) issued from time to time, all personnel eligible for health supervision (so-called "exposed", including employees, interns and temporary workers) underwent **medical examinations according to the protocol** established in current legislation for the associated risk group. In total, 358 medical examinations were carried out (178 men and 180 women), involving 16 different offices throughout Italy. In addition to periodic examinations due in 2021 and first examinations for new recruits, this figure also includes examinations performed by the company physician, both when specifically requested by the employee[95] and upon changing assignments, returning from a period of absence for illness or injury of more than 60 days or in case of reasonable adjustment for differently abled employees, in accordance with the law. The results showed clearly that most staff were fit to work without any limitations and/or special precautions.

Specific workstation safeguards[96] are provided to employees by the Company, which in turn ensures that the organisational prescriptions certified by the company physician are observed and raises the manager's awareness on the health prescriptions.

Employees at the Trieste, Mogliano, Milan, Turin, Genoa and Rome offices enjoy access, during working hours, to the services in the **multipurpose nursing centres** set up by the Generali Group: in 2021, all employees were again offered the opportunity to receive a flu shot free of charge at the company offices.

The Banca Generali Group is constantly committed to updates and new **training on issues relating to the protection of health and safety in the workplace** in order to keep risk factors to a minimum. Training programmes and updates continued throughout 2021 via virtual classrooms and/or in e-learning mode, for the courses available on the online platforms. All employees are constantly trained and kept abreast of risk prevention, laws and regulations, and recommended procedures in the case of a fire or other emergency through information materials (available on the corporate Intranet). Specific training is provided on an ongoing basis, at the intervals established by regulations, for the roles specifically indicated in Legislative Decree No. 81/2008 and identified within the Company (Executives, Compliance Supervisors, Emergency Team Members, Members of the Prevention and Protection Service and Workers' Safety Representatives).

During 2021, a total of 7 accidents occurred in Italy (5 on the road, none of which caused death, serious or permanent injury or an occupational illness to employees involved. These accidents regarded 4 women and 3 men.

95 Exclusion from the task of emergency worker, checking vulnerability status for return to office working, checking specific conditions for granting/renewal of part time working or for the supply of special devices.
96 Based on prescriptions by the company physician following a health check-up.

The **rate of absenteeism** due to accidents, calculated as a frequency index[97], was 4.35 (1.27 in 2020). The **rate of days lost**, calculated as a gravity index[98], was 0.09 (0.0049 in 2020). The **rate of recordable workplace accidents** [99], was 1.24[100].

Management of Covid-19 health emergency

Continuing the measures implemented since the beginning of the health emergency, again in 2021 Banca Generali put in place the necessary interventions to **protect the health of all workers**, respecting the government and local provisions that gradually followed during the year. These actions, also organised through coordination with the special task force set up by the Generali Group, ensured **business continuity** and **the effectiveness of management operations**.

The model adopted by Banca Generali led to the preparation of a general "**Emergency Plan**" and **specific documents for each location** (constantly updated as the pandemic developed), which describes the ways in which the emergency situation is managed.

The Emergency Plan, which is also available on Banca Generali's Intranet, indicates the prevention and containment measures defined which must be understood and applied by all persons authorised to access premises (employees, financial advisors, service providers, maintenance staff...).

The measures implemented in 2020 and confirmed in the year were:
- ban on international and intercontinental travel;
- approval for domestic travel by senior management's top reporting levels;
- replacement of meetings attended by external guests with videoconference meetings or, where it was not possible, meetings with a maximum number of participants;
- suspension of all activities involving the mixing of people inside and outside the offices;
- closure of canteens and catering facilities/gyms on company premises;
- sanitisation of all premises, regular disinfection of all workplaces and intensification of cleaning. Provision was also made for the cleaning and sanitisation of day workstations/at shift changes (clean desk policy);
- elimination of the ordinary air recirculation setting in the air treatment unit (UTA) system on premises and regular disinfection of air conditioning systems;
- separate access and exit routes;
- application of flexible working hours (in/out) and during the interval;
- rationalisation and limitation of space in the various premises;
- segregation of floors;
- use of "Employee up", an app for carrying out a medical triage and check in for entry (obligatory procedure for accessing premises);
- obligation to wear a protective face mask, for employees, suppliers, customers and visitors;
- body temperature check for anyone entering company premises.

The safeguards put in place since March 2020 were confirmed for **front office staff** operating in the branches, who continued their jobs without any service interruption[101] and attending work daily in person:
- safeguarding information was provided on the premises (affixing of signs/leaflets/information outside the premises);
- space was reorganised to ensure that more than a metre's safe distance was maintained;
- protective cleansers and masks were sent and topped up continuously;
- protective plexiglass panels were installed in the front office workstations;
- client/Financial Advisor access by appointment in the "red zones", limited access based on the number of personnel working at the branches in the other "zones";
- parking costs for branch staff who travel to work by car were reimbursed.

[97] (No. of accidents/total hours worked) x 1,000,000
[98] (No. of days lost for accidents and professional illnesses/total workable hours) x 1,000.
[99] (Recordable workplace accidents/worked hours) x 1,000,000.
[100] The indicators provided were calculated with reference to the entire Banking Group, except for the newly incorporated BG Suisse — a company whose corporate processes were still in the start-up phase at 31 December 2021.
[101] This service is classified as "essential" by law.

Notwithstanding extensive use of **smart working**, access to and attendance at company premises has been allowed in keeping with the guidelines defined by the Authorities and the Employer, for justified business reasons and on the request of the employee's supervisor. This also considers compliance with the building's reduced capacity limit and follows specific rules introduced to also ensure that teams are segregated thanks to specific shift working arrangements.

For those staff who, due to the specific type of activity performed or for business needs, have **access to premises but were not shift workers**, arrangements were made for a rapid antigenic swab test to be carried out on a fortnightly basis in headquarters' infirmaries. Every week the HR Department verifies compliance with this schedule.

Specific group planning was defined for peripheral premises or for business areas that normally operate on a shift basis (e.g. contact center).

In collaboration with the Prevention and Protection Service an **obligatory online training module** was prepared entitled "Our commitment for returning in safety" aimed at all employees with the aim of providing everyone with a better understanding of the rules adopted by the company to manage the Covid-19 biological risk and to protect its personnel.

Again in 2021, emergency smart working was accompanied by flexible arrangements for categories of people at greater risk and during all phases of the current health emergency **People Care initiatives** and a targeted internal communication plan were implemented, in order to provide clarity about the different phases in view of a return to work and to support the level of energy and engagement of resources in the best way

In order to facilitate the process of worker participation, the **Workers' Safety Representatives and the OOSS (Social and Healthcare Officers)** were always consulted through meetings on the TEAMS platform, in order to communicate news or updates on Safety in a timely manner.

In line with government provisions issued in 2021 and in order to ensure effective work scheduling, starting from 15 October 2021 there is an obligation, for anyone who goes to work[102], to possess and show a **Green Pass**, verified through the official government app "VerificaC19" or other tools defined from time to time by current legislation. On the days of scheduled attendance, employees without a valid Green Pass (and not in possession of exemption certification) are suspended from doing their jobs, as required by law. In such situations, neither remuneration nor any other compensation or emolument, however denominated, for the day's absence, is paid.

From 21 October 2021, the **Greenpass50+** service is online on the INPS portal. This allows the automated verification of Green Pass possession for access to the workplace with reference to the list of tax codes of employees known to INPS at the time of the request. All Generali Group companies have activated the necessary measures to use this service. In compliance with the provisions in force, the Company reserves the right to carry out the appropriate checks on any negative responses or whenever it is not possible to carry out verification through the INPS portal, in addition to the workplace access control according to the procedures in force (VerificaC19 official government app).

Finally, since April a **Europ Assistance Italy Covid-19 Help Line** has been made available to all employees and their family members to provide information, guidance and any medical and psychological assistance.

[102] Employees, temporary staff, collaborators, supplies and visitors who access the Group's Italian premises, with the exception of clients.

Litigation Management

There were three disputes running in 2021 with regard to employment positions: the first consisted of recovering an amount due to the Company by a former employee, the second related to an out-of-court litigation relating to a disciplinary procedure against an in-house employee, and the third one was an out-of-court litigation relating to the application of rights as per Legislative Decree No. 81/2015 and concluded with final settlement of all or any claims.

At 31 December 2021, there were two disputes underway regarding employment relationships.

With regard to the management of judicial and out-of-court litigation (against the Company or to be initiated) regarding this matter, all specific activities implemented following reporting are regulated by the **Disputes and Complaints Organisational Procedure**. The HR Department is involved constantly in the event of litigation regarding this matter, to ensure that the context of the dispute is reconstructed correctly.

Banca Generali uses leading expert firms for the judicial management of such disputes and to provide an objective assessment of the complaints and the Bank's position.

If it appears that the content of the complaints made by former employees cannot be opposed, the option of a settlement agreement is always taken into consideration as a matter of good practice instead of ineffective and more expensive legal proceedings.

At quarterly intervals, the Board of Directors is given an overall report on the Company's litigation and complaints status. In this report is presented, proposals are put forward for risk provisions to be set aside and for the write-down of receivables recognised for litigation positions, so as to ensure that the risks connected with the litigation and/or the non-recoverability of receivables are adequately covered.

Human Capital: the Distribution Network

19% 81%

2,162 Financial Advisors
(Assoreti scope)

131,867 total training hours (average of 61 training hours per employee)

AUM medio

€ 39.2 million euros managed on average by each Financial Advisor

€ 3.6 million euros per-capita net inflows

Features, Size and Composition

The quality and efficiency of the sales network determine the customer satisfaction level. Since they work in a sector where **reputation** is the most valuable asset, Financial Advisors play a very delicate role. The range of products and services, supported by advice from qualified professionals, places Affluent and Private customers[103] at the heart of Banca Generali's mission.

Therefore, the Bank dedicates the utmost attention to the selection of its **distribution network**'s Financial Advisors and to their subsequent personal and professional development, supported by the use of the most modern technology and the multi-channel platform.

Over the years, Banca Generali's distribution network evolved through both the aggregation of various networks of Financial Advisors and private banks, and the gradual recruitment of highly-skilled professionals on the financial services distribution market, drawn by the Bank's business model.

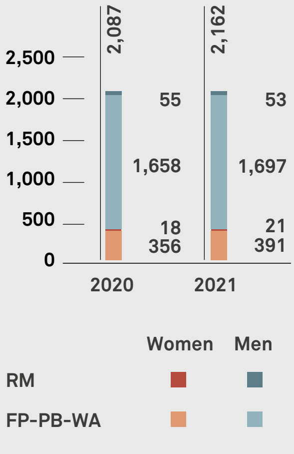
Composition

The Banca Generali's distribution network is entirely based in Italy and consists of two categories of collaborators:
- the **Private Bankers (PBs)**, the **Financial Planners (FPs)** and the **Wealth Advisors (WAs)**; they collaborate with the Company as freelance professionals;
- the **Relationship Managers (RMs)**, who are company employees.

TABLE 90: FINANCIAL ADVISORS BY GENDER

	31.12.2021			31.12.2020		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
FPs-PBs-WAs	391	1,697	2,088	356	1,658	2,014
RMs	21	53	74	18	55	73
Total Financial Advisors	**412**	**1,750**	**2,162**	**374**	**1,713**	**2,087**

CHART 29: FINANCIAL ADVISORS BY CATEGORY



[103] These categories identify the customers who have advanced needs due to the size and quality of their wealth.

At system level (Assoreti), the number of Financial Advisors operating in the main Companies surveyed increased by about 4%[104] in 2021, from 23,178 Financial Advisors recorded at the end of 2020 to 24,097 at the end of 2021. In detail, Banca Generali owns one of the most important FA distribution networks in Italy: at 31 December 2021, the Generali network included 2,162 Financial Advisors and Relationship Managers, with an increase of 75 compared to the same period of 2020 (+3.6%). This improvement was mainly due to the recruiting activity performed in 2021, which led to the hiring of 123 new professionals with sound experience in the sector. This increase allowed Banca Generali to confirm its fifth place within the Assoreti market, with a market share of 9.0%.

The increase in the number of Financial Advisors operating within the network and **Banca Generali's leadership within the Assoreti market**, both in terms of net inflows and per-capita AUM, can also be seen as a clear sign of the improvement in network quality.

The female presence in Banca Generali's commercial network increased steadily (both in absolute and percentage terms) and accounted for about 19% of total. Overall, the number of women choosing financial advisory as a professional field has sharply increased in recent years, with a significant part of them coming from the traditional banking world.

The low turnover rate is due to the **network's high retention level**, as illustrated by the average length of service, and Banca Generali's attractive proposal compared to the market.

TABLE 91: CUSTOMERS' ASSETS

	2021	2020	CHANGE %
Average No. of customers per FA	153	149	+2.7%
Average assets per FA (€ million)	39.2	35.1	+11.5%
Average net inflows per FA (€ million)	3.6	2.8	+26.5%

In 2021, Banca Generali's per-capita net inflows amounted to 3.6 million euros, 49% above the industry's average (2.4 million euros). **Per-capita net inflows of managed and insurance products** (approximately 2.2 million euros) exceeded market average (1.8 million euros) by 25%. The **per-capita average asset figure** stood at the top of the market as well, with a value 20% higher than the average figure reported (39.2 million euros as against a market average of 32.6 million euros).

CHART 30: AVERAGE NO. OF CUSTOMERS PER FINANCIAL ADVISOR

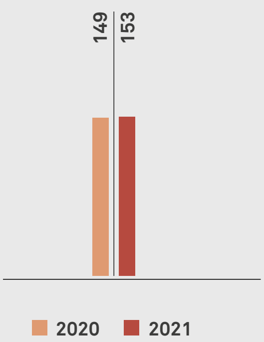


CHART 31: AVERAGE ASSETS PER FINANCIAL ADVISOR (€ MILLION)

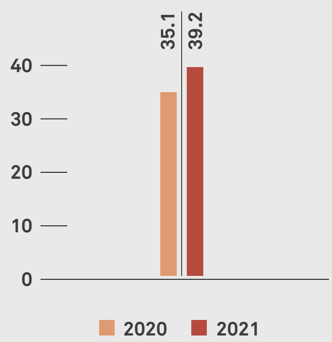
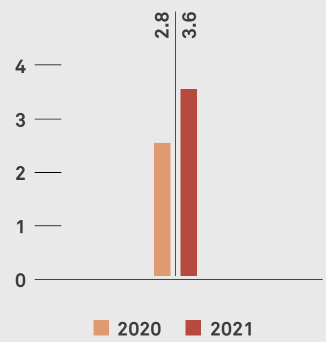


CHART 32: AVERAGE NET INFLOWS PER FINANCIAL ADVISOR (€ MILLION)



[104] The figure includes eventual M&A operations during 2021 within Assoreti scope.

TABLE 92: NUMBER OF FINANCIAL ADVISORS BY AGE

	31.12.2021				31.12.2020			
	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL
FPs-PBs-WAs	26	580	1,482	**2,088**	25	601	1,388	**2,014**
RMs	2	27	45	**74**	1	28	44	**73**
Total Financial Advisors	**28**	**607**	**1,527**	**2,162**	**26**	**629**	**1,432**	**2,087**
Percentage	1%	28%	71%	**100%**	1%	30%	69%	**100%**

TABLE 93: AVERAGE AGE AND LENGTH OF SERVICE OF FINANCIAL ADVISORS

				AVERAGE AGE (YEARS)			AVERAGE LENGTH OF SERVICE* (YEARS)		
FPS-PBS-WAS	RMS	TOTAL	% WOMEN	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
2,088	74	2,162	19%	54.7	52.3	54.3	13.1	9.9	12.5

The average length of service was about 12.5 years. This figure — also in light of the Bank's "young age" — bears further witness to the network's stability in terms of high retention rate and low turnover rate.

CHART 33: FPs-PBs-WAs BY AGE BRACKET

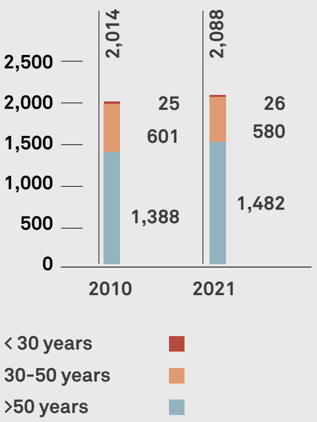


CHART 34: RMs BY AGE BRACKET

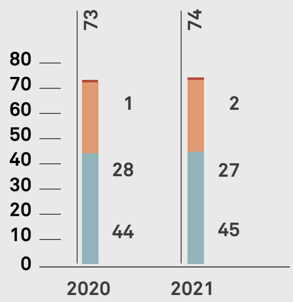
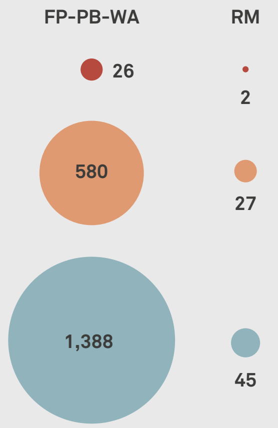


CHART 35: FAs BY AGE BRACKET - 2021



Network's organisational structure

Banca Generali's network management structure is one of its distribution network's strengths and reflects the merit-based career development offered. Managers, narrowly defined[105] account for about 4% of the total network.

Compared to the previous year, in 2021 the number of such managers remained stable over time with respect to the total number of Financial Advisors, which instead increased as a result of the recruitment of professionals exclusively tasked with customer relationships.

105 1st and 2nd Level managers, i.e., those who perform roles of administration and coordination of the collaborators dedicated solely to customer relations.

CHART 36: DISTRIBUTION NETWORK STRUCTURE

TABLE 94: DISTRIBUTION NETWORK'S ORGANISATIONAL STRUCTURE

	2021	2020
1st level Managers	25	26
2nd level Managers	57	58
Executive managers	104	99
Financial Advisors	1,976	1,904

Multi-channel nature of the service

Banca Generali's network was broadly distributed throughout Italy and was supported by **218 local structures** (Bank branches and FA offices). In accordance with the distribution of Italian population's wealth, Financial Advisors were more concentrated in the regions of the Centre-North than in the Centre-South.

Banca Generali has **46 bank branches** which ensure customers enjoy direct access to key banking services. Bank branches also host employed Private Bankers (**Relationship Managers**), who assist private-banking clients alongside the other Financial Advisors. In addition to the bank branches, there are **172 offices** that are home to the network's administrative, training and informational activity and represent another possible point of reference for clients.

Financial Advisors generally engage in typical off-premises activity directly at the customers' residence. Lastly, the multi-channel approach is also complemented by **online and call-centre services**.

TABLE 95: NUMBER OF BRANCHES AND OFFICES

	BRANCHES	OFFICES	TOTAL
Total	**46**	**172**	**218**

Sales Policies and Incentives

Sales policies

Customer satisfaction is pursued by applying high quality standards both to the personnel in charge of customer relations and the products and services offered, and by constantly adjusting those products and services to suit new needs and expectations.

The Bank pays constant attention to improving its internal procedures and developing sophisticated information technology. Tools such as the **electronic signature** and **digital collaboration** enable the sales network to complete contractual tasks without using paper media.

Dedicated communication tools are available to support the work of Financial Advisors. These include websites, the Intranet, periodic publications and circular letters containing behavioural directives for performing the work, with a particular focus on legislation relating to financial brokerage, and the adequacy principle in particular.

Reference is also made to the **Banca Generali's Internal Code of Conduct**, requesting the networks to apply the principles set forth in the Code. Sales departments also monitor the application of guidelines, periodically supporting Financial Advisors in verifying that business is conducted in accordance with laws and regulations.

Contractual relations and communications with customers must be guided by the principles of integrity, honesty, professionalism, transparency and cooperation in the search for the solutions best suited to their needs. The information provided during pre-contractual negotiations must be complete, transparent and comprehensible to allow the customer to make informed choices based on the awareness of costs and possible risks, as well as on the quality of the products and services offered. In addition, pursuant to Regulation (EU) 2019/2088 **SFDR**, sustainable products and services include additional information aimed at informing the investor about the integration of sustainability characteristics or objectives, as well as the management of ESG risks and their impacts.

To this end, a scrupulous, thorough application of the **MiFID 2** rules involving the completion of informational questionnaires and the systematic, automated assessment of the proposed solutions provides the guidelines for the brokerage and advisory services rendered by the network.

In this context, surveying properly and thoroughly the customer's expectations and characteristics is crucial to formulating a proposal that is adequate to the requirements reported and the needs expressed. In order to support the entire sales network, the advanced **BG Personal Advisory** model is available, also as a tool for maximising income performance, protection, succession issues, taxation and so forth. This extends customer advice service to include all the customer's wealth (financial and real-estate). Following the release of the platform to the sales network, this model was further developed throughout the years, with the aim of increasing knowledge of the customer in terms of total assets, family situation and risk appetite, so as to offer an integrated, balanced approach to manage customers' assets and risks. In 2021, net inflows from BG Personal Advisory advance service amounted to 1,026 million euros. At the end of 2021, BGPA assets were 7,294 million euros (a 1,278 million-euro increase compared to 2020).

Financial Advisors must also act in an objective and balanced manner in dealing with prospects and prevent personal gain from influencing their conduct or independent judgement. Sales network management personnel not only assess sales activity in the field, but are also responsible for conducting timely reviews of complaints from customers as part of their ordinary operational support duties and sample-based inspections. Where necessary, such as when complaints have been received, recommendations concerning the conduct in which to engage are reiterated to individual collaborators and responsible management personnel. Agency agreements contain clauses allowing them to be terminated in cases of irregularities or breaches of rules of conduct, laws or regulations.

Incentives and development

The recognition of individual contributions to a company's success is a fundamental part of solid personnel relations.

The incentive programmes, which in the industry are typically a critical factor, do not make any reference to the placement of specific products, but rather, reward the ability of those involved in increasing the scope of offerings in general terms, for example by acquiring new customers or developing existing customers. The disbursement of incentives is contingent upon the satisfaction of the general requirements of professionalism, propriety, containment of risks and diversification of investments. These are in addition to s**pecific prerequisites**, such as not being subject to disciplinary measures and the achievement by the Bank of certain capital ratios, in the interest of safeguarding more general consistency between individual and collective results.

Training

Against a highly competitive market context and within a constantly evolving legal framework, training is a key driver for the development and professional growth of the commercial network. In addition, the continuation of the Covid-19 pandemic emergency has made it necessary to re-calibrate training initiatives in order to guarantee the same quality of the training offer even in conditions dominated by uncertainty and transience.

Training programmes are organised based on **two main areas**:
> managerial training, in support of the role of Financial Advisors and for developing the skills and behaviour that set them apart from the rest of the market;
> high-profile technical/commercial and institutional training that takes account of the customers' evolving needs over time.

Managerial training

It has been structured so as to consolidate the leadership of the various managerial figures, guiding them through training programmes aimed at ensuring their ongoing development and reinforcing their knowledge, competencies and behaviour.

Relational Programme Schedule - for Financial Advisors	In order to stay close to the network in the delicate pandemic context, the digital relational training schedule established in 2020, in 2021 provided a series of live webinars aimed at all Financial Advisors. The training schedule, structured into 7 sessions each lasting one and a half hours, uses distinguished experts to examine the world of customer relations, with a focus on areas of priority interest such as sustainable advisory, wealth planning, negotiation, sustainable conflict management, uncertainty and advisory comparison, emotional intelligence and the improvement of personal talents.
Managerial Programme Schedule - for Managers	The training schedule dedicated to Managers was developed to support the management structure in its personal growth and guiding role in an uncertain and changing context. The programme included 2 live webinars, each lasting an hour and a half, with two distinguished testimonials from the world of Frecce Tricolori (the Italian Air Force aerobatic display team) and science respectively. Their testimonies enabled a discussion to be developed on how to direct thoughts and behaviours effectively, how the figure of the leader is evolving, what it means to be innovators and what are the main skills on which the correct development of these capabilities is based.
Leadership Programme	Training programme dedicated to female Financial Advisors, launched in 2016 in order to consolidate their professional and personal effectiveness, further developing personal skills such as self-empowerment, communication and emotional intelligence. The programme continued in 2021 with a live webinar lasting an hour and a half designed to examine certain aspects of negotiation that require greater attention and the strategies to be adopted to be successful.
Development programmes	The constant development of the management team has also continued through team coaching courses dedicated to specific professional profiles, with the aim of accompanying the persons in question in the development and implementation of their teams' professional growth plans.
Marilyn: developing influence and effective communication	Innovative programme of excellence created in collaboration with The European House – Ambrosetti and dedicated to the management team and a number of high-profile Financial Advisors. This is an Artificial Intelligence course for raising awareness and developing the quality of one's communication style through innovative and digital public speaking. The programme, lasting about three months, included two live webinars each lasting one hour (conducted at the opening and closing of the project) and an important individual online task in which they recorded their speeches and received individual feedback, in the form of reports with advice and ideas for improvement.
Acquiring New Customers Programme	During company meetings, roundtable discussions were held with the management team on the topic of new customer acquisition, with the aim of sharing internal best practices and illustrating any needs and areas for improvement regarding the process of acquiring new customers. This gave rise to a training programme consisting of 4 sessions and dedicated to selected Financial Advisors, alternating between webinars and experiential workshops aimed at sharing methods and techniques useful for the acquisition and development of prospects. The main topics addressed were the commercial process and the importance of active contacts, digital levers (e.g., LinkedIn), digital personal branding and the sharing of successful content, useful for increasing the relationship network and expansion of their own network.

Commercial training

It is focused on a number of product and service themes to reinforce the network's authoritativeness and reliability and its ability to provide a holistic advisory service to meet Customers' needs.

Fintech Programme Schedule	In order to help Financial Advisors understand the tools at their disposal, two training schedules have been created open to the entire network and dedicated to fintech and Banca Generali's advanced services. The first schedule, structured into 17 live meetings during the first half of the year, was dedicated to the world of 360° Fintech and saw a participation with peaks of over 1300 Financial Advisors connected simultaneously. The schedule created in the second half of the year, while taking up certain issues related to the digital world, was enriched with an overview of the advanced services provided by Banca Generali. It was divided into 9 live sessions and in turn saw the involvement, as speakers, of members of Top Management and the best internal specialists competent on each topic.
Flexible Portfolios	Training sessions dedicated to selected Financial Advisors on the innovative "flexible portfolios" created by Banca Generali Advisory. The focus was both on the construction method and on the financial logic governing the portfolios, with particular attention paid to the analysis of performance, market situation and interest rates. In addition, an in-depth analysis was carried out on operations for the maintenance and reassetting of portfolios following market changes requiring a change in strategic asset allocation.
Training programme for EFPA ESG Advisor certification	Banca Generali has made available to selected Financial Advisors a fully customised training programme ded-icated to the ESG world, created exclusively with MIP (Business School of the Politecnico di Milano) and aimed at obtaining EFPA ESG Advisor certification. The highly prestigious programme was an opportunity to increasingly improve Financial Advisors' dialogue with customers, incorporating the ESG landscape into their offer. It included 12 virtual modules each of 2 hours, held by MIP teachers with extensive expertise on ESG issues and addressed the issue of sustainability in all its main aspects (regulatory and scenario context, strategic relevance, taxonomy of tools, management strategies).
Digital Skills	In order to support the development of digital culture within the Bank, a programme has been developed that has provided a number of selected Financial Advisors with the opportunity to participate in digital workshops designed to develop a greater understanding and appreciation of the current digital trends permeating the market, driving the growth and self-development of their digital skills. In addition, within the BG LAb training platform, a section accessible to the entire network has been prepared, containing 20 clips about digital culture issues that accompany the user in a programme that includes video training content, practical exercises and suggestions for follow up on a self-learning basis.
BG SAXO	The digital training process focused on the BG Saxo online trading platform continued in 2021. In a series of webinars involving the entire network of Financial Advisors, the operations by the Financial Advisor through the platform were scrutinised, to provide customers with an increasingly personalised and quality service. In addition, a series of video clips have been created in order to enhance Financial Advisors' knowledge of the platform and provide them with support that is always available on demand.
On-demand classrooms	In order to maintain constant support for the sales network even in the emergency situation due to the continuing Covid-19 pandemic, a number of on-demand virtual classrooms were created to address specific needs that emerged during the year. In particular, training sessions were run on topics such as the world of credit, sustainability, art-advisory, cryptocurrencies, certificates and entrepreneurial families.

The mandatory training provided in 2021 included **professional refresher courses for all Financial Advisors on MiFID 2 compliance**. 2021 also featured the design of a quality programme not only to ensure compliance with the provisions of current legislation, but also to enhance the Financial Advisors's professionalism through online courses on the BG Lab training platform.

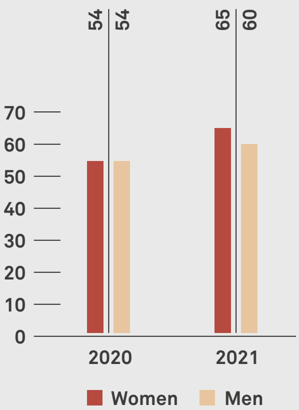
The training programme was structured in collaboration with the Università Cattolica del Sacro Cuore di Milano and, with the help of prestigious Partners, a **"set" of e-learning courses** lasting a total of 30 hours was proposed, with a final test at the end of each training module. After successfully attending all courses, the Financial Advisor received a certification to provide the advisory service in 2022.

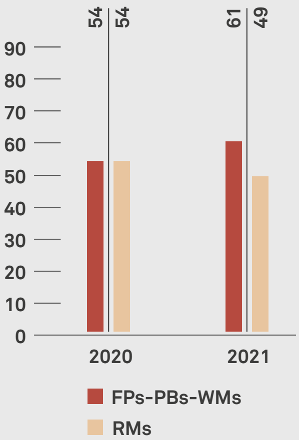
In addition, as established by the Italian insurance supervisory authority (IVASS), professional refresher training was completed for the entire network on subjects such as insurance products, the new IDD II regulatory scenario and analysis of needs in the current insurance context. This was achieved through the provision of e-learning courses via the digital channel BG Lab.

To permit real-time follow-ups and updates on all developments in commercial and legal matters, it was decided to further expand the range of online courses by developing live webinars, tutorials and short training videos.

In collaboration with the Anti-Money Laundering Service, 2021 saw the continuation of the training programme on the main risks relating to money-laundering and financing for terrorism, in addition to the preventive safeguards implemented by the Bank (with particular regard to the roles and responsibilities of Financial Advisors). This programme, dedicated to the entire network and provided in the form of three-hour live webinars, was run by authoritative teachers who focused primarily on examining real-world cases.

CHART 37: NETWORK'S AVERAGE TRAINING HOURS





In addition to this, the BGLAb Training Platform has made available to Financial Advisors a new section dedicated to the world of sustainability called **"ESG Home"**. This aims to select and provide in a single virtual space the entire training offer in the ESG field and provide users with a dynamic search filter so that they can access a large amount of information content, such as articles, research and videos that address the main issues related to sustainability and the 17 SDGs of the United Nations.

From this year, moreover, a new section called **"BG WELCOME"** is available on the BG LAb Training Platform, a virtual space open to all Financial Advisors entering the Banca Generali world for the first time. BG WELCOME allows new network members to orient themselves in the universe of services, products and solutions offered by the Bank and immediately feel an active part of the Organisation. The same material has been made available to the entire Banca Generali network in a special section called UTILITIES.

TABLE 96: AVERAGE TRAINING HOURS PROVIDED TO FINANCIAL ADVISORS

AVERAGE TRAINING HOURS	31.12.2021	31.12.2020
Total training hours provided to Financial Advisors	131,867	112,771
Total FAs	2,162	2,087
Average training hours by FA	**60.99**	**54.03**
Total training hours provided to female FAs	26,923	20,339
Total female FAs	412	374
Average training hours by female FA	**65.35**	**54.38**
Total training hours provided to male FAs	104,944	92,432
Total male FAs	1,750	1,713
Average training hours by male FA	**59.97**	**53.95**
Total training hours provided to FAs (PBs-FPs/WMs)	128,193	108,819
Total FAs	2,087	2,014
Average training hours provided to FAs	**61.42**	**54.03**
Total training hours provided to RMs	3,674	3,952
Total RMs	75	73
Average training hours by RM	**48.99**	**54.13**

Total training hours in 2021 amounted to 131,867, up 17% compared to 2020. **Average training hours by Financial Advisor were 61**, completely provided online due to the persistence of the Covid-19 pandemic emergency. The increase in the figure is due to the attempt to provide increasingly dedicated and rich support even in "exceptional" conditions such as those related to the continuing pandemic emergency. This has led to the creation of dedicated training content that is increasingly digital and personalised, with a view to integrating live training and training through multimedia content made available to advisors on the BG LAb training platform, a real HUB of online training.

Dialogue with Sales Networks

Even in such a complex year as 2021, Banca Generali worked hard to create numerous **opportunities to liaise with its sales network**, taking advantage of the possibilities offered by technology. The meetings were fundamental to maintaining a high level of interaction between headquarters and network, both with Financial Advisors who live the relationship with customers daily and with managers, who represent the entire panorama of the network and its needs.

The main meetings were the **monthly meetings** organised between first line management and Heads of Department, in which the news and relevant updates of all the projects in progress were presented. During these meetings, the managers act as spokespersons representing the proposals and suggestions made by Financial Advisors, who are best placed to succeed in identifying clients' needs.

Since the experience of Financial Advisors remains a focal point for the implementation of all the projects promoted by the Bank, 2021 again saw Banca Generali continuing to organise **focus groups** (always in remote mode) dedicated to the most relevant commercial issues, in order to gather and receive the opinions of the best Financial Advisors in the Bank's sales network. Technology has made it possible to reduce physical distances and maintain a high and profitable level of interaction and engagement.

The interaction between the network and the management of Banca Generali is an aspect of fundamental importance both for the Financial Advisors who live the relationship with customers on a daily basis and for their managers, who represent the entire panorama of the network and its needs. In order to bring the network and management closer together, **new networks have been set up dedicated to the scrutiny of issues of interest in the operational and product field**, so that needs and evidence can be collected more easily by Financial Advisors and shared with management.

As in every year, the main meetings were the **monthly meetings between the first line management and senior management of Banca Generali**, in which the news and relevant updates of all ongoing projects were gradually presented. For the first part of the year these meetings were held in digital mode, while in the second half of the year, where possible, face-to-face meetings were also held.

The sales network then participated in **two roadshows** (the first of which online) dedicated to the direct liaison between the Bank's management and Financial Advisors.

Finally, as in every year, a market survey was carried out by one of the most prestigious institutions in the sector and Banca Generali was confirmed as excellent for its Financial Advisors. In fact, the survey revealed a great sense of belonging and trust towards the Banking Group, as well as a particular appreciation of the holistic approach of the advice offered by the Bank to its customers.

Litigation Management

With reference to the agency relationship of Banca Generali's Financial Advisors authorised to make off-premises offers, in 2021 there were 37 disputes underway (41 in 2020), each involving legal proceedings. Disputes pertained exclusively to agency contracts that have been terminated and mainly entailed financial issues related to the termination of the relationship.

To know more about litigation management, see section "Human capital: human resources", "Litigation management".

Natural Capital

433 tCO_2eq direct emissions (Scope 1)

823 tCO_2eq indirect emissions (Scope 2 and Scope 3)

100% of the electrical power purchased comes from renewable sources

97% of white paper is green and certified

>95%
recycling index obtained following the eco-friendly renovation of Brescia, Milan - piazza S. Alessandro, Recco, Savona and Udine operating sites

Safeguarding the environment as a primary good is one of the values pursued by the Generali Group, which is committed to directing its decisions in such a way as to ensure full alignment between the activities implemented and the environmental concerns, while taking on an active role in shaping a sustainable future.

Environmental Policy

The Generali Group's Code of Conduct — adopted by the Bank's Board of Directors on 29 September 2010 — states explicitly that economic and social development should be based not only on respect for fundamental human and labour rights, but also on environmental protection, to which the Group contributes by fostering a reduction of its direct environmental impacts (i.e., impact arising from its operational activities) and the indirect impacts (i.e., those associated with other areas of its value chain).

In 2019, the Generali Group approved the Sustainability Group Policy, which defines the process, roles and responsibilities for:
- identifying and prioritising the ESG Factors that are relevant for the business activities or over which the Group can have most influence;
- managing the risks and opportunities connected with the relevant ESG Factors;
- monitoring and reporting on the risks and opportunities connected with the relevant ESG factors.

One of the ESG factors considered was undoubtedly the environmental factor, which includes all aspects related to the quality and to the functioning of the environment and natural systems:
- greenhouse effect and climate change;
- the availability of natural resources, including energy and water;
- changes in the use of soil and urbanisation;
- quality of the air, water and soil;
- the production and management of waste;
- the protection of natural habitats and biodiversity.

The Environmental Management System (EMS), based on the ISO 14001 standard, is the tool that Banca Generali uses to manage its environmental impacts, in line with the provisions set forth in the Sustainability Group Policy.

In line with the Generali Group's objectives, the Bank identified as its primary goal to reduce total GHG emissions by 25% compared to 2019 (baseline) by 2025.

Direct Environmental Impacts

The following have been identified as areas in which to take action:
- **company building and facility management**, which increasingly occurs by combining constant improvement of the operational comfort of personnel with the efficient use of natural resources. The following are pursued with the aim of minimising adverse impacts on the environment:
  - reduced consumption of electrical power, water and paper;
  - more efficient management of waste, with an increase in waste sorting;
- **Sustainable renovation**: in addition to monitoring and actively controlling its consumption, the Bank adopted a sustainable approach in developing its local logistics network, a process that involves renovating and fitting out the bank branches and Financial Advisors' offices. In fact, these have a potential significant impact on the environment and for this reason Banca Generali has set itself the goal of approaching renovations with drivers typical of sustainable architecture, in other words a lower environmental impact in favour of energy efficiency, improvement of health and comfort, through:
  - a constantly evolving **new mindset** focused on 'people', 'buildings' and the 'environment', based on constant research, analysis and an innovative design approach;
  - **building materials** that meet environmental and economic sustainability and recyclability criteria.

  All this takes the form of a technical specification that condenses the information relating to the materials used to carry out the renovation and/or fitting out.
  The final result is then validated by a specialist body, which certifies that the agency/branch has been built following sustainability criteria and with a recyclability index (IRA) as close as possible to 100%.
- The **corporate mobility management**, governed by the Group's Travel Policy, that, in pursuit of sustainable management of the business travel needs of administrative personnel, envisages:
  - containment of travel through increasing use of audio and video conferencing, e-learning training courses, etc.;
  - preference for the use of public or collective transport (company shuttle buses, car-pooling, etc.);
  - introduction of the "new ways of working" concept, i.e., the option of working remotely (generally from home).

Indirect Environmental Impacts

Banca Generali is aware it can encourage its stakeholders to adopt an environmentally friendly behaviour through the adoption of appropriate measures. In particular, the main areas of activity in which the Bank is committed to exerting such influence are relations with suppliers (procurement ecology), customers (product ecology) and issuers (investment ecology).
- **procurement ecology**: to ensure the integrity of its supply chains, Banca Generali has included, in line with the Generali Group's provisions, operational mechanisms (such as penalty clauses that, in the event of a breach, may result in the termination of the contracts) intended to ensure compliance by all suppliers and their procurement chains with applicable legislation on health and safety in the workplace and environmental protection, as well as with the Group's ethical principles;
- **product ecology**: in order to encourage the adoption of environmentally friendly behaviour by its existing or prospects, Banca Generali intends to expand and enhance the range of insurance products and services offered, including through appropriate information and awareness-raising measures;
- **investment ecology**: Banca Generali has adopted an investment policy and laid down ethical guidelines that seek to prevent the risk of supporting companies involved in severe damage to the environment by investing in them.

The following table shows the Bank's environmental data, whose reporting scope does not include:
- the bank branches, excluded due to the marginal extent of their consumption;
- the Financial Advisor offices (operations offices), since these are local logistics facilities over which the Bank does not exercise complete financial and operational control and to which it applies various management models and cost allocation/apportionment models.

2021 PERFORMANCE:
1,404 tCO_2eq
TOTAL GHG EMISSIONS
(-10% VS 2019)

Emissions

In accordance with the Parent Company's strategies, Banca Generali has also decided to quantify and report GHG emissions by including in the reporting scope only properties used as headquarters that fall within the Generali Group's Environmental Management System. In fact, the Bank has complete financial and operational oversight over these properties, which it exercises also through the Generali Group's Facility Management function.

In 2021 as well, the analysis system included the Bank's two main sites: the Milan headquarters (Generali Hadid Tower, located in Piazza Tre Torri 1) and the Trieste offices (Corso Cavour 5/a). Overall, these facilities host 734 employees, accounting for 74% of the Banking Group's workforce. At both head offices, facility management service is provided by GBS, a Generali Group company responsible for, among other aspects, the operation and scheduled maintenance of technological and special installations and management of utilities and waste.

Consumption information has been surveyed by GBS and then allocated to Banca Generali according to the percent occupation of the buildings (84% for the Trieste office and 17% for the Hadid Generali Tower). In fact, of the 43 total useable above-ground floors in the innovative Hadid Generali Tower, only six are occupied by Banca Generali personnel, in addition to one used as a branch.

TABLE 97: GHG EMISSIONS IN TONNES OF CO_2 EQUIVALENT[106]

	2019 (BASELINE)	2020	2021	CHANGE % 2021-2020	CHANGE % 2021-2019
GaBI 1 Direct emissions produced by heating fuels and the kilometres travelled by the fleet of company cars	276	286	433	52%	57%
GaBI 2 Indirect emissions caused by power consumption associated with the use of electrical power and district heating	935	968	756	-22%	-19%
GaBI 3[107] Other indirect emissions caused by power consumption associated with employees' business trips, paper and water consumption, as well as the waste disposal (including toner cartridges)	192	76	67	-12%	-65%
Total	**1,404**	**1,330**	**1,257**	**-5%**	**-10%**

TABLE 98: BREAKDOWN OF 2020-2021 GHG EMISSIONS

SOURCE	2020	2021
Electrical power	46%	46%
Natural gas	20%	21%
Heat (district heating)	27%	14%
Mobility (personal cars and company fleet vehicles, plane, train)	5%	16%
Other (paper, waste, water, etc.)	2%	3%

[106] The calculation of emissions does includes the following gases: Carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N2O).
[107] Employee mobility includes the use of personal cars only.

Consumption

2021 confirmed the gradual decline in electrical power consumption as a result of the measures the Bank adopted to combat and contain the spread of the new Coronavirus in the work environment, first and foremost the extensive use of home working.

2021 PERFORMANCE:
13,231 GJ
TOTAL POWER USED
(13,656 GJ IN 2020)

28.36 GJ
PER-CAPITA POWER USED

Electrical power, natural gas and heat from district heating

In 2021, Banca Generali consumed a total of 13,231 GJ of energy. Energy consumption chiefly consists of electrical power consumption: the two offices involved in the Environmental Management System reported an overall consumption of 1,681,365 kWh (-20% compared to 2019), with a per-capita consumption of 2,291 kWh (-26% compared to 2019).

All the electrical power consumed is derived from renewable sources.

The Milan office, located in the Generali Hadid Tower, is also connected to a district heating network that supplies hot water for space heating and sanitary applications. With regard to the district heating system, in 2021 Banca Generali consumed 867,674 kWh (+39% compared to 2019), with a per-capita consumption of 2,121 kWh (+21% compared to 2019).

Overall gas consumption amounted to 118,112 Sm^3 (+9% compared to 2019), with a per-capita consumption of 363 Sm^3 (+7% compared to 2019).

At the site in Trieste, natural gas is used both for heating and for air-conditioning in the summer season (using again a chilled beams system). At this site, the Group Facility Management function continued to replace the external windows in 2021. This function also adopted a system for monitoring temperature setting of the water delivered through the chilled beams and of the air entering through the beams, thereby ensuring that the system works efficiently with the slightest change in climate conditions.

TABLE 99: 2021 PERFORMANCE:

TYPE	2019 CONSUMPTION (GJ)	2020 CONSUMPTION (GJ)	2021 CONSUMPTION (GJ)	% CHANGE 2021-2020	% CHANGE 2021-2019	2020 PER-CAPITA CONSUMPTION (GJ)	2021 PER-CAPITA CONSUMPTION (GJ)
Electrical power	7,523	6,380	6,053	-5%	-20%	8.91	8.25
Natural gas	3,705	4,075	4,049	-1%	9%	12.70	12.46
Heat (district heating)	2,240	3,181	3,124	-2%	39%	8.05	7.64
Diesel oil for engine-generators	n.a.	20	6	-72%	n.a.	0.03	0.01

Paper

Paper is the material most used in the banking sector. To reduce its consumption, Banca Generali has introduced the following measures:

> electronic archiving and dematerialisation of documents;
> use of e-mail and messaging in communications between companies, branches, offices of Financial Advisors and customers;
> introduction of Banca Generali Digital Collaboration, whereby Financial Advisors can send their investment proposals to customers, who in turn can review and redefine their investment decisions, with the possibility to confirm the instructions digitally without using paper/print material;
> activation, for clients who use Home Banking, of the Doc@online function, which can be used for the digital transmission of all communications from the Bank (e.g., account statements, term sheets, accounting documents, information memoranda, etc.).

2021 PERFORMANCE:
115 quintals
PAPER USED
(64 QUINTALS IN 2020)
(-57% VS 2019)

10 kg
PER-CAPITA PAPER USED

In the offices included in the EMS, individual printers, photocopiers and faxes have been replaced with multi-function machines to be shared within each office or floor. The same measure was implemented in more than 50 Financial Advisor offices.

Where possible, Banca Generali buys material with a lower unit weight than normal in order to contain the weight of the paper consumed. Over 97% of the white paper consumed in 2021 consisted of certified green paper, originating in forests managed in accordance with environmental, social and economic standards established by recognised national and international schemes. In addition, Banca Generali promotes the purchase of low environmental-impact stationery and toner cartridges (e.g., pens with water-based, solvent-free ink, pencils made of wood from sustainably managed forests, toner cartridges that are remanufactured or produced with recycled material).

TABLE 100: 2021 PERFORMANCE:

2019 PAPER CONSUMPTION (QUINTALS)	2020 PAPER CONSUMPTION (QUINTALS)	2021 PAPER CONSUMPTION (QUINTALS)	% CHANGE 2021-2020	% CHANGE 2021-2019	2020 PER-CAPITA PAPER CONSUMPTION (QUINTALS)	2021 PER-CAPITA PAPER CONSUMPTION (QUINTALS)
267	64	115	80%	-57%	0.10	0.16

In this case again, the extensive use of remote working contributed to significantly reduce paper consumption in the offices included in the EMS compared to 2019, which represent a watershed year considering the Covid-19 pandemic outbreak in Italy.

Water

2021 PERFORMANCE:

3,883 m³

WATER CONSUMPTION
(5,045 M³ IN 2020)
(-54% VS 2019)

5.29 m³

PER-CAPITA WATER CONSUMPTION

Banca Generali considers water to be an important resource and is committed to using it sparingly in all the Group's offices. Water is used primarily for the purposes of hygiene and sanitation and to supply the heating and air-conditioning systems. At the Milan office, aquifer water is used, drawn from deep below ground, which has the advantage of being naturally purified by its passage through the permeable layers of the terrain. In this case, the water is pressurised and used directly for the hydrant network for cleaning, toilets and humidifiers. At the Trieste offices, almost all the water that is consumed comes from municipal or state mains.

Photocells or timer controls have been installed at both sites to reduce water consumption to a minimum and allow water flow to be controlled effectively.

TABLE 101: 2021 PERFORMANCE:

2019 WATER CONSUMPTION (M³)	2020 WATER CONSUMPTION (M³)	2021 WATER CONSUMPTION (M³)	% CHANGE 2021-2020	% CHANGE 2021-2019	2020 PER-CAPITA WATER CONSUMPTION (M³)	2021 PER-CAPITA WATER CONSUMPTION (M³)
8,412	5,045	3,883	-23%	-54%	7.04	5.29

In this regard as well, the extensive use of remote working significantly contributed to the reduction of water consumption in the offices included in the EMS compared to 2019, which was the year after which the Covid-19 pandemic developed in Italy.

Waste

2021 PERFORMANCE:

78.6 quintals

WASTE GENERATED
(246.4 QUINTALS IN 2020)

11 kg

PER-CAPITA WATER USED

Banca Generali conducted a number of campaigns to raise awareness amongst its employees of the issue of proper waste management and sorting. Each corporate site has separate waste containers for paper and cardboard (which represent the highest portion of waste generated by the Bank), plastic, glass and aluminium.

A high level of care is also taken in the correct disposal of waste that is most hazardous or harmful for the environment, such as IT products and toner cartridges. In detail, IT waste made up of obsolete electronic equipment is returned to the suppliers or sent to specialised plants handling the disposal and recycling of reusable parts. Similarly, most used toner cartridges are returned to the supplier to be recycled or remanufactured, whilst the rest are disposed of in accordance with regulations.

Hazardous waste (fluorescent tubes, batteries, etc.) is just a small portion of all the waste produced by Banca Generali and is disposed of using specialist firms. Banca Generali tracks the hazardous waste it generates in specific registers, as required by applicable legislation.

Banca Generali also focuses closely on the three Rs (reduce, reuse and recycle) for long-term assets, above all in logistics processes involving the closing, transfer or restyling of branches or agency offices.

In such cases, it proceeds by considering the following management methods (reported in decreasing order of priority):

1. potential reuse of the asset in the new location or at other properties, considering the cost-effectiveness of recovery and the aesthetic/functional result;

2. involvement, through network management, of local communities (e.g., non-profit organisations, associations, entities, etc.) for the recovery of assets no longer of interest to the Bank;
3. disposal of assets in public dumps to begin the industrial recycling process for the asset disposed of.

TABLE 102: 2021 PERFORMANCE

WASTE GENERATED IN 2019 (QUINTALS)	WASTE GENERATED IN 2020 (QUINTALS)	WASTE GENERATED IN 2021 (QUINTALS)	% CHANGE 2021-2020	% CHANGE 2021-2019	PER-CAPITA WASTE GENERATED IN 2020 (QUINTALS)	PER-CAPITA WASTE GENERATED IN 2021 (QUINTALS)
251.46	246.41	78.63	-68%	-69%	0.34	0.11

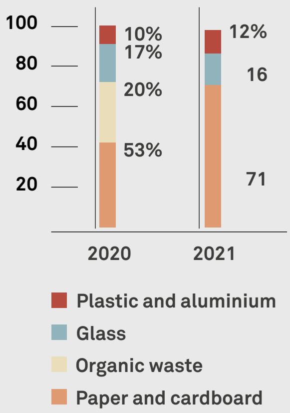
TABLE 103: BREAKDOWN OF 2021 WASTE COLLECTED (%)

TYPE OF WASTE COLLECTION	2020 BREAKDOWN (%)	2021 BREAKDOWN (%)
Separate collection	21%	43%
Unsorted collection[108]	79%	57%

TABLE 104: BREAKDOWN OF 2021 SEPARATE WASTE COLLECTION (%)

MATERIAL	2020 BREAKDOWN (%)	2021 BREAKDOWN (%)
Paper and cardboard	53%	71%
Wet waste	20%	-
Glass	17%	16%
Plastics and aluminium	10%	12%

CHART 38: WASTE COLLECTED BREAKDOWN



Wet waste was not produced due to the closure, following the restrictions introduced to counter the spread of Covid-19, of the company's canteen and the café inside the Milan headquarters Generali-Hadid Tower.

Mobility

Banca Generali is committed to reducing GHG emissions through sustainable mobility management as well, reducing employees' travels and encouraging video conferencing. At all site included in the EMS, video conference calls may also be made from individual workstations thanks to the availability of dedicated tools (e.g., Skype for Business and Microsoft Teams).

The travel policy adopted by the Banca Generali Group encourages the use of public transport, above all the least polluting ones (e.g., trains instead of planes), instead of personal cars. The Group's car policy calls for maximum carbon dioxide limits for company cars.

Thanks to the agreements entered into with the main public transport operators for the Province of Milan, Banca Generali guaranteed to its employees a reduction in the cost of annual season tickets for public transport (buses, trams, metro and trains) and completed the building of reserved bicycle parking for employees so as to encourage bicycle use for getting to work.

Finally, at the end of the current rental contracts for "pool cars" (available to employees for business trips) diesel-powered cars will be replaced by mild-hybrid vehicles that perform better in terms of lower CO_2 emissions.

[108] Unsorted waste collection data also includes waste destined for authorised public disposal sites consisting mainly of "bulky" items which to a large extent are then sorted appropriately on site (disposal of furniture, ferrous materials, materials and electrical/electronic components, etc.) for the subsequent recycling phases.

TABLE 105: 2021 PERFORMANCE[109]

KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2019	KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2020	KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2021[110]	% CHANGE 2021-2020	% CHANGE 2021-2019	PER-CAPITA KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2020	PER-CAPITA KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2021
2,969,322	772,249	1,915,366	148%	-35%	803	2,609

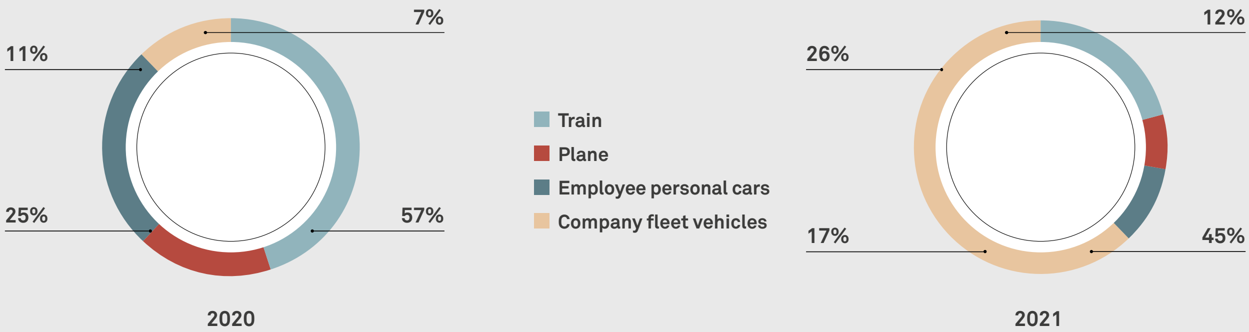
PERFORMANCE 2021:
1,915,366 km
TRAVELLED
(772,249 KM IN 2020)

2,609 km
TRAVELLED PER CAPITA

TABLE 106: BREAKDOWN OF TOTAL KM TRAVELLED IN 2021 (%)

MEANS OF TRANSPORT	2020 BREAKDOWN (%)	2021 BREAKDOWN (%)
Train	45%	21%
Plane	17%	7%
Personal cars	26%	10%
Company fleet vehicles	12%	62%

CHART 39: TOTAL KM TRAVELLED IN 2021 AND 2021



This year's values show a moderate decrease compared to the baseline of 2019, the pre-covid19 year, while compared to last year, they report a marked increase due to the resumption of travel for justified business needs, generally aimed at ensuring the continuity of service offered by bank branches nationwide. Travel that last year had been limited following the initial lockdowns at national level, which were then replaced by regional restrictions.

[109] Data refers to all the Banca Generali Banking Group's employees, including those who are based outside the EMS scope.
[110] Compared to previous surveys, for 2021 the data relating to the company fleet (excluding pool cars) are determined in litres of fuel consumed. This value has been converted into Km using an average conversion factor of 18 km per litre.

Emission and Conversion Factors

TABLE 107: 2021 EMISSION FACTORS

ASPECT	TYPE OF SOURCE (RENEWABLE/NON-RENEWABLE)	CONVERSION FACTORS
Natural gas	Non-renewable	Conversion factor MJ in Kw 3.6
Electrical power	Renewable	Conversion factor MJ in Kw 3.6
District heating	Renewable	Conversion factor MJ in Kw 3.6

TABLE 108: 2021 EMISSION FACTORS

ASPECT	SCOPE	EMISSION FACTORS	MEASUREMENT UNIT	SOURCE
Natural gas	Scope 1	0.0577645	$kgCO_2e/MJ$	GaBi extension pack - Generali
Electrical power (location-based)	Scope 2	0.094882432	$kgCO_2e/MJ$	GaBi v13.0 (12/2020)
Heat (district heating)	Scope 2	0.058243828	$kgCO_2e/MJ$	GaBi v13.0 (12/2020)
Water (from municipal sources)	Scope 3	0.66308326	$kgCO_2e/m^3$	VfU (11/2018)
Water (from aquifers)	Scope 3	0.29331091	$kgCO_2e/m^3$	VfU (11/2018)
Waste (burned)	Scope 3	0.100609159	$kgCO_2e/kg$	GaBi extension pack - Generali
Waste (toner cartridges)	Scope 3	2.31586320000	$kgCO_2e/t$	Sanitary, Hazardous, Toner waste
Waste (disposed)	Scope 3	0.89558432353715	$kgCO_2e/kg$	GaBi extension pack - Generali
Mobility – Company fleet vehicles	Scope 1	0.0001743	$kgCO_2e/m$	Defra v9.0 (09/2020)
Mobility – Personal cars	Scope 3	0.00004418000	$kgCO_2e/m$	Defra v9.0 (09/2020)
Mobility – Traditional train	Scope 3	0.03694	$kgCO_2e/pkm$	Defra v9.0 (09/2020)
Mobility – High-speed train	Scope 3	0.00497	$kgCO_2e/pkm$	Defra v9.0 (09/2020)
Mobility – Plane (short distance)	Scope 3	0.1292	$kgCO_2e/pkm$	Defra v9.0 (09/2020)
Mobility – Plane (medium distance)	Scope 3	0.08223	$kgCO_2e/pkm$	Defra v9.0 (09/2020)
Mobility – Plane (long distance)	Scope 3	0.1009	$kgCO_2e/pkm$	Defra v9.0 (09/2020)

Relationship Capital: Customers

331,646 customers
(+6.3% vs 2020)

AUM

84.6 billion euros
(Assoreti scope)

21.7% of customers
with at least 4 products

Banca Generali intends to use its own service model and commercial offer to meet its customers' investment needs fully, adopting multiple technical resources and identifying, through its Financial Advisors and with the support of specially developed IT procedures, the most suitable solutions for each customer. In order to achieve this objective, the Group's strategy is to adopt a holistic advisory approach to propose a wide range of financial, banking and insurance solutions, services and products, which can be subdivided as follows:

> **asset management** products, which allow Banca Generali to offer its customers a full range of investment solutions based on the open-architecture model and featuring flexibility and personalisation, as well as to meet the different needs and requirements, in terms of financial planning objectives, risk tolerance and asset allocation;
> the **insurance** product range offer, which is concentrated on Life and Pension Insurance, meeting protection and planning goals for generational transfer;
> **banking services and AUC**, which provide access to a complete range of cross-border products (current accounts, services and payment instruments) and investment products (security deposit and trading of securities and loans).

Considering that for the commercial offer to be developed properly it is necessary, on the one hand, to identify the needs of customers and homogeneous groups of target customers and, on the other, to study the features of each new product and analyse its suitability for meeting the needs identified, Banca Generali has developed a well-structured process for studying, constructing and launching new products.

The following factors are particularly important for purposes of identifying customer features and investment needs:

> the type of customer (retail, professional, qualified counterparty);
> customers' knowledge and experience;
> customers' financial situation and ability to sustain losses;
> customers' risk tolerance;
> customers' objectives and needs (protection/growth/income/time horizon, specific needs).

In order to evaluate the suitability of the products distributed to meet the relevant investment needs, a direct knowledge of customers is essential, and in particular their knowledge and experience of products, their financial situation and their investment objectives. This information serves to give every customer a financial profile, which allows to check the investor's capacity to understand the nature and features of the product and assess its adequacy and appropriateness, through a specially developed IT support procedure. In particular, the factors contributing to the adequacy assessment are the customer's financial profile, the risk profile of the product, the risk profile of the portfolio, the frequency of the number of transactions within a given period of time and the dimensional relevance of the transaction with respect to the Customer's portfolio. In addition, in the event of a transaction recommended to a retail customer that concerns illiquid and/or complex financial products, specific enhanced safeguards are envisaged to protect the investor.

Clientele Characteristics

Knowledge of individual customers is based on the direct relationship they build with the Financial Advisors, as well as on trend analysis and indicators transversal to all clients.

In 2021, the Bank reported an increase in the total assets under management (+15.3%) and the number of customers served (approximately +6.3%).

TABLE 109: NUMBER OF CUSTOMERS AND AUM

	2020	2021	CHANGE %
Number of customers	311,947	331,646	6.3%
AUM (€ billion)	73.3	84.5	15.3%

Breaking customers down by gender, 53% were men and 43% were women. There was a slight decrease among Generation X customers (35-50 years of age), whereas the number of those over 70, who represent the customers with high levels of income and assets, remained unchanged. Customers classified as Baby Boomers (50-70 years) slightly increased.

TABLE 110: BREAKDOWN OF CUSTOMERS BY GENDER

	2020	2021
Women	43%	43%
Men	53%	53%
Other (*)	4%	4%
Overall total	**100%**	**100%**

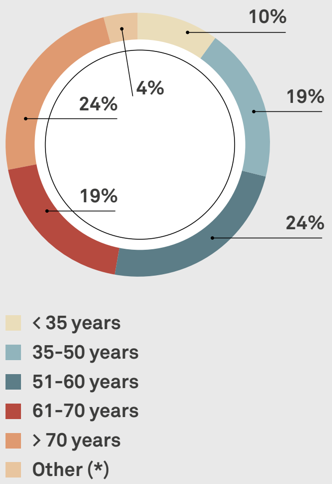
(*) The category "Other" includes all the clients that cannot be classified by gender (i.e., legal entities, clients with trustee mandates, etc.).

TABLE 111: BREAKDOWN OF CUSTOMERS BY AGE BRACKET

AGE	2020	2021
Up to 35	10%	10%
35-50	20%	19%
50-60	24%	24%
60-70	18%	19%
Over 70	24%	24%
Other (*)	4%	4%
Overall total	**100%**	**100%**

(*) The category "Other" includes all the clients that cannot be classified by age (i.e., legal entities, clients with trustee mandates, etc.).

CHART 40: CUSTOMERS BY AGE BRACKET



(*) Clients that cannot be classified by age (i.e., legal entities, clients with trustee mandates, etc.).

The geographical distribution of customers shows their concentration in Northern Italy (about 62% of the total).

TABLE 112: BREAKDOWN OF CUSTOMERS BY GEOGRAPHICAL AREA

GEOGRAPHICAL AREA	2020	2021
Abroad	1%	1%
Centre	19%	19%
Islands	3%	3%
North-east	31%	31%
North-west	31%	31%
South	15%	15%
Overall total	**100%**	**100%**

Customers Relations

In line with the provisions set forth in the Code of Ethics of the Generali Group, the principles guiding customer relations are:

> conducting business in compliance with the law, internal regulations and professional ethics;
> promoting the culture of sustainability in all of its spheres of influence to contribute concretely to economic and social development based on environmental protection and respect for fundamental human rights and labour;
> processing personal data in a manner respectful of data protection rights, while ensuring they are inaccessible to third parties, except for fully justified reasons or in the presence of a specific external mandate;
> avoiding any conflicts of interest and, where it is not possible to do so, managing them in such a way as not to result in harm to the Bank or its customers;
> guaranteeing free competition, a fundamental factor for the development of company business and results;
> providing comprehensive and accurate financial disclosures, as well as information on products and services, so that customers can make informed decisions;
> combating all forms of bribery and corruption;
> opposing any conduct that could be intended as supportive of money laundering and financing of terrorism;
> pursuing customer satisfaction — a key factor to the Bank's strategic vision.

Dialogue with customers and customer satisfaction

Regular monitoring of customer satisfaction is a key factor in Banca Generali's strategic vision and is implemented through the use of specific indicators.

When 2020 data are compared with the previous year's data, it can be seen that the retention rate has remained virtually the same, as has the average length of the contractual relationship, which is 11 years 4 months. Customers' perception of the financial services offered by the Bank has improved: whereas the number of single-product customers has gradually declined (-1.2% on 2020), the number of customers with at least four products increased gradually (+0.4%).

TABLE 113: CUSTOMER SATISFACTION

	NO. PRODUCTS	2020	2021
Customer retention rate		96.3%	95.9%
Average duration of the agreement (*)		11 years and 3 months	11 years and 4 months
Cross selling	1	38.6%	37.4%
	2-3	40.1%	40.9%
	4+	21.3%	21.7%

(*) The figures refer to persons who have been Banca Generali customers for at least one year.

In the first few months of 2021, due to the pandemic the number of initiatives organised by the Banca Generali network nationwide were inevitably limited. Starting from the second half of the year, thanks to a better health context it was possible to organise again physical events in compliance with all the protection and prevention measures in force.

In this context, **the network took action nationwide organising 140 initiatives**, almost double compared to the previous year, reaching about 3,200 customers in compliance with the precautionary measures defined.

Most of these initiatives focused on cultural and financial topics aimed not only at analysing in detail the evolution of macroeconomic scenarios and the financial market situation in partnership with authoritative asset management companies, but alto at promoting concerts and art exhibitions. There was also an **increase in ESG initiatives**: Financial Advisors organised and sponsored about twenty meetings focused on topics such as sustainable investments, green transition, fight against climate change and responsible communication.

The network also took action in the **charity field**, supporting about fifteen Italian associations. Such initiatives include fundraising for the care of children with chronic diseases or disabilities, donations to support school education in the Third World, funds raised for the purchase of a van for the transport of the disabled, as well as to support cancer departments.

Management of disputes and complaints

Banca Generali's Litigations and Complaints Unit receives customer complaints regarding both investments services and banking products and services. Customers may lodge complaints in writing by post, fax, telegram, e-mail, certified electronic mail or by hand-delivered letter addressed to the branches, private centres, as well as representatives or other offices of the Bank.

Complaints received are managed in compliance with applicable laws and regulations. In addition to becoming a member of **Conciliatore Bancario Finanziario**[111], which offers out-of-court dispute resolution procedures, the Bank adopted an **internal disputes and complaints policy** and an **organisational procedure aimed at identifying the activities involved in handling complaints**, from recording them in a dedicated database to sending the letter of response.

Complaints are logged based on the category to which they belong. In particular, it can be noted that:
> banking complaint[112] provide for a 60-day processing time limit;
> financial complaints[113] provide for a 90-day processing time limit when the complaint concerns questions outside the scope of the Banking and Financial Ombudsman, and a 60-day limit if the complaint refers to disputes for which an appeal could be brought before the Banking and Financial Ombudsman;
> insurance complaints[114] provide for a 45-day processing time limit.

The organisational procedure also identifies the activities involved in dispute management. This phase normally develops as the result of the complaints received being rejected. For further details on the management of disputes, please refer to the paragraph "Litigation management" in the chapter "Human capital: human resources".

Clientele Protection

Wealth protection

The protection of customer wealth is a priority objective for Banca Generali and represents a central feature of its growth strategy: considering the Bank's commitment to translating the sustainability concept into concrete actions and putting it into actual practice, it is believed that the constant increase in complexity and uncertainty of the industry of reference makes it increasingly necessary to offer customers solutions based on security and protection.

This premise is the basis of the development model for the offer of dedicated services and specific solutions, which in 2021 made use of the following contributions and improvements:
> the range of insurance solutions was expanded to introduce several products issued by the Generali Group, including the **"Stile Libero"** range, multi-line policies to be personalised based on customers' characteristics and risk and investment profile. In particular, the structure consists of three lines that may be combined with a part of the segregated account scheme and over 900 Sicavs and ETF funds. Solutions can be further customised with i) a disinvestment or coupon plan (for an income stream over time); ii) a planned switch between the segregated account scheme and active management or progressive investment plan (for a gradual change in the investment mix or investment out spread over time in order to reduce volatility of the

[111] Association for Alternative Dispute Resolution (ADR) focusing specifically on banking, financial and corporate matters.
[112] Complaints concerning any malfunction, complaint, omission, expression of dissatisfaction or objection regarding the Bank's operations related to banking or financial services as identified in Title VI, Chapter I, of Legislative Decree No. 385/93 of TUB – Consolidated Law on Banking, also regarding to transparency matters, presented in writing by subject who can be uniquely identified.
[113] Complaints concerning any malfunction, complaint, omission, expression of dissatisfaction or objection regarding the Bank's operations related to investment services and activities and ancillary services as identified in Part I, Article 1, of Legislative Decree No. 58/1998 of TUF – Consolidated Law on Finance).
[114] Complaints concerning any malfunction, complaint, omission, expression of dissatisfaction or objection regarding the Bank's operations related to insurance contracts and services falling within the scope of the IVASS pursuant to Article 4, paragraph 1, of ISVAP Regulation No. 24/2008.

underlying); and iii) the option for the benefit to be paid on death according to a scheduled plan of partial redemptions;

> alongside traditional products, since 2020 Banca Generali has been also placing **Lux Protection Life, a** Luxembourg-based multi-line policy issued by Generali Luxembourg, which combines the typical benefits and features of insurance solutions with the option to protect the premium paid on the policyholder's death and the protection represented by the reference regulatory context. Lux Protection Life allows widely diversified portfolios to be built, in line with the specific risk profile of each individual customer: in fact, there are available more than 450 UCITS from amongst the market's best asset managers, including the LUX IM and BG Alternative Sicav range, a vast selection of ESG strategies and 10 dedicated internal funds, diversified in terms of risk, manager and geographical focus;

> in 2020 as well, Banca Generali started the placement of **"BG Insieme - Progetti di Vita"**, a recurring-premium policy that allows to invest gradually, thus turning volatility into an opportunity, and to define investment with the goal of celebrating important milestones in the lives of customers and their loved ones (e.g., diploma, degree, first home purchase, marriage). This product includes relevant insurance covers to protect their savings plans, which take over and accompany the project until its natural conclusion if unforeseen life events prevent the client completing what has been planned;

> in the area of financial advisory services, **flexible model portfolios** have been included, in order to support customers in their approach to financial markets also in a context characterised by a high degree of uncertainty and volatility;

> access to — as an indirect, yet equally effective form of protection — the planning tool known as Family Protection, available within the BGPA platform, which advisors can use to reconstruct the customer's entire portfolio of financial, real estate, business or other assets, in order to offer specific, in-depth advice, also with support from the specialist in-house structure for the most complex cases. The platform can be used to analyse portfolio composition, plan allocation and assess tax impact and cost of holding. The procedure can then highlight donations made, designations as policy beneficiary and liabilities associated with the estate, in order to simulate the allocations desired by the customer, assessing whether they are consistent with mandatory inheritance laws and the weight of tax liabilities;

> the **collaboration with some of the leading Italian professional firms operating in the sector of asset protection, planning and management of wealth transmission, corporate reorganisation** continued; this dedicated offer enables Banca Generali to provide its customers with the best professional expertise existing nationwide for all matters regarding asset protection in general, generational transfer and the definition of an optimal corporate governance, instrumental to ensure stability and ability to govern both during phases of growth and generational transfers, as well as in the event of extraordinary transactions;

> Moreover, Banca Generali is proud to **support, for the third year running, the observatory on the governance of unlisted companies**, curated by SDA Bocconi and in partnership con PWC, which studies the ownership and control structures of the major Italian companies (more than 5,700 companies with a turnover exceeding 50 million euros) and provides an annual report indicating the best governance methods in relation to economic results, with the aim of offering customers sound statistical support in identifying best practice depending on whether the form of participation in the company or the company's governance and operation rules are being examined;

> **the ongoing training of financial advisors, through sessions dedicated to further analysing wealth protection concepts and developing the ability to identify the latent or manifest needs expressed by customers**; in this sense the Bank organised various webinars for its financial advisors during the year, dedicated to examining from time to time the most interesting and current topics so as to ensure that the commercial network is able to be close to customers with practical and concrete answers (see section "Human capital: human resources", paragraph "Training and development of human capital");.

> **the Bank has provided access to a service for filing estate tax returns in partnership with a leading financial services firm to allow estate assets held with the bank to be released more quickly**, thereby preventing assets from being frozen pending the preparation of a consolidated inheritance return, which inevitably entails much longer timescales, and is thus exposed to market volatility, in order to support heirs at a time that is inherently critical due to the death of a family member;

> **the Bank has improved the process of managing inheritance, transitioning from a paper-only approach to integrated electronic management**, which allows remote entry of documents by financial advisors, validation by central departments, generation of the pertinent case loads for the offices involved and tracking of activities. Thanks to the conversion of the process to electronic form, average case handling times (excluding the 10% longest inheritance cases with anomalies, complexity or disputes between heirs) has been estimated to have been reduced by nearly 20%, with a trend towards further improvement.

Data protection

Banca Generali considers safeguarding its information assets as fundamental to protecting its business and its relation of trust with its customers. The preventative measures adopted to prevent the loss or alteration of information include:
- adoption of policies on data protection, IT security and strategic direction on the matter of information communication technology (ICT);
- the use of specific systems and tools such as firewalls and antimalware and antivirus programmes, etc.;
- the provision of specific training courses for employees and network collaborators;
- the periodic revision of the safeguards adopted in accordance with industry legislation;
- the constant assessment of the risks associated with the new personal data processing methods introduced by the Company;
- initiatives to raise the awareness of personnel and customers on data protection and security to prevent any attempt of fraud by third parties that take advantage of the emergency situation.

To ensure compliance with the applicable data protection laws in force, Banca Generali adopted the principles set forth by the **General Data Protection Regulation (GDPR)** and the related Italian harmonised legislation. These principles are included in the internal regulations adopted by the Bank and the Banking Group companies, if applicable.

A **Data Protection Officer (DPO)** has been appointed within the Company and tasked with overseeing the processing and protection of personal data. In addition, the **Compliance Function**, which serves as a second-tier check, is also involved in monitoring and assessing the risk of non-compliance in this regard.

No confirmed complaints regarding breaches of data protection were received in 2021. It should also be noted that, during the reporting period, the Personal Data Protection Authority notified Banca Generali, as surviving company, of a breach of privacy legislation by Nextam Partners SGR S.p.A. in relation to the whistleblowing application provided by Clio S.r.l. (failure to designate the supplier Data Processor and unlawful disclosure of personal data to the supplier within the framework of whistleblowing reports). The investigations carried out indicated that the only report sent via the application was just for test purposes and did not contain personal data. Accordingly, a reply was sent to the authority requesting that the procedure be dismissed. To date no other communications have been received from the Personal Data Protection Authority on the subject.

In addition, with effect from 2019, Banca Generali implemented a framework for constantly monitoring the potential risk of fraud against the Banking Group and its customers in order to ensure the efficacy of the system for preventing and managing this phenomenon and pursuing the following aspects of social responsibility:
- protecting the solidity and profitability of the Banking Group and the brand's reputation;
- transparency in management of the business and the adequacy of the governance structures and internal control system;
- protecting customers' assets and data against possible internal and/or external fraud (cyber-attacks);
- responsible remuneration and incentives for employees.

Relationship Capital: Suppliers

1,494 suppliers

NEW

38 new qualified suppliers

117,528 thousand euros in purchases

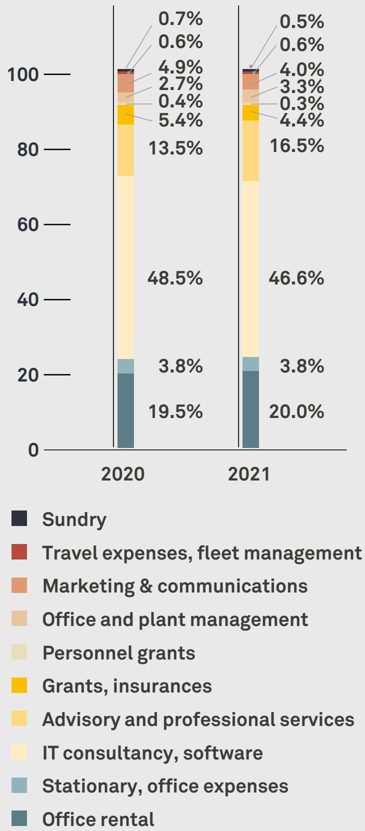
91.4% of the procurement value towards Italian suppliers

In 2021, the Banca Generali Group engaged in dealings with **1,494 suppliers**, generating **a total value of 117.53 million euros**, broken down as follows:

- 107.41 million euros (91.4% of total) referring to Italian suppliers;
- 10.11 million euros (8.6% of total) referring to foreign suppliers.

Banca Generali offers its suppliers a standard payment term of 60 days from invoice date, accepting changes should the conditions apply. Special payment terms in line with market conditions are agreed for certain supplies (e.g., rentals).

CHART 41: SUPPLIERS BY VALUE OF THE SUPPLY



In accordance with the provisions of the Growth Decree (Law No. 58 of 28 June 2019) and, particularly, Article 7-*ter* of Legislative Decree No. 231/2002 on combating late payments in commercial transactions, it should be noted that an analysis of transactions carried out by Banca Generali in the reporting year showed that 40 days was the average time for payments to its suppliers (in line with 2020). The few delays reported, generally linked to executing the bank transfer, do not on average exceed 6 calendar days (7 days in 2020), also due to the fact that the Bank orders payment flows weekly.

TABLE 114: BREAKDOWN OF SUPPLIERS BY TYPE OF SUPPLY AND % VALUE OF THE SUPPLY

	2021	2020
Number of suppliers	1,494	1,464
Expenditure/suppliers (€ thousand)	117,528	106,956
Office rental	20.0%	19.5%
Stationery, office expenses	3.8%	3.8%
IT consultancy, software	46.6%	48.5%
Advisory and professional services	16.5%	13.5%
Grants, insurance	4.4%	5.4%
Personnel grants	0.3%	0.4%
Office and plant management	3.3%	2.7%
Hardware, infrastructure costs	-	-
Marketing & communications	4.0%	4.9%
Travel expenses, fleet management	0.6%	0.6%
Sundry	0.5%	0.7%

The procurement process within Banca Generali is founded on **principles of propriety, honesty, impartiality and transparency**. While maintaining an autonomous procurement policy and bargaining position in dealings with suppliers, the Bank adopts a conduct in line with the Generali Group's principles and promotes fair and sustainable competition amongst its suppliers, promoting a balanced approach and avoiding the creation and maintenance of positions of economic dependency.

Banca Generali develops contractual relationships only with qualified suppliers, i.e., whose credentials are such as to provide it with a good degree of reliability and efficiency: the creation of a long-lasting and mutually beneficial network of relationships is a strategic objective and a source of competitive success since it allows product and service quality to be kept high at all times. Lastly, regarding IT suppliers, Banca Generali prefers those who meet the best international standards. In fact, its main IT suppliers, CSE and GOSP, meet the requirements of standard ISO 27001:2005 to protect information resources.

In line with the criteria defined by the Generali Group, **the Bank asks its contractual partners to align themselves with its management policies** when carrying out their own activity and to ensure that they are observed at all levels of the supply chain.

In an operating context made particularly complex by the persistent pandemic, Banca Generali has continued the **process of improving the efficiency of active suppliers**:
> on the one hand, by creating a network of lasting and mutually satisfactory relationships with qualified contractual partners and promoting dialogue with the latter;
> on the other hand, by automating the supply management process and encouraging the use of digital tools (e.g. favouring the digital archiving of contracts).

Moreover, with a view to constant improvement, the outsourcing contracts have been reviewed and updated as regards the qualitative and economic aspects.

The procurement process is governed by the specific and constantly updated internal regulation that provides the guidelines for proper purchasing management and for supplier selection and supply contract award procedures. A special procedure is also envisaged not only for related party transactions and transactions involving a potential conflict of interest, but also for supplies qualifying as outsourced activities/services, pursuant to applicable legislation.

For each purchase, Banca Generali requests and compares several offers through an appropriate evaluation and selection process involving suppliers considered to be suitable (qualified) and a **special scoring system** defined in concert with the Generali Group. The qualification system takes account of financial data, risk assessment and quality analysis of the goods/services supplied. In order to mitigate risks, regular checks and audits are performed allowing to record and automatically update any changes that may affect the outcome of the qualification and evaluation of the supplier concerned.

The process of selecting suppliers is based on clear, well-defined and non-discriminatory procedures, through the exclusive use of objective, documentable and transparent parameters tied to the quality of the products and services offered.

For purchases over 40,000 euros excluding VAT, it is provided for that at least three qualified suppliers are involved in the selection process and their offers are examined so as to identify the most advantageous source in terms of total purchase cost, quality, delivery times and service performance.

In 2021, **38 new relevant suppliers**[115] were selected that, as they met the criteria established, were included in the 'List of Qualified Suppliers'. To ensure that the qualification process was completed correctly, relevant suppliers were asked to commit to acting in accordance with the Generali Group's policies on ethics, integrity, fairness, transparency and impartiality, as well as on environmental and social matters.

Suppliers are excluded from the qualification process if theyfall within one of the following situations:
a) bankruptcy, compulsory liquidation, composition with creditors and all procedures aimed at securing an official declaration of such situations;
b) procedures for applying preventive measures or judgements against the supplier's owners/senior management;
c) cases of serious error or gross negligence, evidenced in any way by the Generali Group and committed in the provision of previously awarded services or in the conduct of professional activity;
d) violation of tax obligations according to the laws of the country of residence and/or non-payment of employee salaries and social security charges;
e) failure to honour payment obligations to tax authorities and pensions bodies;

[115] 'Relevant supplier' refers to a supplier whose activities with the Banking Group has an estimated value of over 150,000 euros per year.

f) violations of the principles indicated in the Ethical Code for Generali Suppliers and/or failure to meet the so-called "minimum obligatory sustainability requirements";
g) legal actions and/or judicial proceedings brought by the supplier against the Generali Group;
h) any other conditions imposed by the Group or Local Compliance office.

In order to reduce the risks, regular controls and checks are in place for all suppliers, even those not included in the full qualification process which is, by contrast, mandatory for relevant suppliers.

Without prejudice to the primary need to meet the requesting office's requirements, and without running any type of supplier-related risk[116], the founding principle for selecting and choosing the supplier is to ensure the best economic supply conditions, through competition between several qualified suppliers and in full compliance with the **Internal Code of Conduct adopted by the Bank**.

The **Sustainability Policy** adopted by the Generali Group defines the objectives and undertakings that guide the Group's choices and actions, including procurement, in order to make a positive contribution to sustainable development. Accordingly, preference is given to suppliers with social responsibility policies that adopt ecological criteria (e.g. use of green technologies and procedures). In concert with the whole Generali Group, the Bank is however committed to **increasingly integrating ESG issues in the supply process**.

[116] e.g., defect levels, delays, non-compliance, indirect damages, conflict situations, breaches of legislative obligations.

Relationship Capital: Initiatives in Support of Local Communities

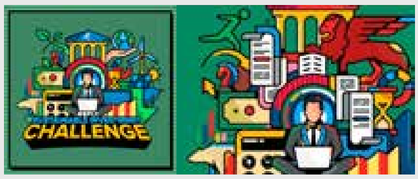
Financial education linked to sustainability was the driving force for the 2021 edition of “Un salvadanaio per amico” (“A piggy bank for a friend”) in collaboration with the Italian Banking Association Foundation for Financial Education (FEDUF) and aimed at primary school children. Given the prolonging of pandemic restrictions, as part of the financial education month Banca Generali organised online meetings on demand dedicated to the children of employees, Financial Advisors and customers.

FEduF
Fondazione per l'Educazione Finanziaria e al Risparmio

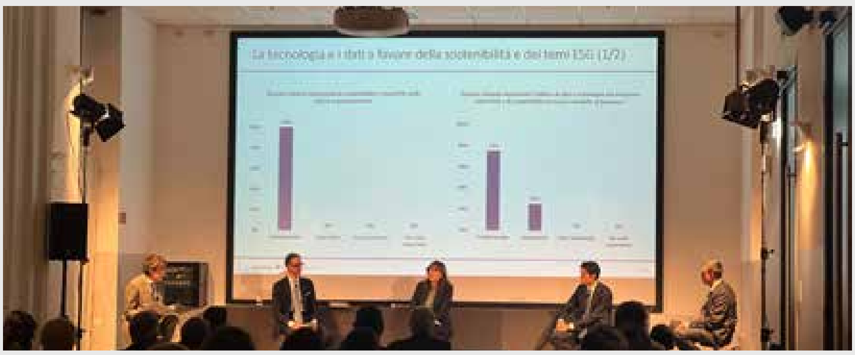
The elite training of young resources is the Bank’s core objective. In fact, collaboration has been established with the Bologna Business School (BBS) for the Wealth Management Master’s degree, providing scholarships to enrolled students.

The **“O-Fire” Observatory** (“Finanza d’impatto e sue ricadute economiche” – “Impact Finance and its Economic Effects”) was presented on 25 May, established thanks to a partnership between the Bicocca University of Milan, Banca Generali S.p.A. and Aifi Italian private equity, venture capital and private debt association. The project’s objective was developing a scientific centre of reference for the development and advancement of university research in the field of green finance, sustainable and responsible investments (SRIs) and activities based on ESG factors. In addition to outlining the characteristics and main trends, also in correlation with the European market, the Observatory will analyse the ability of these instruments to finance ESG activities, creating long-term value for investors. In addition, “O-Fire” will analyse in detail the current and potential contribution of “green” investments to achieving the climate-energy objectives set at national and supranational level, taking into account the strategies of the First Action Plan for Sustainable Finance presented in 2018 by the European Commission.

An agreement was signed with the **Polytechnic of Milan** for the launch of the **2021 Blockchain & Distributed Ledger Observatory**, with the objective of developing analyses and research to help understand blockchain and distributed ledger technologies and the opportunities they generate. The research also seeks to be a reference point for companies aiming to keep up to date with these issues and be aware of market developments.



Sustainable Investment Challenge: the importance of ESG investments. In order to offer young people innovative opportunities for knowledge and growth, in 2021 Banca Generali also organised the Investment Challenge, focussed on sustainability, in collaboration with Reply and with MIP-Milan Polytechnic, with the aim of bringing students closer to the world of sustainable investments. Over 16,000 students from universities of 90 countries in the world, participated in the initiative aimed at devising the best wealth management strategies also in light of ESG factors.



Collaborations with Bocconi University, LIUC and the Catholic University are also continuing. September saw the sponsorship of the Summer Camp in Media Ecology that was held in Camogli. Several conferences and roundtables, titled *“Sustainability and Innovation: what are the paradigms of future investments?”* were organised: the asset management partners most exposed to ESG topics were involved and moderated by local media, with the aim of strengthening the circular

economy and give future wellbeing to the next generations. On 1 December, an event was organised with LIUC Business School that represented an opportunity to discuss about sustainable investments and technology with two major international companies.

Always close to the community and to the people who work on the front line every day nationwide, Banca Generali supported a series of initiatives aimed at less fortunate children staying in different hospitals or in the CasaFamiglia communities, giving them with an Easter thought or a game and supporting their various daily activities. Also in the hospital field, the Bank contributed to finance the renovation and decoration of a cancer institute's waiting room in order to make the pre-treatment environment less miserable.

Despite the strong restrictions related to the difficult historical moment we are experiencing, Banca Generali has been close to art in its different forms: giving leisure moments to its guests. Several initiatives have been developed nationwide together with private bankers and their customers.

The Bank's support continued with the support of **Art Week** with the municipality of Milan, giving the city a free visit to the Museo del Novecento museum for a whole day.

Several digital events were organised for customers, focused on the ongoing pandemic situation and inviting leading figures from the sector.

BG arTalent

FOCUS

BG4SDGs

#BG4SDGs

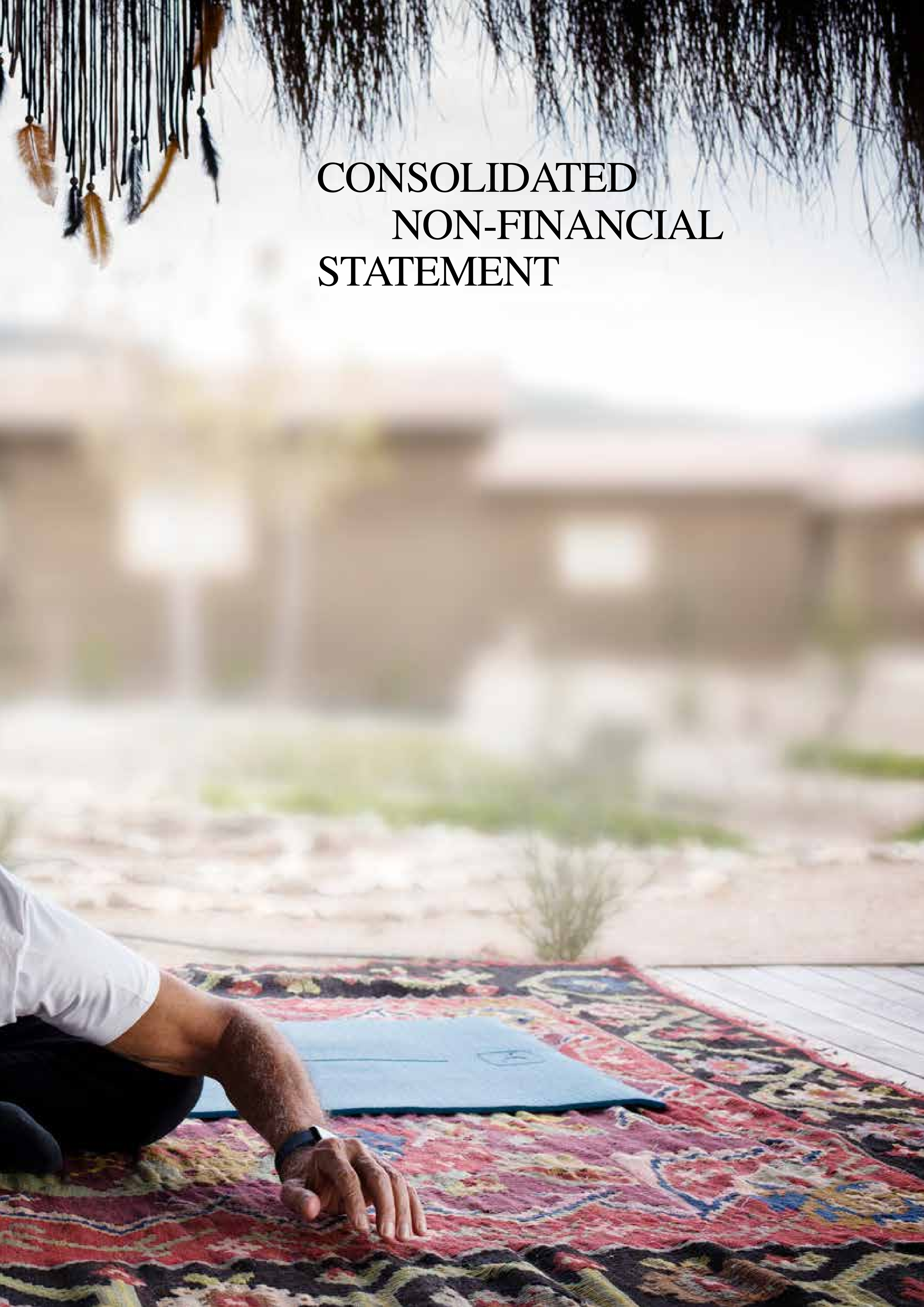
Banca Generali's commitment towards a more sustainable investment universe was marked by constant communications on both net inflows from customers generated by this type of solutions and on the innovations developed in collaboration with the partner MainStreet. The launch of the BG4SDGs – Time to Change initiative also relates to the sustainability field. This is the photography project developed together with Stefano Guindani that will lead the Bank to investigate the current implementation of the 17 SDGs of the UN 2030 Agenda. Presented in September, this project analysed 3 goals (5, 11 and 12) last year and achieved great media recognition for its unique identity and its innovative features.

Arts

At local level, Banca Generali supported the restoration of important works of art, at the Pinacoteca Civica in Fermo, with the restauration of the restoration of the Virgin with Child, St John the Baptist and Magdalene, in Perugia with the restoration of the The Shepherds Adoring the Infant, a fresco by Pietro Vannucci, called Perugino (1450 ca. – 1523) at the Umbria Gallery in Perugia. The first works are carried out by the Restorers from the Conservation of Cultural Heritage in Rome.

Several concerts with our testimonial Beatrice Venezi livened up the exclusive evenings aimed at cus-tomers, starting with Cortina in August with a sustainable format and held outdoors at the top of the Cinque Torri, and lifted the spirits of the attending audience, continuing with the concerts at the Teatro Maggiore in Verbania, the Teatro Dal Verme in Milan, the Conservatory of Turin, and ending with the Christmas concerts at the Teatro Lauro Rossi in Macerata, Modena Abbey and the double event in the Church of Sant'Alessandro in Milan.

CONSOLIDATED NON-FINANCIAL STATEMENT



GRI Content Index

The Banca Generali Group's Annual Integrated Report contains non-financial information in accordance with the provisions of Legislative Decree No. 254 of 30 December 2016, implementing Directive No. 2014/95. In line with the approach adopted, information can be clearly identified in the Annual Integrated Report thanks to the specific infographics used, which allows a better understating of all data. For further details, reference should be made to sections "Statement of Methods" and "Materiality Analysis" and to the GRI Guideline Table, which identifies the information included in the Annual Integrated Report that refers to the Non-Financial Statement.

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PAGE/COMMENTS	SDGS AGENDA 2030
GRI 102: General Disclosures 2016 - Organizational profile	102-1	Name of the organisation	Cover	8, 9 ,12, 17
	102-2	Activities, brands, products, and services	138-148	8, 9 ,12, 17
	102-3	Location of headquarters	Back cover	8, 9 ,12, 17
	102-4	Location of operations	26-27	8, 9 ,12, 17
	102-5	Ownership and legal form	Cover; 44-47	8, 9 ,12, 17
	102-6	Markets served	101; 195-196	8, 9 ,12, 17
	102-7	Scale of the organisation	Highlights; Financial statements	8, 9 ,12, 17
	102-8	Information on employees and other workers	158-161	8, 9 ,12, 17
	102-9	Supply chain	200-202	8, 9 ,12, 17
	102-10	Significant changes to the organization and its supply chain	200-202	8, 9 ,12, 17
	102-11	Precautionary Principle or approach	55-58	8, 9 ,12, 17
	102-12	External initiatives	203-205	8, 9 ,12, 17
GRI 102: General Disclosures 2016 - Strategy	102-14	Statement from senior decision-maker	9-11	5, 8, 9, 12, 13, 17
	102-15	Key impacts, risks, and opportunities	50-55	5, 8, 9, 12, 13, 17
GRI 102: General Disclosures 2016 - Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	48-49	5, 10, 13, 16
GRI 102: General Disclosures 2016 - Governance	102-18	Governance structure	44-47	5, 8, 16, 17
	102-26	Role of highest governance body in setting purpose, values, and strategy	44-47	5, 8, 16, 17
GRI 102: General Disclosures 2016 - Stakeholder engagement	102-40	List of stakeholder groups	67	8, 9, 10, 11, 12, 17
	102-41	Collective bargaining agreements	171-172	8, 9, 10, 11, 12, 17
	102-42	Identifying and selecting stakeholders	The identification of the main stakeholders and the related engagement methods is based on: > the relevance of the stakeholders with respect to Banca Generali and the context of reference; > the representative nature of a wider significant sample of stakeholders; > the presence of players that are essential within the sector and the Country's economic system.	8, 9, 10, 11, 12, 17
	102-43	Approach to stakeholder engagement	61; 67; 164-165; 185; 196-197	8, 9, 10, 11, 12, 17
	102-44	Key topics and concerns raised	67	8, 9, 10, 11, 12, 17
GRI 102: General Disclosures 2016 - Reporting practice	102-45	Entities included in the consolidated financial statements	14-15; 27	16, 17
	102-46	Defining report content and topic Boundaries	14-15	16, 17
	102-47	List of material topics	16-21	16, 17
	102-48	Restatements of information	14-15	16, 17
	102-49	Significant changes in reporting	14-15	16, 17
	102-50	Reporting period	01.01.2021-31.12.2021	16, 17
	102-51	Date of most recent report	March 2021	16, 17
	102-52	Reporting cycle	Yearly	16, 17
	102-53	Contact point for questions regarding the report	Backcover	16, 17
	102-54	Claims of reporting in accordance with the GRI Standards	14-15	16, 17
	102-55	GRI content index	208-209	16, 17
	102-56	External assurance	401	16, 17

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PAGE/COMMENTS	SDGS AGENDA 2030
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	19-21	9, 11, 12, 17
	103-2	The management approach and its components	58-59; 59-60; 156-158; 161-163; 164-166; 171-172; 177-178; 180-181; 186-187; 194-199; 200-202	9, 11, 12, 17
	103-3	Evaluation of the management approach	58-59; 59-60; 156-158; 161-163; 164-166; 171-172; 177-178; 180-181; 186-187; 194-199; 200-202	9, 11, 12, 17
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	104-106	8, 12, 17
GRI 204-1: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	200-202	11, 12, 17
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	58-59	12, 16
	205-3	Confirmed incidents of corruption and actions taken	None	12, 16
GRI 207: Tax 2019	207-1	Approach to tax	59-60	8, 9, 16
	207-2	Tax governance, control and risk management	59-60	8, 9, 16
	207-3	Stakeholder engagement and management concerns related to tax	61	8, 9, 16
	207-4	Country-by-country reporting	61-62	8, 9, 16
GRI 302: Energy 2016	302-1	Energy consumption within the organization	189	7, 11, 12, 13
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	188	6, 7, 11, 12, 13
	305-2	Energy indirect (Scope 2) GHG emissions	188	6, 7, 11, 12, 13
	305-3	Other indirect (Scope 3) GHG emissions	188	6, 7, 11, 12, 13
	305-5	Reduction of GHG emissions	188	6, 7, 11, 12, 13
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	160-161	4, 5, 10
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	168-170	4, 5, 10
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	172-175	3, 5, 8
	403-2	Hazard identification, risk assessment, and incident investigation	172-175	3, 5, 8
	403-3	Occupational health services	172-175	3, 5, 8
	403-4	Worker participation, consultation, and communication on occupational health and safety	172-175	3, 5, 8
	403-5	Worker training on occupational health and safety	172-175	3, 5, 8
	403-6	Promotion of worker health	Not applicable in light of Banca Generali's operating context and the nature of its business.	3, 5, 8
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	172-175	3, 5, 8
	403-9	Work-related injuries	172-175	3, 5, 8
	403-10	Work-related ill health	172-175	3, 5, 8
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	161-162; 184	4, 5, 8, 10
	404-3	Percentage of employees receiving regular performance and career development reviews	164	4, 5, 8, 10
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	45-46; 166-167; 177-179	5, 10
	405-2	Ratio of basic salary and remuneration of women to men	168	5, 10
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	167	5, 8, 10, 16
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	In line with the aforementioned principles of inclusion and gender equality, the Banca Generali Group ensures full respect of fundamental human rights, in accordance with its internal Policies. In light of the nature of the Company's business and the location of the operations undertaken, no transactions subject to auditing or human right impact assessment were performed during the reporting period.	5, 8, 10, 16
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	199	12, 16, 17

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CONSOLIDATED FINANCIAL STATEMENTS OF BANCA GENERALI AT 31.12.2021

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)		31.12.2021	31.12.2020 RESTATED
10.	Cash and deposits	1,620,334	665,942
20.	Financial assets measured at fair value through profit or loss:	415,558	48,455
	a) HFT financial assets	6,578	3,619
	c) other financial assets mandatorily measured at fair value	408,980	44,836
30.	Financial assets measured at fair value through other comprehensive income	2,543,065	2,730,098
40.	Financial assets measured at amortised cost:	10,853,611	9,016,566
	a) loans to banks	1,218,138	595,742
	b) loans to customers	9,635,473	8,420,824
50.	Hedging derivatives	11,357	2,486
70.	Equity investments	2,048	1,717
90.	Property and equipment	159,012	152,676
100.	Intangible assets	136,172	135,922
	of which:		
	- *goodwill*	*88,073*	*86,973*
110.	Tax receivables:	72,627	49,846
	a) current	9,623	1,080
	b) prepaid	63,004	48,766
120.	Non-current assets available for sale and disposal groups	2,694	-
130.	Other assets	375,132	373,281
	Total assets	**16,191,610**	**13,176,989**

NET EQUITY AND LIABILITIES

(€ THOUSAND)		31.12.2021	31.12.2020
10.	Financial liabilities measured at amortised cost:	14,412,354	11,506,596
	a) due to banks	818,734	598,129
	b) due to customers	13,593,620	10,908,467
20.	HFT financial liabilities	4,551	1,551
40.	Hedging derivatives	167,320	67,853
60.	Tax liabilities:	28,320	42,516
	a) current	22,233	29,174
	b) deferred	6,087	13,342
70.	Liabilities associated with disposal groups	318	-
80.	Other liabilities	242,037	181,697
90.	Employee termination indemnities	4,335	4,936
100.	Provisions for liabilities and contingencies:	226,508	187,336
	a) commitments and guarantees issued	43	124
	b) pensions and similar obligations	2,974	3,751
	c) other provisions	223,491	183,461
120.	Valuation reserves	522	4,139
140.	Equity instruments	50,000	50,000
150.	Reserves	624,033	726,471
160.	Share premium reserve	55,866	57,062
170.	Share capital	116,852	116,852
180.	Treasury shares (-)	-64,822	-45,185
190.	Net equity attributable to minority interests (+/-)	313	246
200.	Net profit (loss) for the year (+/-)	323,103	274,919
	Total net equity and liabilities	**16,191,610**	**13,176,989**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)	2021	2020
10. Interest income and similar revenues	92,218	95,857
20. Interest expense and similar charges	-8,884	-6,213
30. Net interest income	**83,334**	**89,644**
40. Fee income	1,163,203	924,117
50. Fee expense	-474,447	-401,306
60. Net fees	**688,756**	**522,811**
70. Dividends and similar income	1,084	2,328
80. Net income (loss) from trading activities	-73,426	6,045
90. Net income (loss) from hedging	2,088	-906
100. Gain (loss) on disposal or repurchase of:	18,154	15,293
a) financial assets measured at amortised cost	15,674	17,450
b) financial assets measured at fair value through other comprehensive income	2,480	-2,157
110. Net income (loss) from financial assets and liabilities measured at fair value through profit and loss:	145	-2,821
b) other financial assets mandatorily measured at fair value	145	-2,821
120. Net banking income	**720,135**	**632,394**
130. Net adjustments/reversals due to credit risk relating to:	-2,524	-662
a) financial assets measured at amortised cost	-2,266	-779
b) financial assets measured at fair value through other comprehensive income	-258	117
150. Net income (loss) from trading activities	**717,611**	**631,732**
190. General and administrative expenses:	-311,634	-280,509
a) staff expenses	-107,844	-104,272
b) other general and administrative expense	-203,790	-176,237
200. Net provisions for liabilities and contingencies:	-66,830	-45,609
a) commitments and guarantees issued	82	-17
b) other net provisions	-66,912	-45,592
210. Net adjustments/reversals of property and equipment	-21,949	-21,511
220. Net adjustments/reversals of intangible assets	-13,705	-11,447
230. Other operating expenses/income	89,542	74,965
240. Operating expenses	**-324,576**	**-284,111**
250. Gains (losses) from equity investments	-266	-341
280. Gains (losses) on disposal of investments	-23	10
290. Net profit before income taxes	**392,746**	**347,290**
300. Income taxes for the year on operating activities	-69,639	-72,396
310. Net profit after income taxes	**323,107**	**274,894**
330. Net profit for the year	**323,107**	**274,894**
340. Net profit (loss) for the year attributable to minority interests	4	-25
350. Net profit (loss) for the year attributable to the Parent Company	**323,103**	**274,919**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)		2021	2020
10.	**Net profit for the year**	**323,107**	**274,894**
	Other income net of income taxes, without transfer to Profit and Loss Account		
20.	Equity securities designated at fair value through other comprehensive income	-327	-210
70.	Defined benefit plans	630	-318
	Other income net of income taxes, with transfer to Profit and Loss Account		
110.	Exchange differences	494	-2
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	-4,336	862
170.	**Total other income net of income taxes**	**-3,539**	**332**
180.	**Comprehensive income**	**319,568**	**275,226**
190.	Consolidated comprehensive income attributable to minority interests	67	-21
200.	**Consolidated comprehensive income attributable to the Parent Company**	**319,501**	**275,247**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ITEMS

	SHARE CAPITAL		RESERVES										
(€ THOUSAND)	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVE	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVES	EQUITY INSTRU-MENTS	INTERIM DIVIDENDS	RESERVE SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY ATTRIBU-TABLE TO MINORITY INTERESTS
Net equity at 31.12.2020	**117,127**	**-**	**57,062**	**700,809**	**25,644**	**4,153**	**50,000**	**-**	**-45,185**	**274,894**	**1,184,504**	**1,184,258**	**246**
Change in opening balances	-	-	-	-	14	-14	-	-	-	-	-	-	-
Amount at 01.01.2021	117,127	-	57,062	700,809	25,658	4,139	50,000	-	-45,185	274,894	1,184,504	1,184,258	246
Allocation of net profit for the previous year:	-	-	-	-1,656	-	-	-	-	-	-274,894	-276,550	-276,550	-
- Reserves	-	-	-	-25	-	-	-	-	-	25	-	-	-
- Dividends and other allocations	-	-	-	-1,631	-	-	-	-	-	-274,919	-276,550	-276,550	-
Change in reserves	-	-	-	-14	176	-1	-	-	-	-	161	161	-
Transactions on net equity:	-	-	-1,196	-104,631	3,648	-	-	-	-19,637	-	-121,816	-121,816	-
- Issue of new shares	-	-	-1,196	-	-5,151	-	-	-	6,347	-	-	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-25,984	-	-25,984	-25,984	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-104,631	-	-	-	-	-	-	-104,631	-104,631	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	8,799	-	-	-	-	-	8,799	8,799	-
- Change in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-3,539	-	-	-	323,107	319,568	319,501	67
Net equity at 31.12.2021	**117,127**	**-**	**55,866**	**594,508**	**29,482**	**599**	**50,000**	**-**	**-64,822**	**323,107**	**1,105,867**	**1,105,554**	**313**
Group net equity	**116,852**	**-**	**55,866**	**594,551**	**29,482**	**522**	**50,000**	**-**	**-64,822**	**323,103**	**1,105,554**		
Net equity attributable to minority interests	**275**	**-**	**-**	**-43**	**-**	**77**	**-**	**-**	**-**	**4**	**313**		

	SHARE CAPITAL		RESERVES										
(€ THOUSAND)	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVE	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVES	EQUITY INSTRU-MENTS	INTERIM DIVIDENDS	RESERVE SHARES	NET PROFIT (LOSS) FOR THE YEAR	NET EQUITY	GROUP NET EQUITY	NET EQUITY ATTRIBU-TABLE TO MINORITY INTERESTS
Net equity at 31.12.2019	**116,879**	**-**	**57,729**	**430,459**	**24,013**	**3,822**	**50,000**	**-**	**-37,356**	**272,122**	**917,668**	**917,642**	**26**
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2020	116,879	-	57,729	430,459	24,013	3,822	50,000	-	-37,356	272,122	917,668	917,642	26
Allocation of net profit for the previous year:	-	-	-	270,490	-	-	-	-	-	-272,122	-1,632	-1,632	-
- Reserves	-	-	-	272,122	-	-	-	-	-	-272,122	-	-	-
- Dividends and other allocations	-	-	-	-1,632	-	-	-	-	-	-	-1,632	-1,632	-
Change in reserves	-	-	-	-140	192	-1	-	-	-	-	51	58	-7
Transactions on net equity:	248	-	-667	-	1,439	-	-	-	-7,829	-	-6,809	-7,057	248
- Issue of new shares	248	-	-667	-	-4,192	-	-	-	4,859	-	248	-	248
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-12,688	-	-12,688	-12,688	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	5,631	-	-	-	-	-	5,631	5,631	-
- Change in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	332	-	-	-	274,894	275,226	275,247	-21
Net equity at 31.12.2020	**117,127**	**-**	**57,062**	**700,809**	**25,644**	**4,153**	**50,000**	**-**	**-45,185**	**274,894**	**1,184,504**	**1,184,258**	**246**
Group net equity	**116,852**	**-**	**57,062**	**700,827**	**25,644**	**4,139**	**50,000**	**-**	**-45,185**	**274,919**	**1,184,258**		
Net equity attributable to minority interests	**275**	**-**	**-**	**-18**	**-**	**14**	**-**	**-**	**-**	**-25**	**246**		

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD

(€ THOUSAND)	2021	2020 RESTATED
A. OPERATING ACTIVITIES		
1. Operations	**355,816**	**341,748**
Net profit (loss) for the year	323,107	274,894
Gain/loss on HFT financial assets and other assets and liabilities measured at fair value through profit or loss	-3,284	4,090
Gain/loss on hedging assets	-415	144
Net adjustments/reversals due to credit risk	2,524	662
Net adjustments/reversals of property, equipment and intangible assets	35,654	32,958
Net provisions for liabilities and contingencies and other costs/revenues	39,780	18,014
Taxes, duties and tax credits not paid	-35,153	30,617
Adjustments/Reversals of discontinued operations	-	-
Other adjustments	-6,397	-19,631
2. Liquidity generated by/used for financial assets (+/-)	**-1,917,951**	**-1,309,689**
HFT financial assets	1,584	15,743
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-360,847	-852
Financial assets measured at fair value through other comprehensive income	174,788	50,435
Financial assets measured at amortised cost:	-1,756,116	-1,341,903
Loans to banks	-617,683	-61,684
Loans to customers	-1,138,433	-1,280,219
Other assets	22,640	-33,111
3. Liquidity generated by/used for financial liabilities (+/-)	**2,734,543**	**1,043,081**
Financial liabilities measured at amortised cost:	2,739,980	982,856
Due to banks	225,774	505,968
Due to customers	2,514,206	476,888
Securities issued	-	-
HFT financial liabilities	-1,551	-1,204
Financial liabilities designated at fair value	-	-
Other liabilities	-3,886	61,429
Net liquidity generated by/used for operating activities	**1,172,408**	**75,140**

(€ THOUSAND)	2021	2020 RESTATED
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**-**	**-294**
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of subsidiaries and business units	-	-294
2. Liquidity used for	**93,363**	**-15,275**
Purchase of equity investments	-597	-
Purchase of property and equipment	-1,996	-1,194
Purchase of intangible assets	-12,968	-14,081
Purchase of subsidiaries and business units	108,924	-
Net liquidity generated by/used for investing activities	**93,363**	**-15,569**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-25,984	-12,440
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-285,396	-2,251
Disposal/Purchase of controlling interests	-	-
Net liquidity generated by/used for funding activities	**-311,380**	**-14,691**
NET LIQUIDITY GENERATED/USED IN THE YEAR	**954,392**	**44,880**

Reconciliation		
Cash and cash equivalents at year-start	**665,942**	**621,062**
Total liquidity generated/used in the year	954,392	44,880
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**1,620,334**	**665,942**

Legend
+ liquidity generated
(-) liquidity used

Notes and Comments

PART A – ACCOUNTING POLICIES

Part A.1 – General

Section 1 – Declaration of Compliance with International Accounting Standards

These consolidated financial statements have been drawn up in compliance with Italian Legislative Decree 38 of 28 February 2005, based on the International Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretation of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

In preparing the Consolidated Condensed Financial Statements, Banca Generali adopted the IASs/IFRSs in force at the reference date of the report (including SIC and IFRIC interpretations), as endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2021, several amendments to the IASs/IFRSs and IFRICs were adopted and new IFRICs were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2021

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 4 – Insurance Contracts – deferral of IFRS 19 (issued on 25 June 2020) 2020/297	2020/297	16.12.2020	01.01.2021

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2021 AND EFFECTIVE AS OF 2021

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	2021/25	14.01.2021	01.01.2021
Amendments to IFRS 16 — Leases: Covid-19-Related Rent Concessions beyond 30 June 2021	2021/1421	31.08.2021	01.04.2021

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BUT NOT EFFECTIVE YET

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)	2021/1080	02.07.2021	01.01.2022
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	2021/2036	23.11.2021	01.01.2023

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards.

The other standards and interpretations that entered into force in 2021 did not have a significant impact on the Group's balance sheet and profit and loss account.

Section 2 – Preparation Criteria

The consolidated Financial Statements consist of the following documents:
> Balance Sheet;
> Profit and Loss Account;
> Statement of Other Comprehensive Income;
> Statement of Changes in Net equity;
> Cash Flow Statement;
> Notes and Comments.

The accounts are accompanied by a Directors' report on the Banking Group's operations, financial situation, profit and loss and balance sheet results.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Consolidated Financial Statements were prepared in euros. All amounts in the Financial Statements and the figures in the Notes and Comments are denominated in thousands of euros. Unless otherwise specified, the figures reported in the Directors' Report on Operations are denominated in thousands of euros.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2020.

The Financial Statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes and Comments.
International accounting standards have been applied in compliance with the Framework for the Preparation and Presentation of Financial Statements drafted by the IASB.
There were no derogations of the application of IASs/IFRSs.

The Directors' Report on Operations and the Notes and Comments include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (Consob), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the Banking Group's situation.

The measurement criteria have been adopted on a going-concern basis and are shaped by the principles of accrual-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.
In further detail, the Directors are reasonably certain that the Bank will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Content of the Financial Statements and the Notes and Comments

The Consolidated Financial Statements at 31 December 2021 were prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups," which were issued by the Bank of Italy with order dated 22 December 2005 in the exercise of the powers established in Article 43 of Legislative Decree No. 36/2015. Such instructions were issued in Circular No. 262/05, as further updated.
These Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Notes and Comments.
In detail, Circular No. 262/2005 has reached its 7th update, published on 2 November 2021, and entered into force as of the financial statements ended 31 December 2021.

The Instructions were supplemented by the Communication published by the Bank of Italy on 22 December 2021, which governs market disclosure in financial statements for the year ended 31 December 2021 regarding the effects that Covid-19 and the economic support measures have had on risk management strategies, goals and policies, as well as on the financial performance and capital position situations of intermediaries.
The Communication also refers to the disclosure required by the amendment to IFRS 16 governing rent concessions granted due to Covid-19 and that required by IFRS 7 regarding the interest rate benchmark reform.

The Communication also refers to the numerous interpretative and supporting documents on the application of accounting standards in relation to the impacts of Covid-19 issued by European regulatory and supervisory authorities and standard-setters, including:
- the EBA statement of 25 March 2020, "*Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures*";
- the ESMA statement of 25 March 2020, "Public Statement. *Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9*";
- the IFRS Foundation document of 27 March 2020 "*IFRS 9 and Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic*";
- the ECB letter of 1 April 2020 "*IFRS 9 in the context of the coronavirus (Covid-19) pandemic*" addressed to all significant institutions;
- the EBA Guidelines of 2 April 2020 "*Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis*";
- the ESMA communication of 20 May 2020 "*Implications of the Covid-19 outbreak on the half-yearly financial reports*";
- the EBA guidelines of 2 June 2020 "*Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis*";
- the ESMA communication of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports";
- the EBA guidelines of 2 December 2020 "*Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis*";

- the ECB letter of 4 December 2020 "*Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic*" addressed to all significant institutions;
- the ESMS communication of 29 October 2021 "*European common enforcement priorities for 2021 annual financial reports*".

The specific provisions set out in the Bank of Italy Communication of 23 December 2019 were considered. In particular, the provisions regarded the disclosure of multi-originator loan sale transactions to mutual funds with the attribution of shares to the selling intermediaries, on which reference should be made to the specific section of Part E of these Notes (Subsection "D. Sale Transactions" point "C. Financial assets sold and fully derecognised").

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Comprehensive Income begins with the net profit (loss) for the year and then presents components of profit and loss recognised through valuation reserves, net of the related tax effect, in accordance with international accounting standards.
Consolidated comprehensive income is presented by providing a separate account of components of profit and loss that will not be reversed to the profit and loss account in the future, and components that may subsequently be reclassified to net profit (loss) for the year under certain conditions.
As for the balance sheet and profit and loss account, items with nil amounts in both the reporting year and previous year are not presented.

The Statement of Changes in Consolidated Net Equity is presented by inverting the rows and columns with respect to the presentation requested by the Bank of Italy's Circular No. 262/2005.

The statement presents the composition of and changes in net equity accounts during the reporting year and the previous year, broken down into share capital, capital reserves, earnings reserves, asset and liability valuation reserves, and net profit. Treasury shares are recorded as a reduction to net equity.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:
- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) funding activities linked to the acquisition of own funds and their remuneration.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.
Accordingly, these sections do not include items such as changes in value (adjustments, reversals, amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected fees; these items have been disclosed separately and classified under operating activities.
Moreover, these cash flows also do not include changes in operating assets and liabilities, but include those relating to financing activities, such as changes in operating loans and amounts payable to Financial Advisors and employees and any related advance payments.

Restatement of sight deposits with credit institutions
With the entry into force of the 7th update to Circular 262/2005, with effect from 31 December 2021 sight deposits with credit institutions have been reclassified from item 40 a) Financial assets measured at amortised cost – Loans to banks to item 10) Cash and cash equivalents, in order to align the presentation with the harmonised supervisory statistical reporting (Finrep).
In the interest of ease of comparison, also the corresponding balance sheet asset items at 31 December 2020 and the Cash Flow Statement of the previous year have been restated.

Annual Financial Report

The Consolidated Financial Statements are published in accordance with Article 154-*ter* of Legislative Decree No. 58/1998. The statute requires that, within four months of the end of the year, listed issuers whose home country is Italy make an **Annual Financial Report** including the following items available to the public at their registered offices, on their websites and in the other ways specified by Consob in a regulation:
- the Consolidated Financial Statements,
- the Annual Financial Statements,
- the Report on Operations, and
- the Attestation as per Article 154-*bis*, paragraph 5.

The Independent Auditors' Report and the Board of Statutory Auditors' Report pursuant to Article 153 of the Consolidated Finance Law (TUF) are published in their entirety with the Annual Financial Report.

In addition, no fewer than 21 days must lapse between the date of publication of the Annual Financial Report and the date of the General Shareholders' Meeting.

According to the provisions of Article 41, paragraph 5-*bis*, of Legislative Decree No. 136/2015 of 18 August 2015, implementing Directive No. 2013/34/EU, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.
Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

Non-Financial Statement

Pursuant to Legislative Decree 254 of 30 December 2016, which implemented Directive 2014/95/EU as regards disclosure of non-financial and diversity information, introduced an obligation for large groups to publish a Non-Financial Statement that covers environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, and represents the management and organisation model for the activities, policies applied and main risks in these areas.
Despite not being subject to this obligation, in 2017 Banca Generali voluntarily began to prepare a Consolidated Non-Financial Statement, which was included in its Sustainability Report.
Starting in 2018, the information required by the above Decree were therefore included in the Annual Financial Report, which was renamed **Annual Integrated Report**.
The Consolidated Non-Financial Statement is therefore supplemented to include information of a financial nature, within the framework of the Consolidated Report on Operations.

Section 3 – Scope of Consolidation and Consolidation Methods

Scope of Consolidation

1. Equity investments in wholly owned subsidiaries

The companies consolidated by the Group in accordance with IFRS 10 include the Parent Company, Banca Generali S.p.A., and the following subsidiaries:

COMPANY NAME OFFICE	REGISTERED OFFICE	OPERATING	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP OWNERSHIP	SHAREHOLDING RELATIONSHIP INVESTOR % OF INTEREST	% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
Banca Generali S.p.A.	Trieste	Trieste, Milan		Parent Company		
BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
Nextam Partners SIM S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
Nextam Partners Ltd. S.p.A.	London	London	1	Banca Generali	100.00%	100.00%
BG Valeur S.A.	Lugano	Lugano	1	Banca Generali	90.10%	90.10%
BG Suisse S.A.	Lugano	Lugano	1	Banca Generali	100.00%	100.00%

Legend: type of control:
(1) Control pursuant to Article 2359, paragraph 1(1), of the Italian Civil Code (majority of voting rights at General Shareholders' Meeting).

On 12 September 2020, the UK Financial Conduct Authority (FCA) deregistered Nextam Partners Ltd. from the register of regulated investment service providers and the company ceased to operate; on 16 December 2020, the company then formally undertook the Member's Voluntary Liquidation procedure, which in the absence of obstacles is expected to be concluded in early 2022. In 2021, the subsidiary was essentially inactive.

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 31 December 2021, reclassified and adjusted where necessary to take account of IASs/IFRSs adopted by the Parent Company and the consolidation requirements. The most significant intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

In 2021 the scope of consolidation changed considerably due to the subscription, on 8 October 2021, of 100% of equity, for an initial amount of CHF 10 million, of the Swiss subsidiary BG Suisse SA, based on Lugano, which in future is destined to obtain a Swiss banking licence. In the fourth quarter of 2021, the company — still in its start-up phase — was essentially inactive.

2. Significant judgements and assumptions used in determining the scope of consolidation

2.1 Subsidiaries

Entities, including structured entities, over which the Group has a direct or indirect control, are subsidiaries.
Control over an entity exists when the Group has the power to influence the variable returns to which the Group is exposed from its involvement with the investee.

To determine that control exists, the Group considers the following factors:
> the investee's purpose and design, to identify the entity's purpose, the activities that determine its returns and how decisions about such activities are made;
> power, to understand whether the Group has contractual rights that give the Group the ability to direct the relevant activities; for this purpose, only substantive rights entailing practical ability to direct the investee are considered;
> exposure in the investee, to establish whether the Group has relations with the investee whose returns can vary based on changes in the investee's performance;
> existence of possible principal/agent relationships.

Where relevant activities are directed through voting rights, the following factors are evidence of control:
> ownership, direct or indirect through subsidiaries, of more than half of the voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control;
> ownership of half or less of the votes that can be exercised in the General Shareholders' Meeting and the effective power to unilaterally govern significant activities through:
  – control over more than half of the voting rights by virtue of an agreement with other investors;
  – the power to govern the financial and operating policies of the entity under a statute or an agreement;
  – the power to appoint or remove the majority of the members of the board of directors or equivalent governing body, and the entity is managed by that board or body;
  – the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and the entity is controlled by that board or body.

The existence and effect of potential voting rights, if substantive, are taken into consideration when assessing whether a party has the power to direct the financial and management policies of another entity.

Subsidiaries may also include "structured entities" in which voting rights are not significant in assessing the existence of control, including special purpose entities (SPEs) and investment funds.

Structured entities are considered as subsidiaries when:
> the Group has power arising from contractual rights to direct relevant activities;
> the Group is exposed to variable returns arising from such activities.

With regard to the assessments conducted in respect of the investment in the Forward Fund, a closed-ended, reserved alternative investment fund (AIF), subscribed during the year within the framework of a transaction to restructure a portfolio of senior securities arising from the securitisation of health receivables, in which Banca Generali holds an interest equal to 98% of assets, see the information provided in Part E "Information on risks and hedging policies", Section 2 "Risks of prudential consolidation", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

2.2 Associate Companies

An associate company is one over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Significant influence is assumed when the investor:
> holds, directly or indirectly, 20% or more of the share capital in the investee, or
> has significant influence over the investee, also by way of shareholders' agreements, through:
  a) representation on the governing body of the investee;
  b) participation in policy making processes, including with regard to decisions on dividends and other distributions;
  c) material transactions;
  d) interchange of management personnel;
  e) provision of essential technical information.

Equity investments in associates are valued using the equity method.

As of 31 December 2021, the Banking Group's scope of consolidation included just one equity investment in an associate company, namely:
> IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali acquired a 35% interest in 2015 and was fully written down.

2.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture based on the Group's contractual rights or obligations:

> a joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement;
> a joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement. Equity investments in joint arrangements are valued using the equity method.

As at 31 December 2021, the scope of the Banking Group included a single equity investment in a company subject to joint control:

BG SAXO SIM S.p.A., an investment firm formed as part of the joint venture with SAXO Bank, in which Banca Generali acquired a 19.9% equity interest on 31 October 2019 for 1,995 thousand euros, plus additional charges.

Banca Generali – SAXO Bank A/S joint venture

The process for creating the joint venture began on 9 March 2018, when the Board of Directors of Banca Generali approved the final agreements with SAXO Bank to set up a joint arrangement for the development of online trading market and related digital services in Italy.

The objective of the partnership, which has a duration of eight years and may be renewed upon expiry, is to offer clients, on an exclusive basis for the Italian market, access to an innovative platform for advanced trading based on SAXO Bank's technology.
Banca Generali makes available its banking platform and its leading market position in private banking to foster synergies and develop new opportunities for its Financial Advisors and clients, who will thus enjoy access to one of the most comprehensive suites of global trading tools.
The Bank also provides outsourced services to the new brokerage firm (SIM), specifically various back-office activities relating to customer order receipt and execution services.
SAXO Bank instead provides the new SIM with its multi-assets platform that enhances the range of trading and dynamic hedging services, with a particular expertise in FX.

Under the terms of the agreements, the new venture is to be conducted through a newly formed company, BG SAXO SIM, of which Banca Generali is a co-owner with a 19.9% stake.
After being authorised by Consob and entered into the Register of Securities Brokerage Firms on 28 December 2018, the new brokerage firm became operational in 2019.

After an initial test phase, in June 2019 the company officially began to operate with the Banca Generali's customers who decided to open the new account BG Extra, associated with the contract that such customers had entered into with BG SAXO SIM for own account trading services, execution of orders on account of customers and order receipt and transmission.

The process of establishing the joint venture was concluded on 31 October 2019, when, at the end of a long authorisation procedure, Banca Generali was allowed to acquire the aforementioned 19.9% stake from SAXO Bank A/S for 1,995 thousand euros, plus the additional costs associated with the transfer.

CFD trading is currently in the launch phase with the aim of completing the company's range of trading services.

According to the assessment conducted, it is believed that BG SAXO SIM may qualify under IFRS 11 as a joint arrangement, and in particular as a joint venture. As a result, in accordance with paragraphs 24 and 26 of IFRS 11, Banca Generali will have to recognise its 19.90% equity investment in the company's share capital as follows:

a) in the consolidated financial statements by applying the equity method in accordance with IAS 28;
b) in the separate financial statements, in accordance with IAS 27, paragraph 10, using the cost method as provided for by IFRS 9, or by applying the equity method as provided for by IAS 28.

3. Significant non-controlling interests subsidiaries

As at 31 December 2021, all the Group's equity investments were in wholly owned subsidiaries, which the exception of BG Valeur S.A., in which the previous shareholders retain a non-controlling interest of 9.9%.
Accordingly, there are no significant non-controlling interests in subsidiaries.

3.1 Non-controlling interests, potential voting rights and dividends distributed to third parties

COMPANY NAME	NON-CONTROLLING INTERESTS %	POTENTIAL VOTING RIGHTS %	DIVIDENDS DISTRIBUTED TO THIRD PARTIES
BG Valeur S.A.	9.9%	9.9%	-

4. Significant restrictions

At 31 December 2021, there were no significant restrictions of a legal, contractual or regulatory nature on the ability of the Parent Company to access the Group's assets or to use them to discharge the Group's liabilities, with the exception of Nextam Partners Ltd. in liquidation, for which access to residual cash deposits is subject to authorisation from the liquidators.

5. Other information

None of the financial statements of the subsidiaries used in preparing the Consolidated Financial Statements have a different reporting date than the consolidated financial statements.

Consolidation methods

Full consolidation method

Subsidiaries are included in the accounts using the full consolidation method, whereby the balance sheet and profit and loss items are consolidated on a line-by-line basis.
After the attribution to minority interests of any portion of net equity and profit and loss results, the value of the equity investment is cancelled due to the residual value of the subsidiary's net equity.
The resulting differences are allocated to the assets or liabilities — including intangible assets — of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Any negative differences are charged to the profit and loss account.

The most significant intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.
Dividends distributed by subsidiaries were eliminated from the consolidated profit and loss account and a corresponding adjustment was made to income reserves.

Equity method

Associate companies are consolidated according to the concise equity method.
Under the equity method, an equity investment is initially recognised at acquisition cost, inclusive of goodwill, and subsequently adjusted according to the investor's share in the investee's net equity.

Upon acquisition, the difference between the cost of the equity investment and the share of the net fair value of the investee's identifiable assets and liabilities must be determined and recognised as goodwill, if positive, or as income, if negative.

The carrying amount is then increased or decreased to recognise the investor's share of the profits or losses of the investee recorded after the acquisition date under Item 220 "Gains (losses) from equity investments" of the profit and loss account.

That share is adjusted to reflect:
> gains and losses on transactions with the associate company, in proportion to the percent interest in the associate company;
> depreciation and amortisation of depreciable assets at their respective fair values at the acquisition date and impairment losses on goodwill and any other non-monetary elements.

Dividends received from an investee reduce the carrying amount of the equity investment.

Changes in the valuation reserves of associate companies are presented separately in the statement of comprehensive income.
If the associate company prepares its financial statements in a foreign currency, the translation differences at the reporting date are recognised in a specific valuation reserve for monetary conversion in other comprehensive income.

When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the equity investment. If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

Translation of financial statements denominated in currencies other than the euro

The financial statements of companies operating in areas other than the Euro Area are translated into euro by applying the current exchange rates at period-end to assets and liabilities and average exchange rates for the year to items of profit and loss.
The foreign exchange differences of the financial statements of such companies on the application of different exchange rates to assets and liabilities and profit and loss are recognised among Valuation reserves in net equity. Foreign exchange differences on investees' net equity are also recognised among Valuation reserves.

Section 4 – Events Occurred After the Consolidated Balance Sheet Date

The draft Consolidated Financial Statements of Banca Generali were approved by the Board of Directors on 9 March 2022, when the Board also authorised its disclosure pursuant to IAS 10.

No events occurred after 31 December 2021 and until 9 March 2022 that would significantly impact the Banking Group's financial performance and financial position reported in these Consolidated Financial Statements.

However, the sale of an 80.1% equity interest in the subsidiary Nextam Partners SIM to a group of investors, also including some of the Nextam Group's former shareholders, was finalised on 20 January 2022.

On that date, settlement agreements became effective that aim to identify any amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to permit the termination of the relationship of employment between Banca Generali and the main key manager of the acquired group, whereas the relationship of employment with the other two key managers will be maintained.

Ukrainian conflict

On 24 February 2022, the tensions that had been mounting for some time between the Russian Federation and Ukraine exploded into open conflict, with the invasion of Ukraine.
Immediately, the United States, the European Union and other allied countries, including Great Britain, Australia, Canada and Japan, announced the imposition of heavy sanctions that first hit individuals (government officials, the so-called "oligarchs") and the banking sector, and then extended to important sectors of the economy, to which Russia responded with its own restrictive measures The Russian financial market has been heavily affected and the default of the country's sovereign debt now also seems likely.
The world's financial markets reacted to all this by showing great uncertainty about the conflict's developments and the macroeconomic consequences, which resulted in increased volatility and generalised price falls, particularly on equity asset classes. However, bond markets have also seen a temporary easing of interest rate tensions reflecting expectations for upcoming monetary policy decisions, which now see a rate hike as less likely despite a macroeconomic backdrop of runaway inflation, driven by energy prices. In this regard, it should be noted that Banca Generali is not exposed to the countries affected by the crisis either with its own securities portfolio, or with the customer loans portfolio.

Preliminary estimates also show that the exposure of the Bank's customers is also very low.

Section 5 – Other Aspects

Accounting standards that have been endorsed and will enter into effect this year

No new international accounting standards, amendments to existing standards or related interpretations with a material impact on the Banking Group's operations entered into effect in financial year 2021.

Accounting standards endorsed that will enter into effect after 31 December 2021

There are no international accounting standards and related interpretations endorsed but not effective yet as of 31 December 2021 that could have a material impact on the Banking Group's operations.

Use of estimates and assumptions in the preparation of the Consolidated Financial Statements

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that could influence the amounts reported in the consolidated balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.
The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.
Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:
- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network as an annual incentive and of incentives related to recruitment plans;
- determining the deferred incentives granted to the sales network, when linked to defined net inflow targets;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement, when not based on current prices drawn from active markets;
- determining the analytical and collective impairment of financial instruments;
- determining the value adjustments and reversals of non-performing loans and the collective provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Restructuring transaction involving a portfolio of senior notes arising from the securitisation of healthcare receivables

The transactions subject to estimates and assumptions also include the restructuring of the portfolio of senior securities deriving from securitisations undertaken in the fourth quarter, which involved the simultaneous performance of the following transactions:
- the purchase of the aforesaid notes from the clients for an amount of 457.6 million euros;
- the simultaneous sale of the notes so purchased to a newly formed Italian fund (AIF), the "Forward Fund" for 377.7 million euros, with the Bank recognising a trading loss of about 80 million euros;
- the Bank's subscription of most of the units of the above-mentioned Fund for a total amount of 378 million euros, equal to 98% of the Fund's net equity.

A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in Part E "Information on Risks and Risk Hedging Policies", Section 2 "Prudential consolidation risks", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

Additional information regarding the estimation procedures used for specific cases is provided in Part A, Section 2, of the Notes and Comments on the Accounting Policies adopted by the Banca Generali Group.

Risks, uncertainties and impacts of the Covid-19 epidemic

In 2021 the Banking Group did not make any changes to accounting estimates tied to the Covid-19 emergency entailing a material impact on the current or future years, except for the effects due to the incorporation of the changing macroeconomic forecasts in the international economic framework.

There were no particular significant increases in the risk levels of financial assets resulting in deterioration of the risk level assigned to them and the associated adjustments to the values of financial assets (IFRS 9) tied to the Covid-19 emergency.

Covid-19 contract modifications

Contract modifications and derecognition (IFRS 9)

In 2020, at the request of its customers, Banca Generali granted a number of legal moratoria, in application of Articles 54 and 56 of the "Cure Italy Decree", and non-legal moratoria.

The suspension of loan payments, including both principal and interest amounts, resulted in an extension of the amortisation schedule, which at the end of the suspension period resumes with the same frequency as before the suspension, and in a recalculation of the amount of interest accrued during the suspension period, redistributed over the residual payments that have not yet come due. No changes are made to the economic terms applied and applying a moratorium does not result in losses or impairment charges. Accordingly, the application of the moratoria did not result in any case in derecognition of the modified loan, or in significant changes in the carrying amounts of the exposures.

Amendment to IFRS 16

With regard to the amendment to IFRS 16, pursuant to Regulation (EU) No. 1434/2020 relating to Covid-19 rent concessions, the Banking Group, in the exclusive capacity of lessee, did not benefit from any suspensions of payments due for the operating lease contracts in force.

Measurement of goodwill

To prepare these Consolidated Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate.

Non-recurring significant events and transactions

During the year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account, with the exception of the following:

> **the restructuring transaction involving a portfolio of senior notes** arising from the above-mentioned securitisation of healthcare receivables, in the paragraph on the Use of estimates and assumptions in the preparation of the Consolidated Financial Statements;

> **come transactions of realignment** of the values of goodwill and other intangible assets in application of Article 110 of Legislative Decree 104/2020 (so-called "August Decree"), Article 176, paragraph 2-*ter* of TUIR, and the special regime pursuant to Article 15, paragraph 10 of Legislative Decree 185/2008, as reported in Part A.2 on Accounting Standards.

Moreover, the following extraordinary transactions are reported:

> On 8 October 2021, through an initial contribution of CHF 10 million, the Lugano-based **BG Suisse S.A.** was incorporated with a view to obtaining a Swiss banking licence and creating a new cross-border private service hub to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services.

> On 16 October 2021, a transaction was finalised to acquire from **Binck Bank NV**, a Danish lending institution owned by the Danish SAXO Bank Group, the retail banking business unit of the Italian branch that includes approximately 6,000 deposit and current account schemes instrumental to the said securities deposits. The acquisition falls within a more structured transaction, where the subsidiary BG SAXO SIM acquired the RTO service business unit. The clients acquired by Banca Generali will therefore continue to benefit from the services offered by BG SAXO's cutting-edge trading platform.

In addition, no atypical and unusual transactions were undertaken, i.e., all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and/or timing of occurrence (near the end of the reporting period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders (Consob Communication No. DEM/6064293 of 28 July 2006).

National Tax Consolidation option

In 2004, the Parent Company, Assicurazioni Generali, and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the parent company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or a single tax loss) for the Group as the sum of the profits and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Formation of the Assicurazioni Generali VAT Group

On 23 September 2019, as Representative of the Group's Italian subsidiaries, Assicurazioni Generali exercised the option to adopt the Group's VAT rules (set out in Articles 70-*bis et seqq.* of Presidential Decree No. 633/72) with effect from 1 January 2020.
Accordingly, with effect from that date all companies included in the VAT Group will use only the VAT registration number assigned by the Italian Agency of Revenue to the Group: 01333550323.

Relations between the individual participants and the Group's Representative (Assicurazioni Generali S.p.A.) are governed by a specific contract. In particular, obligations to document and register VAT input and/or output transactions will continue to be discharged by the individual participants, whereas the additional obligations relating to "management" of the tax will be discharged solely by the Group Representative, in its capacity as single VAT-liable entity.
By express provision of law, the Group VAT Representative will be required to file periodic VAT returns and make the related payments, submit the periodic VAT filings (LIPE), file the annual VAT return and submit the other information required by the relevant legislation (e.g., *Esterometro* and Intrastat statistics).

Other information

Information on government grants pursuant to Article 1, paragraph 125, of Law No. 124 of 4 August 2017 ("Annual market and competition law")

In compliance with Article 1, paragraph 125-*bis*, of Law No. 124/2017 (Annual market and competition law), as most recently amended by Article 35 of Decree-Law No. 34/2019 (Growth Decree), companies are required to disclose annually, in the notes to their financial statements, the amount of government grants received, where grants are understood to refer to "subventions, subsidies, benefits, grants or aid, in cash or in kind, not of a general nature and not of the nature of consideration, remuneration or compensation, actually disbursed to them by public administrations."
The obligation applies solely to grants in excess of the threshold of 10,000 euros per disbursing authority, whether of a monetary nature, on a cash basis, or of a non-monetary nature.

Paragraph 125-*quinquies* of the statute also establishes that in the case of State aid and *de minimis* aid included in the National State Aid Registry the registration and publication of the individual aid in the transparency section must take account of the publication obligations incumbent on the beneficiary companies, provided that the existence of aid subject to mandatory publication in the National State Aid Registry is disclosed in the notes to the financial statements.
For further details of the grants listed on the website of the National State Aid Registry for companies, reference should be made to the following link www.rna.gov.it/sites/PortaleRNA/it_IT/home.
In light of the foregoing, it should be noted that in 2021 Banca Generali received the following grants:

BENEFICIARY	TYPE OF GRANT	GRANTOR AUTHORITY	AMOUNTS RECEIVED
Banca Generali	Personnel training (*)	FBA Banks and Insurers' Fund (*)	75
Banca Generali	Tax credit sanitisation and PPE (**)		34
Banca Generali	Tax credit capital expenses (***)	MiBACT (**)	20

(*) This sum refers to aid for personnel training applied for 2019 and paid in December 2021. It should be noted that the grants listed in the National State Aid Registry, available for free consultation on the relevant website, refer to grants with a grant date in or after January 2020, for which no disbursements were made in 2021.
(**) This refers to the tax credit pursuant to Article 125 of Law Decree 34/2020, amounting to 60% of the expenses incurred in 2020 to sanitise working environments and the tools used in working activity, as well as to acquire protective equipment designed to safeguard the health of workers and users, along with the tax credit governed by Article 32 of Law Decree 73/2021, set at 30%, for the same expenses incurred in June, July and August 2021; it should be noted that the tax credits in question had not been used as at 31 December 2021.
(***) This refers to the tax credits pursuant to Article 1, paragraph 188, of Law 160/2019 and Article 1, paragraph 1054, of Law 178/2020, due in respect of investments in new property, plant and equipment made in 2020 and 2021, respectively. The aforementioned tax credits apply at a rate of 6% of the cost, for investments made in 2020, and of 10% of the cost, for investments made in 2021, up to the maximum limit of eligible costs of 2 million euros; the tax credits in question had not been used as at 31 December 2021.

Audit

The Consolidated Financial Statements are subject to auditing by the firm KPMG S.p.A. in execution of the resolution passed by the Shareholders' Meeting on 22 April 2021.

Part A.2 – Main Financial Statements Aggregates

This section sets out the accounting policies adopted for the preparation of the consolidated Financial Statements as of 31 December 2021, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

With reference to the foregoing, it should be noted that during the reporting year, the accounting policies adopted by the banking Group underwent no significant amendments and supplementations.

In light of the above, the consolidated accounting policies of the Banca Generali Group are reported here below with an analysis of the main financial statements items.

1. Financial assets measured at fair value through profit or loss (FVTPL)

Classification

This category includes all financial assets other than those recognised among Financial assets at fair value through other comprehensive income and Financial asset at amortised cost.

In particular, the item includes:
> financial assets held for trading, essentially consisting of debt and equity securities and the positive value of derivative contracts held for trading; such assets are included in the regulatory trading book (the “trading book” pursuant to IFRS 9) and are also known as “hold-to-sell” or “HTS” assets;
> financial assets mandatorily measured at fair value, i.e., financial assets that do not meet the requirements for measurement at amortised cost or fair value through other comprehensive income. These are financial assets the contractual terms of which do not provide solely for payments of principal and interest (“SPPI test” not passed) or that are not held within a business model whose objective is to hold the assets to collect the contractual cash flows (a “hold-to-collect” business model) or whose objective is achieved by both collecting the contractual cash flows and selling the financial assets (a “hold-to-collect-and-sell” business model);
> financial assets designated at fair value, i.e., financial assets identified as such upon initial recognition, where the requirements have been met. In cases of this kind, upon recognition an entity may irrevocably designate a financial asset as at fair value through profit or loss if, and only if, so doing eliminates or significantly reduces a measurement or recognition inconsistency.

Accordingly, the following are included in this item:
> debt securities and loans that are held within an Other/Trading business model (i.e., not a hold-to-collect or hold-to-collect-and-sell business model) or that do not pass the SPPI test;
> equity securities — not qualifying as controlling interests in subsidiaries, associates and joint ventures — that are held for trading or that were not designated at fair value through other comprehensive income upon initial recognition;
> UCITS units.

The item also includes derivatives accounted for among financial assets held for trading, classified as assets if fair value is positive, and as liabilities if fair value is negative.
It is possible to set off current positive and negative values deriving from outstanding transactions with the same counterparty only if there is currently a legal right to set off the recognised amounts and the entity intends to settle the positions subject to offsetting on a net basis.

Derivatives also include those embedded in hybrid financial contracts, in which the host contract is a financial liability, and which have been separately recognised inasmuch as:
> their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
> the embedded instruments considered separately meet the definition of a derivative;
> the hybrid instruments in which they are embedded are not recognised at fair value and changes in fair value are recognised in profit or loss.

According to the general rules for the reclassification of financial assets (with the exception of equity securities, which cannot be reclassified) laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be quite rare, financial assets may be reclassified from fair value through profit or loss to one of the two other categories provided for in IFRS 9 (financial assets at amortised cost or financial assets at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. In such cases, the effective interest rate of the reclassified financial asset is determined on the basis of its reclassification date fair value, and the reclassification date is taken as the date of initial recognition for allocation to the various credit risk stages (stage assessment) for impairment purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date, while derivative contracts on the date the contract is entered into.
Financial assets at fair value through profit and loss are initially recognised at fair value, less transaction costs or income directly related to the instrument itself.

Measurement

Subsequent to initial recognition, financial assets held for trading are recognised at fair value. The effects of the application of this measurement consideration are recognised in profit and loss.

The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments.
A financial instrument is regarded as listed in an active market if quoted prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period and those prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where similar instruments are traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, quotes from info providers specialised in specific sectors, and values drawn from recent comparable transactions.

The cost criterion is used for equity securities and derivative instruments that have as their underlying equity securities, not listed on an active market, as an estimate of fair value solely to a residual degree and limited to a few cases, such as cases in which all previously discussed measurement methods are not applicable, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.
Further information on the criteria used for determining fair value is given in Section "A.4 Information on fair value" of Part A of these Notes and Comments, to which reference is made as no material changes have been made following the application of IFRS 9.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.
Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms. In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
Lastly, financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

2. Financial assets at fair value through other comprehensive income (FVOCI)

Classification

This category includes financial assets that satisfy both of the following conditions:
- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets (a "hold-to-collect-and-sell" business model); and
- the contractual terms of the financial asset give rise, on specific dates, to cash flows consisting solely of payments of principal and interest ("SPPI test" passed).

The item also includes equity instruments not held for trading electively designated at fair value through other comprehensive income upon initial recognition.

Specifically, it includes:
- debt securities and loans held within a hold-to-collect-and-sell business model that have passed the SPPI test;
- equity interests, equity investments and capital contributions of various kinds not qualifying as controlling interests in subsidiaries, associates and joint ventures, not held for trading purposes, designated at fair value through other comprehensive income.

According to the general rules for the reclassification of financial assets (with the exception of equity securities, which cannot be reclassified) laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets.
In such cases, which are expected to be quite rare, financial assets may be reclassified from fair value through other comprehensive income to one of the two other categories provided for in IFRS 9 (financial assets at amortised cost or financial assets at fair

value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to that at amortised cost, the cumulative gain (loss) recognised in the valuation reserve is taken as an adjustment of the financial asset's fair value at the reclassification date. In the event of reclassification to fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from net equity to net profit (loss) for the year.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised at the disbursement date. Assets are initially recognised at fair value, including transaction costs or income directly related to the instrument.

Measurement

After initial recognition, assets designated at fair value through other comprehensive income other than equity securities are measured at fair value and the impact of the application of amortised cost, the effects of impairment and any foreign exchange effect are taken to profit or loss, whereas other gains or losses due to changes in fair value are entered to a specific equity reserve until the financial asset is derecognised. Upon total or partial derecognition, cumulative gains and losses in the valuation reserve are recognised, fully or partially, through profit or loss.

Equity securities that have been classified to this category on an elective basis are measured at fair value through other comprehensive income (net equity) and cannot be transferred to profit and loss thereafter, even in the event of disposal. The only component attributable to the equity instruments in question that may be recognised in profit or loss is the related dividends.
Fair value is determined on the basis of the criteria set out above for financial assets designated at fair value through profit or loss.
In the case of equity securities included in this category not listed on an active market, the cost criterion is only used to estimate fair value on a residual basis, limited to a few circumstances, i.e., where all previously discussed measurement methods do not apply, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.
Further information on the criteria used for determining fair value is given in Section "A.4 Information on fair value" of Part A of these Notes and Comments, to which reference is made as no material changes have been made following the application of IFRS 9.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
Lastly, financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

3. Financial assets measured at amortised cost

Classification

This category includes financial assets (and in particular loans and debt securities) that satisfy both of the following conditions:
> the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows (a "hold-to-collect" business model); and
> the contractual terms of the financial asset give rise, on specific dates, to cash flows consisting solely of payments of principal and interest ("SPPI test" passed).

In further detail, the following are classified to this item:
> loans to banks in various forms that meet the requirements set out in the foregoing paragraph;
> loans to customers in various forms that meet the requirements set out in the foregoing paragraph;
> debt securities that meet the requirements set out in the foregoing paragraph.

This category also includes operating loans associated with the provision of financial assets and services, as defined in the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF) (for example, the distribution of financial products and servicing activities). This latter category also includes receivables from management companies and receivables from the Financial Advisor network for advances on fees paid.

According to the general rules for the reclassification of financial assets laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be quite rare, financial assets may be reclassified from the category measured at amortised cost to one of the two other categories provided for in IFRS 9 (Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. Gains or losses resulting from the difference between the amortised cost and fair value of a financial asset are taken to profit or loss in the event of reclassification to Financial assets at fair value through profit or loss, and to a specific valuation reserve in net equity in the event of reclassification to Financial assets at fair value through other comprehensive income.

Eligibility of the sale of financial instruments classified to the HTC portfolio

The accounting standard IFRS 9 recognises the eligibility of the sale of financial instruments classified to the HTC portfolio, assets in which are normally held to collect their contractual cash flows until maturity, as a condition for the ordinary management of such portfolios, without calling the goal of the business model into question.

In particular, sales are deemed fully consistent with the model in the event of a significant increase in credit risk, other negative changes of a regulatory or tax nature, proximity to maturity or, in the absence of such reasons, where the sales are:

> infrequent, even if significant in value;
> not significant in value (whether separately or collectively) even if frequent.

Within this framework, in the new business conditions in which Banca Generali finds itself to operate, characterised by a more severe stress situation and a more volatile context, a suitability assessment of the size of current and prospective financial investment portfolios provided for in the business plan and a comparison with the most common management practices on the market identified the need to proceed with a revision of the thresholds for the admissibility of sales on the following terms:

> extension of the materiality limits for sales considered non-significant to 10% of the total portfolio and to 5% of the individual ISIN (previously, 2% and 5%, respectively) and infrequent sales to 25% of the total portfolio (previously 20% or 15% of the ISIN);
> adoption of a method for determining limits based not only on historical sales, but also current and future sales;
> identification of specific grounds for eligibility of sales in rare, unexpected and unforeseeable conditions;
> adjustment of the period of eligibility of sales near maturity to 12 months prior to the maturity of the financial instrument.

Recognition

Financial assets are initially recognised on the settlement date. Loans are initially recognised on the disbursement date. Assets are initially recognised at fair value, including transaction costs or income directly related to the instrument.
In the case of loans, in particular, the date of disbursement normally coincides with the date of execution of the contract. If the two dates do not coincide, a commitment to disburse funds terminating on the date of disbursement of the loan is added when the contract is executed. A loan is initially recognised on the basis of the fair value of the same, which is equal to the amount disbursed or the subscription price, including costs/income directly attributable to the individual loan that may be determined at the inception of the transaction, even if settled at a later time. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expenses.

Measurement

After initial recognition, these financial assets are measured at amortised cost using the effective interest-rate method. Accordingly, such assets are measured at an amount equal to their initial recognition value, minus redemptions, plus or minus cumulative amortisation (calculated according to the aforementioned effective interest-rate method) of the difference between that initial amount and its value at maturity (typically derived from the costs/income directly attributable to the individual asset) and adjusted by loss allowance, if any. The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the said financial asset. This method of recognition allows, by applying a financial logic, the financial effect of the costs and income directly attributable to a financial asset to be distributed across its expected remaining life.

The amortised cost method is not used for assets measured at historical cost whose short durations suggest that the effects of discounting would be negligible, nor is it applied to assets without fixed maturities or revocable lines of credit.

The measurement criteria are closely connected to the inclusion of the instruments in question in one of the three stages (credit risk stages) provided for in IFRS 9, the last of which (stage 3) includes non-performing financial assets, and the remainder (stages 1 and 2) performing financial assets.

In terms of the accounting treatment of the above measurement effects, adjustments attributable to this type of asset are taken to profit or loss:

> upon initial recognition, in an amount equal to the expected loss at twelve months;
> upon subsequent measurement of the asset, where credit risk has not increased significantly compared with initial recognition, in respect of changes in the amount of adjustments for expected losses in the following twelve months;
> upon subsequent measurement of the asset, where the credit risk has increased significantly with respect to initial recognition, in respect of the recognition of adjustments for expected credit losses attributable to the asset's entire expected residual contractual life;

- upon subsequent measurement of the asset, where, after a significant increase in credit risk with respect to initial recognition, this increase has ceased to be significant in respect of the adjustment of cumulative impairment losses to account for the transition from an expected loss over the entire residual lifetime of the instrument to the expected loss over a twelve-month period.

Where performing, the financial assets in question are measured with the aim of determining the impairment losses to be recognised at the level of each individual credit relationship (or "tranche" of a security) on the basis of the risk parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset — classified as "non-performing" along with all other relationships with the counterparty in question — and the present value of the estimated future cash flows, discounted at the original effective interest rate.
The amount of the loss, to be recognised in profit or loss, is determined on the basis of a measurement process performed for individual assets or uniform categories of assets, and then allocated to each position.

Non-performing loans include financial instruments classified as follows:
1) bad loans: this category refers to formally non-performing loans, consisting of exposures to customers who are in a state of insolvency, regardless of whether confirmed by a court, or in similar situations;
2) unlikely to pay: these are on- and off-balance sheet exposures for which the conditions have not been met for classification as bad loans and for which it is deemed unlikely that the borrower will be capable of fulfilling all of its debt obligations (in terms of principal and/or interest) in the absence of actions such as the enforcement of guarantees. This assessment is conducted regardless of the presence of any past due and unpaid amounts or instalments.
   Classification as unlikely to pay is not necessarily tied to the explicit presence of anomalies (non-payment), but rather is linked to the existence of elements indicative of a situation of risk of default of the borrower;
3) non-performing past-due exposures: these are on-balance sheet exposures other than those classified as bad debts or unlikely to pay loans that are past due by more than 90 days at the reporting date. Non performing past-due exposures may be identified in reference to either the individual borrower or individual transaction.

Expected cash flows take account of expected collection times and the presumed realisable value of any underlying guarantees. The original effective interest rate of each asset remains unchanged over time, even if a renegotiation of the terms results in a change of the contractual rate, including if the contract becomes non-interest-bearing.
If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised. Reversals due to the passage of time are taken in net interest income.

In some cases, over the lifetimes of the financial assets in question, and in particular over those of loans, the original contractual conditions are modified at the will of the parties to the contract.
When contractual terms are modified in the course of an instrument's life, it must be verified whether the original asset is to continue to be recognised in the financial statements or the original instrument is instead to be derecognised and a new financial instrument recognised.
When the modifications of financial assets are "substantial", the original asset is generally derecognised and a new asset is instead recognised. A modification is determined to be "substantial" on the basis of both qualitative and qualitative elements. In some cases, in fact, it may be clear, without the need for complex analysis, that the changes made substantially modify an asset's contractual characteristics and/or cash flows, whereas in other cases additional analyses (including of a quantitative nature) must be conducted to measure the effects of such modifications and verify whether the asset should be derecognised and a new financial instrument recognised.

Accordingly, the qualitative and quantitative analyses, aimed at determining whether contractual modifications of a financial asset are substantial, must be based on:
- the purposes of the modifications: for example, renegotiations for commercial reasons and forbearance measures due to financial difficulties by the counterparty;
   1. the former, aimed at "retaining" the customer, involve a debtor not in a situation of financial difficulty. This category also encompasses all renegotiation transactions aimed at adjusting the cost of debt to market conditions. Such transactions entail a modification of the original terms of the contract, typically at the debtor's request, relating to aspects affecting the cost of the debt, with the resulting economic benefit for the debtor. It is generally held that, whenever the bank renegotiates in order to avoid losing a customer, such renegotiation must be considered substantial inasmuch as, had it not occurred, the customer could have obtained financing from another intermediary and the bank would have incurred a loss of expected future revenues;
   2. the latter, undertaken for "reasons of credit risk" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows from the original loan. Substantially all the underlying risks and rewards are typically not transferred as a result of such modifications. Accordingly, the accounting treatment that provides the most relevant information for the readers of the financial statements (without prejudice to the remarks presented below regarding objective elements) is that based on "modification accounting", which entails the recognition in profit or loss of the difference between the carrying amount and the present value of the modified cash flows, discounted at the original interest rate, and not through derecognition;

- the presence of specific objective elements ("triggers") that affect the contractual characteristics and/or cash flows of the financial instrument (including, but not limited to, a change of currency or modification of the type of risk exposure, where correlated with equity and commodity parameters) that are believed to entail derecognition by virtue of their impact (expected to be significant) on the original contractual cash flows.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
Lastly, financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

4. Hedging transactions

Types of hedging transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items in cases where that specific risk actually occurs.

Possible types of hedges include:
- fair-value hedges, intended to hedge exposure to changes in the fair value of a financial statement item attributable to a particular risk;
- cash-flow hedge, intended to hedge exposure to changes in future cash flows of financial statement items attributable to particular risks;
- hedges of a net investment in a foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Hedging derivatives are measured at fair value. Specifically:
- in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the net effect on net profit or loss;
- in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flows of the hedged item;
- hedges of a foreign currency investment are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge's inception.

The Bank must verify whether the relationship meets the hedge effectiveness requirements at inception and then on an ongoing basis.
The assessment must be performed, at least, at each reporting date or, where earlier, when a material change in the circumstances that influence the hedge effectiveness requirements occurs.
The assessment is based on expectations regarding hedge effectiveness. It is thus merely indicative of expected developments and is based on an exclusively forward-looking analysis. The method adopted may consist of a qualitative or quantitative assessment.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

5. Equity investments

This item includes equity investments in associates and joint ventures.

Entities subject to significant influence (associates) are those entities in which the Bank holds at least 20% or more of the voting rights (including “potential” rights), or in which — although holding a lower voting power, in light of specific legal ties, such as Shareholders’ agreements — it has the power to participate in the financial and management policy-making process or can exercise governance rights that are not limited to capital interests.
Companies subject to joint control (joint ventures) are entities over which control is shared, on a contractual basis, by the Bank and another entity or other entities external to the Group, or for which decisions regarding important activities require the unanimous consent of all parties that share control.

Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement

In the consolidated financial statements, equity investments in joint ventures and associates are valued using the equity method.
When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the equity investment.
If the recoverable amount is less than the carrying amount, the difference is recognised through profit or loss.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

6. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held exclusively for operating purposes, to be used in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.
Property and equipment also include rights of use (“ROUs”) acquired in lease transactions within the scope of application of IFRS 16 and relating to the use, as lessee, of assets in this category (real estate, motor vehicles, equipment, etc.). For a more detailed analysis of the accounting criteria adopted by the Bank in respect of IFRS 16, see the dedicated paragraph below in Section 15 “Other information”.

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related ancillary costs necessary to purchase the asset and bring it into working condition.

Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised through profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses. They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset’s fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

7. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, or must arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and simultaneously restrict the access of others to those benefits.
The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

The application of IFRS 3 in accounting for acquisition transactions may entail the recognition, in the purchase price allocation (PPA) process, of new intangible assets and goodwill.
Goodwill represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities.

Intangible assets with an indefinite useful life also include the value of the trademarks recognised following the acquisition of the Nextam Partners Group and BG Valeur S.A.

The other intangible assets also include the value of the contractual relationships with customers identified within the framework of the acquisitions of Banca del Gottardo Italia (2008), the Credit Suisse Italy business unit (2014), the Nextam Partners Group and BG Valeur S.A. (both in 2019).

Customer relationships are intangible assets within the scope of application of IAS 38, from which it is probable that future economic benefits will flow to the acquirer. The value of such relationships has been determined, as at the acquisition date, on the basis of an estimate of the profitability of assets under management (AUM) associated with the customers acquired, measured separately for each asset class.

The useful lives of such assets, determined on the basis of the expected turnover rates for assets under management (AUM), have been estimated as follows:
- Banca del Gottardo Italia: 10 years;
- Credit Suisse Italy: 15 years;
- Nextam Partners Group: 16 years;
- BG Valeur S.A.: 10 years.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system and the intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.
Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the Bank based on the outsourcing contract with CSE (legacy, front-end Financial Advisors and front-end customers, etc.).
Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected.
Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised through profit and loss in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including ancillary expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives. *Software costs* are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a three-year period.

With reference to contractual relations with customers, acquired as a result of the above-mentioned business combinations, the useful lives have been estimated at 10 years for Banca del Gottardo Italia and BG Valeur S.A., at 15 years for Credit Suisse Italy and at 16 years for the Nextam Partners Group.
Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test for goodwill is presented in Section "Retrospective adjustments" in Part G of these Notes and Comments.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the Balance Sheet on disposal or when no future economic benefits are expected from their use.

8. Non-current assets held for sale or disposal groups

The asset item "Non-current assets held for sale or disposal groups" and liability item "Liabilities associated with assets held for sale or disposal groups" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets held for sale or a group of assets recognised as held for sale during the year is taken through profit and loss under a specific separate item, "Income (Loss) of disposal groups, net of taxes."

9. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a prudential estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.
Specifically, deferred tax assets and liabilities are calculated based on the temporary differences — without time limits — between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company, Assicurazioni Generali — as a result of its exercise of the option provided by the Italian tax consolidation scheme — to generate ongoing taxable income.

Deferred tax liabilities are recognised in the financial statements, except for the main assets pending taxation, represented by equity investments.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "Tax assets" and deferred tax liabilities are recorded under "Tax liabilities".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes mainly arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (e.g., goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Consolidated Finance Law) introduced the paragraph 2-*ter* into *Article 176 of the Consolidated Income Tax Law (hereinafter TUIR)* that allows entities to recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment (so-called "***ordinary redemption***").
That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket, respectively) in lieu of the ordinary rates of IRES and IRAP.
The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009 and then further amended, subsequently introduced a new system of optional realignment of tax and carrying values (so-called "special regime"). The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.
However, the greater amounts attributed to goodwill and trademarks could have been recovered through the off-balance procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.

Article 17 of Law Decree No. 83/2015 then precluded the possibility of converting the DTAs referring to the value of goodwill and other intangible assets, recognised for the first time in the financial statements for the year ended 27 June 2015, reducing the off-balance amortisation period from ten to five years.

For the special redemption option as well, that statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are finalised.

Paragraphs 12 to 14 of Article 23 of Legislative Decree 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Legislative Decree 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only, due to not being presented in the carrying amount of the equity investment.

As originally formulated, the statute provided that, for the purposes of redemption of transactions carried out before 31 December 2010, the 16% substitute tax was to be paid by 30 November 2011, whereas the off-balance deduction of goodwill, in ten equal instalments, was to occur starting in financial year 2013, a date that was then postponed by Article 1, paragraph 502, of Law No. 228 of 24 December 2012 (2013 Finance Law) to the year after that in progress as at 31 December 2017[1].

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:
1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;
2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the financial statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-*ter*, of the TUIR;
3) redemption of goodwill recognised on a consolidated basis in connection with the full equity investment in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011[2].

1 The following additional legislation was recently passed on this subject:
Article 1, paragraph 1079, of Law No. 145/2018 (2019 Budget Law) introduced a change to the amortisation rates of goodwill and other intangible assets that gave rise to the recognition of deferred tax assets subject to the paragraphs 55, 56-*bis*, 56-*bis*.1 and 56-*ter* of Article 2 of Law Decree No. 225 of 29 December 2010 not yet deducted until the tax period in progress at 31 December 2017 in ten variable annual instalments from 31 December 2019, from 2019 (5%) to 2020 (3%) and until 31 December 2029 (10%), without prejudice to previously applicable amortisation, where of a lesser amount.
Article 23 of Law Decree No. 98/2011 (paragraphs 12-14) had introduced the possibility of proceeding with "special" redemption (new paragraph 10-ter of Article 15 of Law Decree No. 185/2008) of goodwill and other intangible assets recognised solely at the consolidated level before 31 December 2010, by paying a substitute tax of 16% and deducting the related amortisation in ten annual instalments starting on 1 January 2013. However, **Article 1, paragraph 502 of Law no. 228 of 24 December 2012** (2013 Financial Law) then deferred the deductibility of amortisation charges from the tax period after that in progress at 31 December 2017, with a suspension of amortisation of five years, followed by a further change in 2018 (previous note).
Article 1, paragraph 714 of Law No. 160/2019 (2020 Stability Law) then provided for the deferral of the deduction of the 5% share of the portion of negative components referring to amortisation charges relating to the value of goodwill and other intangible assets, originally provided for 2019, to the tax period in progress at 31 December 2025 and the four following periods.

2 The goodwill of BG Fiduciaria was redeemed on 30 November 2011, but effectively became deductible only in financial year 2020, at the rate of 3% rather than the original 10%.

Most recently, Article 110 of Law Decree no. 104 of 14 August 2020 (the "August Decree"), as amended by the 2021 Budget Law (Article 1, paragraph 83, of Law no. 178 of 30 December 2020), with the aim of facilitating stronger capital positions and mitigating the consequences on financial statements of the economic crisis caused by the Covid-19 pandemic, introduced — including for entities that adopt IASs/IFRSs — the possibility of realigning the accounting and tax values of goodwill and other intangible assets recognised in the financial statements for the year in progress at 31 December 2019 (Article 110, paragraph 8-*bis*), to the extent still present at the closing of the 2020 financial statements.

The option was to be exercised through:
> the payment of a 3% substitute tax, in a maximum of three instalments of equal amounts, by the due date for payment of the balance of the 2020 income tax return and the reporting in the income tax return of incomes relating to financial year 2020;
> the application of a restriction on balance-sheet reserves in an amount corresponding to the greater values subject to realignment, net of the substitute tax, to which the provisions for tax-suspended reserves envisaged for revaluation balances applies.

The effects of the realignment of goodwill and other intangible assets are recognised for tax purposes with effect from financial year 2021 and the off-balance amortisation of goodwill should have been therefore deducted in 18 years (paragraph 3-*bis*).

However, Article 1, paragraphs 622 to 624, of the 2022 Budget Law retroactively amended, in derogation from the taxpayers' statute, the emergency redemption provisions set out in Article 110 of Law Decree No. 104 of 14 August 2020 ("August Decree"), essentially providing for three options:
a) extension of the amortisation period from 18 to 50 years;
b) "repeat redemption" of goodwill redeemed at 3% by applying an increase on the basis of the rate brackets governed by the ordinary provisions of Article 176 of TUIR;
c) revocation of the redemption transaction, according to the methods to be established by order of the Italian Revenue Agency, applying for a refund for or offsetting the sums already paid.

In 2021, Banca Generali also proceeded to exercise the option to carry out the following realignments of the carrying and tax values of goodwill, trademarks and other intangible assets:
> realignment of misalignments resulting from previous years' goodwill stated in the financial statements at 31 December 2019, pursuant to Article 110 of Decree Law No. 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law through payment of a 3% substitute tax, and subsequent right to benefit from the ensuing off-balance sheet amortisation in the ordinary period of 50 years;
> realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the merger — effective 1 January 2020 for accounting and tax purposes — of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  - Article 15 of Decree Law No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
  - Article 176, paragraph 2-*ter*, of TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.
IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

The analyses conducted by the OIC — the Italian Accounting Standard Setter — summarised in application document No. 1 of 27 February 2009 entitled, "*Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Legislative Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IAS/IFRS*", which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRS:
1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over the years to coincide with the off-balance deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill is deducted on a straight-line basis, the entity releases the previously recognised deferred tax assets to profit and loss on a straight-line basis, in accordance with the specific system adopted (ten or eighteen amortisation instalments), thereby neutralising the decrease in current taxes.

Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be believed to be recoverable on the basis of future taxable income.

With regard to the realignment performed pursuant to Article 110 of Law Decree No. 104/2020, DTAs that may be recovered over a longer time horizon than the ordinary off-balance amortisation of 18 years have not been recognised in the financial statements.

10. Provisions for liabilities and contingencies

Provisions for commitments and guarantees issued

The sub-item of provisions for liabilities and contingencies in question includes provisions for credit risk recognised on the basis of loan commitments and guarantees issued that come within the scope of application of impairment rules pursuant to IFRS 9. Such cases are generally subject to the same methods of allocation to the three credit risk stages and calculation of expected losses presented in regard to financial assets at amortised cost or at fair value through other comprehensive income.

Other provisions

Other provisions for liabilities and contingencies include allocations relating to provisions for legal contractual or non-contractual obligations or legal disputes, including tax disputes, arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Therefore, a provision is recognised only when:
> there is a present obligation (legal or constructive) as a result of a past event;
> it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation; and
> a reliable estimate can be made of the amount relating to the fulfilment of the obligation.

The amount recognised as provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date and accounts for all the risks and uncertainties that inevitably are entailed in certain events and circumstances.
Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions and increases due to the time value of money are recognised in the profit and loss account.

Provisions are periodically reviewed and, where necessary, adjusted to reflect the best current estimate. If, upon review, it is determined that it is unlikely that a cost will be incurred, the provision is reversed.

Other provisions for liabilities and contingencies include, in particular:
> provisions for contractual indemnities for the network of Financial Advisors (end-of-service, portfolio development indemnity, managerial development indemnity, and other similar indemnities), measured according to the actuarial or financial method;
> provisions for Financial Advisors and Relationship Managers serving the obligations assumed in relation to the *2017-2026 Framework Loyalty Programme for the sales network*;
> several types of provisions for incentive or recruitment bonuses (recruitment plans) for Financial Advisors;
> provisions for long-term employee benefits;
> provisions for restructuring plans.

In some circumstances, provisions for liabilities and contingencies (for example, charges relating to staff expenses) have been presented in a separate item of the profit and loss account to best reflect their nature.

Termination indemnity for Financial Advisors

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to a Financial Advisor is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:
a) the total amount paid to Enasarco each year by the Bank until the date of termination;
b) the contractual lump-sum reduction which gradually declines with the length of service at the date of retirement or termination (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUM during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:
a) the percent fee reduction expected as a function of the estimated period of past service at the date of termination;
b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntary removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.
The indemnity, which is governed by an appendix to the Agency agreement, is only due on the condition that the outgoing Financial Advisor formally undertakes to conduct a hand-over to an incoming Financial Advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming Financial Advisor undertakes to pay the Company an indemnity commensurate to that obtained from the outgoing Financial Advisor.
In relation to recent market practices in the area, a thorough contractual revision of the scheme entered into effect on 1 January 2012 was carried out.
The system introduces a rule, namely that the indemnity collected by the outgoing Financial Advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.
Therefore, on the basis of the new rules, the outgoing Financial Advisor may only collect the agreed indemnity provided that it has actually been paid to the Bank by the incoming Financial Advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the Bank's guarantee is maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the Bank will immediately pay out the entire indemnity to the outgoing Financial Advisor's beneficiary or heirs and then recover the amount from the incoming Financial Advisors under an instalment plan, in the reduced amount of 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate, carried out through IT procedures, of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity payouts, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming Financial Advisors.

Framework Loyalty Programme for the Sales Network

The aggregate referring to provisions for long-term contractual indemnities to the sales network also includes the provision covering the Framework Loyalty Program for the Sales Network 2017-2016, approved by the Board of Directors on 21 March 2017 and ratified by the Shareholders' Meeting on 20 April, aimed at improving the retention of the Network and the customers acquired over time and creating value for the Group by attracting stable, high-quality net inflows.

The Framework Programme provides for the possibility to activate during the 2017-2026 period eight individual annual plans set to expire on 31 December 2026 and of decreasing lengths, from a maximum of eight years to a minimum of one year, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.
This indemnity is paid to Financial Advisors and Relationship Managers with a minimum level of seniority of service who meet certain AUM and net inflow requirements at the end of the year of activation of the plan in which they have participated. The indemnities thus accrued in respect of the individual plans will then be disbursed cumulatively to the beneficiaries, in accordance with the Banking Group's current remuneration policies, within 60 days of the approval of the 2026 Financial Statements.
Departure from the Banking Group's scope entails the loss of entitlement to disbursement of the bonuses accrued, except in the event of death, permanent disability or eligibility to receive a pension. Even in the above circumstances, the indemnity will still be paid at the end of the Programme.

A part of the bonus, up to 50% of its value, for each of the individual plans in the Framework Network Loyalty Programme may be paid in Banca Generali shares. In accordance with the Banking Group's Remuneration Policy, the number of shares will be determined according to the average price of Banca Generali shares during the 90 days prior to the date of the meeting of the Board of Directors called to approve the draft financial statements for the year prior to that of activation of the individual plan.
The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator and cumulatively assigned to beneficiaries.

The fifth plan under the Programme, covering the period 2021-2026, was activated in 2021. All five plans call for 50% of the bonus to be paid in Banca Generali shares.

The amount of the provision for the portion of the indemnity to be paid in cash is measured on the basis of the indemnity accrued as at the reporting date, taking account of the time value of money for the period until the date of disbursement and the forecast rate of turnover, without entitlement to benefits, for the beneficiary population.

11. Financial liabilities at amortised cost

Classification

Due to banks, Due to customers and *Securities issued* include the various forms of interbank funding and direct customer inflows, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased.
Due to banks and Due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or the debt securities are issued. Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus any costs or income directly attributable to the individual funding transaction or issuance and not repaid by the creditor. Internal general and administrative expenses are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are written off when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

12. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.
If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

13. Financial liabilities designated at fair value

There are currently no financial liabilities measured at fair value.

14. Foreign currency transactions

Initial recognition measurement criteria

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent recognition measurement criteria

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate as follows:
> monetary items are translated using the exchange rate at the reporting date;
> non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
> non-monetary items that are measured at fair value are translated using the exchange rate at the reporting date.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised through profit or loss in the period in which they arise.

15. Other information

Cash and deposits

The portion of the balance of the settlement account held with the Bank of Italy that is not restricted according to the mandatory reserve rules is recognised as sight deposits with the Central Bank and has therefore been reclassified to item 10 of the balance sheet, Cash and deposits.

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Equity instruments

Equity instruments are instruments that represent an equity interest in the Bank pursuant to IAS 32.
The classification of an instrument issued as an equity investment requires the absence of contractual obligations to make payments in the form of repayment of principal, payment of interest or other forms of return.

In particular, instruments that present the following characteristics are classified as equity investments:
> duration is unlimited or equal to the company's duration;
> the issuer has full discretion over paying coupons or repaying principal, including prematurely.

This category also includes Additional Tier 1 instruments compliant with the provisions of Regulation (EU) No. 575/2013 (CRR) on the prudential requirements for credit institutions and investment firms that, in addition to presenting the characteristics described above, in any event:
> allow the issuer to retain full discretion over whether to recognise a reversal of nominal value (write-up) following a capital event that has resulted in a decline in nominal value (write-down);
> do not incorporate must-pay clauses for the issuer as a result of authentic events within the parties' control.

Equity instruments other than ordinary or savings shares are classified to item “140. Equity instruments” in the amount received, inclusive of the transaction costs that are directly attributable to the transaction concerned.
Any coupons paid, net of the related taxes, are deducted from the item “150. Reserves”.
Any differences between the amount paid to discharge or repurchase these instruments and their carrying amount are recognised in item “150. Reserves”.

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among “Other assets”, as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Leases (IFRS 16)

As lessee

At the inception of a contract, the Group must assess whether it is, or contains, a lease.
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration for a period of time.
In addition to lease contracts, recognised as such, the definition of “lease contract” also includes rental, loans for use and all other contracts that may contain a lease.

For each contract that is, or contains, a lease, the Group allocates the agreed consideration to the following, on the basis of the individual prices of each transaction:
> the lease components (pure lease payment);
> the components relating to other services to be recognised according to other standards (e.g., condominium fees, non-deductible VAT, late payment interest, duty stamps, insurance expenses, vehicle maintenance costs, etc.).

The Group settles the lease components separately from the other service components, unless it is not readily feasible to do so.

The Group recognises a right of use and related lease liability for all lease contracts in which it is the lessee, except for:
> short-term contracts (i.e., lease contracts with a term of 12 months or less); and
> leases of low-value assets (assets with a value of less than 5,000 euros when new).

The Group accounts for payments relating to the latter as operating expenses on a straight-line basis over the term of the contract, unless another method is more representative.

Lease liabilities

Lease liabilities are initially recognised at the present value of the lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, at the lessee's incremental borrowing rate.

Since most lease contracts entered into by the Group do not include an implicit interest rate, the discount rate to be applied to future lease payments is generally based on the risk-free rate for the currency in which the contracts are denominated, applicable by maturity, commensurate to the term of the contract concerned, plus a specific credit spread applicable to the lessee.
In particular, the risk-free rate curve (swap curve) is used, with the addition of a spread representative of the Insurance Group's credit risk, calculated periodically on the basis of the quoted prices of credit default swaps (CDSs) referring to the parent company, Assicurazioni Generali.

The lease payments accounted for in the value of the lease liability include:
- fixed payments, including lease payments contractually structured as variable but essentially fixed (in-substance fixed payments), less any incentives received from the lessor;
- variable lease payments that depend on an index or a rate (e.g., inflation), initially measured using the index or rate as at the commencement date of the contract;
- amounts expected to be payable by the lessee under residual value guarantees, where provided for by contract;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease prematurely, if the lease term reflects the lessee exercising an option to terminate the lease, and exercise of the option is deemed reasonably certain.

After initial recognition of the lease liability at amortised cost, the carrying amount of the liability is increased by the interest on the lease (according to the effective interest method) and decreased to reflect the payments made under the lease contract.

The Group remeasures the balance of the lease liability (and applies an adjustment to the corresponding value of the right of use, where significant) if either:
- there is a change in the lease term or there is a change in the assessment of an option right, in which case the lease liability is remeasured by discounting the lease payments at the revised discount rate;
- there is a change in future lease payments resulting from a change in an index or a rate or there is a change in the amounts expected to be payable under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments at the initial discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate is used);
- a lease contract has been modified and the modification does not qualify for recognition as a separate contract, in which case the lease liability is remeasured by discounting the revised lease payments at the revised interest rate.

Rights of use

The Group recognises rights of use and the related lease liabilities at the commencement date of the contract.

Right-of-use assets are initially measured at cost, including:
- the initial measurement of the lease liability;
- the lease payments made at or before the commencement date of the contract;
- initial direct costs incurred to obtain the contract (legal, notarial, real-estate agency, etc.).

A provision for risks is recognised and measured according to IAS 37 when the Group is obligated to bear the costs of returning an asset in a condition required by the terms of the contract. This cost is included in the value of the right of use.

The right of use is then recognised net of depreciation and any impairment losses.

The right of use is depreciated on a straight-line basis over the period from the commencement date of the contract to the sooner of the end of the lease term and of the residual useful life of the underlying asset.

If the lease contract transfers ownership of the relevant asset or the cost of the right of use reflects the Group's intention to exercise the purchase option, the right of use is depreciated over the useful life of the asset.

The Group applies IAS 36 – *Impairment of Assets* to identify the presence of any impairment losses.

Variable lease payments that do not depend on an index or a rate are not included in the value of the lease liability or the value of the right of use. The related payments are recognised on an accrual basis and are included in the item “Other operating costs” of the profit and loss account.

As lessor

The Group does not act as lessor in lease transactions.

Share-based payments

These are payments to employees or other similar persons, such as Financial Advisors, as consideration for services rendered, based on the equity instruments of the banking or ultimate parent company.

Such plans may provide for either:
- the right to subscribe for rights issues at a pre-determined price (stock-option plans);
- the free assignment of a certain number of shares, generally repurchased (stock-granting plans).

In accordance with IFRS 2 — *Share-Based Payments*, share-based benefit plans for personnel and Financial Advisors are recognised as costs on the profit and loss account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

In light of the difficulty inherent in reliably measuring the fair value of the services received in return for equity instruments, reference is made to the fair value of such instruments measured at the grant date.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.
In cases of stock-granting plans, the fair value of the shares granted is determined on the basis of market prices on the date of the resolution of the shareholders' meeting authorising the plans.
Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Charges relating to shared-based payment plans are recognised as a cost in the profit and loss account for the period under item 190.a) "General and administrative expenses: staff expenses", where they relate to employment services, and under item 50) "Fee expense" where they relate to contractual relationships with financial advisors. In both cases, such charges have their counter-entry in item 150. "Equity reserves".

The Long-Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a share-based incentive plan approved annually by the Shareholders' Meeting of the parent company, Assicurazioni Generali, and intended for the key personnel of the latter company and other Insurance Group companies, including several Key Managers of the Banking Group.
The plan is aimed at encouraging the pursuit of the objective of an increase in the value of the Company's shares by strengthening the link between the remuneration of beneficiaries and performance as identified in the framework of the Group's strategic plans ("absolute" performance) and the increase in value compared to a peer group ("relative" performance).

However, for beneficiaries from the Banking Group, the targets triggering accrual of the incentive are broken down into:
- insurance group targets, i.e., ROE (return on equity) and relative total shareholders' return (rTSR), compared to a peer group, assigned a weight of 40% of the total bonus; and
- business unit targets (Banking Group ROE and EVA), assigned a 60% weight.

The key characteristics of the plan are as follows:
- the incentive accrued upon achieving the targets is disbursed by Assicurazioni Generali S.p.A. in a single instalment at the end of the three-year vesting period through the free granting to the beneficiaries of its own ordinary shares;
- the maximum number of the shares to be granted is determined at the beginning of the three-year period and is divided into three instalments for the three years of the plan;
- each year, the level of satisfaction of the objectives initially set for the three-year period is verified in order to determine the number of shares to be set aside for each instalment;
- from the 2015-2017 cycle, a lock-up restriction is envisaged for the shares assigned, applicable to 50% of the shares for one year from assignment and to 50% after two years from assignment;
- malus and claw-back clauses have been included and a minimum access gate set for each tranche.

The new plan may be classified as an equity-settled transaction and therefore within the scope of IFRS 2.

IFRS 2, in the new formulation endorsed by Commission Regulation (EU) No. 244/2010 of 23 March 2010, includes a specific section governing share-based payment transactions between group entities (paragraphs 43B-43C and B45-B61 of the Application Guidance).
In that section, it is specified that in share-based payment transactions between group entities, the entity that receives the goods or services must assess whether the cost of the goods or services are to be accounted for as an equity-settled shared-based payment transaction, through a balancing entry to a capital reserve, or on a cash basis, through a balancing entry to a liability.
In this regard, the accounting standard envisages (paragraph 43B) that if the arrangement calls for the shares of the parent company to be granted directly by itself to a subsidiary's employees — and therefore with no action on the part of the subsidiary —, the charge to the profit and loss account will be recognised to an equity reserve through a balancing entry, inasmuch as it is similar to a capital contribution by the parent company.

Given the specific nature of the plans reserved for beneficiaries belonging to the Banking Group, such plans must be assessed individually for components relating to group targets and business targets (for the Banking Group).

More specifically:
- as it is a pure stock grant, the plan component linked to business unit objectives should be valued exclusively based on the fair value of the Assicurazioni Generali ordinary shares at the grant date;

> the plan component linked to the Group's objectives includes TSR as an objective, since it qualifies as market condition whose value is included in the fair value of the stock grant.

The total cost of the plan is equal to the sum of the cost calculated for each tranche on the basis of the fair value determined according to the above methods, multiplied by the number of shares that may potentially be granted in respect of the performance condition, the likelihood that the service condition will be met, and the achievement of the minimum eligibility threshold. That cost is allocated over a three-year vesting period starting from the grant date, with a balancing entry to a specific equity reserve.
Starting from 2018, the Assicurazioni Generali Group's LTIP was replaced by a new LTI Plan ("LTI BG Plan"), based on Banca Generali S.p.A. shares. The LTI BG Plan is aimed at increasing the value of Banca Generali shares, by further strengthening the link between the remuneration of beneficiaries and performance of the Banking Group, without prejudice to the consistency required with the expected results set forth in the Insurance Group's strategic plan.
The new plans' characteristics are similar to those of the plans implemented by the Parent Company, with the exception of a greater weight of targets relating to the Banking Group, which are weighted at 80%.

Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute **"post-employment benefits"** as defined in IAS 19 — *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and — in the case of companies with at least 50 employees — transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:
> "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund.
For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods.
The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
> "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the "**Projected Unit Credit**" method".

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted to the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.
Considering that IAS 19R requires that the discount rate be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the index IBOXX EURO CORP, formed of AA series.

The plan's service costs have been recognised amongst staff expenses under the item "provisions for post-employment benefits."

Following the entry into force of IAS 19R from 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses** deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in the other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.
By contrast, in the previous accounting arrangement adopted by the Bank the above item was recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time adoption of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.
Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

Productivity Bonuses for Salaried Employees

Productivity bonuses to be paid to salaried employees during the following year are generally to be allocated to the item "Other liabilities."

More specifically, in accordance with IAS 19 – *Employee Benefits*, the following are allocated to current liabilities:
> the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
> incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the Profit and Loss Account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in equity:
> the share of the variable remuneration of managers of the Banking Group deferred up to two years, and conditional upon the satisfaction of the access gates requirements established in the Banking Group's new remuneration policy.

Expenses functionally related to staff

In accordance with IAS 19, under item 190 a) Staff expenses are recognised exclusively costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 190 b) Other general and administrative expenses. Such expenses also include:
a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:
> interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
> default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
> dividends are recognised in the profit and loss account when dividend payout is approved;
> service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit or loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Recognition of the costs of obtaining and fulfilling a contract

Beginning from the end of 2018, the amortisation period for acquisition and fulfilment costs for contracts with customers was modified from a time horizon based on the payback criterion to a time horizon more consistent with the average duration of contractual relationships with customers, determined to be five years.
These changes, implemented in part owing to the greater flexibility of IFRS 15, made it possible to align the accounting treatment of incremental costs paid to Financial Advisors in relation to the organic growth of assets under management with the treatment of recruitment incentives tied to the acquisition of new customers (amortised over five years), thereby ensuring a more effective correlation between total fee expenses and the fee income generated by customer investments.
In particular, the modification affected the accounting treatment of ordinary sales incentives tied to the net inflows targets paid to the Financial Advisor network, which had been previously accounted for according to the practical expedient of taking them in full to the profit and loss account for the year.

The modification, which qualifies as a change in accounting estimate in respect of the amortisation period for incentives, was applied prospectively in accordance with IAS 8.

Calculation of impairment losses

Impairment losses of financial assets

At each reporting date, in accordance with IFRS 9, financial assets other than those at fair value through profit or loss are tested for evidence that their carrying amounts may not be fully recoverable. Similar tests are also performed for loan commitments and guarantees issued that come within the scope of impairment testing pursuant to IFRS 9.

Where such evidence of impairment exists, the financial assets in question are considered impaired and included in stage 3, along with all remaining assets associated with the same counterparty, if any. Such exposures, represented by financial assets classified, in accordance with Bank of Italy Circular No. 262/2005, as bad loans, unlikely-to-pay loans and exposures past due by more than 90 days must be accounted for by recognising impairment losses equivalent to the expected losses over their entire residual lifetimes.

Impairment losses of performing financial assets

For financial assets for which there is no evidence of impairment (performing financial instruments), it must be verified whether there are any indicators that the credit risk associated with each transaction has increased significantly with respect to initial recognition. The consequences of this assessment, from the standpoint of classification (or, to be more precise, “staging”) and measurement, are as follows:

> where such indicators exist, the financial asset is classified as stage 2. In such case, in accordance with international accounting standards, and despite the absence of a manifest decline in value, measurement involves recognising impairment losses equal to the expected losses over the financial instrument’s entire residual lifetime;
> where such indicators do not exist, the financial asset is classified as stage 1. In such case, in accordance with international accounting standards, and despite the absence of a manifest decline in value, measurement involves recognising impairment losses equal to the expected losses for the specific financial instrument over the following twelve months.

Such impairment losses are revised on each subsequent reporting date to verify periodically that they are consistent with constantly updated loss estimates and to take account of the changed forecasting period for calculating expected loss, in the event of changes in indicators signalling “significantly increased” credit.

With regard to the tracking of credit quality, in accordance with the provisions of the Standard and the Supervisory Authority’s instructions as to how to apply the Standard in the case of less significant institutions, a detailed analysis was conducted for each relationship, whether in the form of a security or a loan.

To identify whether there has been a “significant deterioration” of credit quality since initial recognition and there is thus a need for classification to stage 2 and, vice versa, whether the conditions have been met for reclassification from stage 2 to stage 1, it has been decided to make a comparison, at each reporting date, between the credit quality of the financial instrument at the time of measurement and at the time of initial disbursement or purchase (stage assignment).

In view of the above, the factors that will be decisive when determining transitions between the various stages are as follows:

> a change in rating class with respect to the moment of initial recognition of the financial asset. In other words, this is an assessment according to a “relative” criterion;
> the presence of a position past due by at least 30 days. Where such positions exist, in other words, the credit risk of the exposure is presumed to have increased significantly and the position is thus reclassified to stage 2;
> the presence of forbearance measures, which entail the classification of the exposure as among those whose credit risk has “significantly increased” with respect to initial recognition.

Some particular considerations apply to the staging of securities. In the case of this type of exposure — as opposed to loans — purchase transactions following an initial purchase of securities with the same ISIN may be a customary part of ordinary management of such positions (resulting in the need to establish an approach to identify sales and redemptions to determine the residual balances of individual transactions with which to associate a credit quality/rating upon origination to be compared with that as at the reporting date). The “first-in-first-out” (“FIFO”) method has thus been deemed to contribute to more transparent management of the portfolio, including from the standpoint of front-office personnel, thus also permitting assessments of creditworthiness to be updated constantly on the basis of new purchases.

Finally, Banca Generali has adopted the low credit risk exemption (LCRE) provided for in IFRS 9 for certain financial assets, namely debt instruments issued by governments and public administrations. Accordingly, exposures that are rated investment grade or above as at the reporting date will be deemed low credit risk exposures and thus classified to stage 1.

Once exposures have been allocated to the various credit risk stages, expected credit losses (ECLs) are determined for each transaction or tranche of a security, on the basis of the parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The measurement of financial assets also reflects the best estimate of the effects of future conditions — above all those of the economic context — with an impact on forward-looking PD and LGD.

Modifications to stage assignment

IFRS 9 requires that the assessment of expected credit losses on financial instruments measured at amortised cost allocated to the HTC and HTCS portfolios be closely connected to their inclusion in one of three stages (credit risk stages), the last of which (stage 3) includes non-performing financial assets and the remainder of which (stages 1 and 2) performing financial assets.
In particular, financial instruments are classified to stage 2 if on the reporting date they have undergone a significant increase in risk compared to origination, determined by reaching a rating class deemed excessively risky or by a significant rating notch difference.

In response to the Covid-19 emergency, international organisations and governments implemented extensive support programmes for the banking system and real economy, including, above all, the banking package promoted by the European Union and the public moratoria.

The supervisory authorities also requested that financial institutions modify their processes for managing and hence for approving loans, so as to ensure, even in shock conditions, the proper assessment of temporary increases in risk profile, while also decreasing the procyclical effect of assessment models.

In adopting this regulatory framework, which thus views the Covid-19 emergency as a temporary phenomenon not destined to last over time, and in line with industry practices recently established amongst Italian financial institutions, the Banking Group decided to make significant changes to the current stage assignment model for the securities portfolio, as detailed below:
> introduction of a module that formalises the legitimate use of temporary model changes in extraordinary conditions of use until conditions of normality are restored;
> introduction of a rule against downgrading sovereign securities, where justified in terms of temporariness, validity, extraordinariness and severity; with regard to this latter point, a limit was identified in the form of a downgrade not resulting in a rating class lower than credit quality class 4 (equivalent to BB) (ECB Press Release of 22 April 2020);
> replacement of the current rating assignment rule according to a predefined order (1. Moody's, 2. S&P and 3. Fitch) with the ECAI First Best Rating assignment rule, acknowledging that a security downgrade is only admitted if formulated unanimously by all rating agencies: Moody's, S&P, Fitch and DBRS;
> addition of the ratings agency DBRS to the ECAIs Moody's, S&P and Fitch.

These changes are in line with the new regulatory requirement formulated by the in EBA – Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures, 25 March 2020 and in EBA – Guidelines EBA/GL/2020/02, 2 April 2020, which requires prudence in assessing the increase in risk profile, where not representative of the counterparty's long-term status.

Impairment losses of non-performing financial assets

Non-performing loans classified to the bad loan category are measured as follows:
> individual measurement of all exposures classified as bad loans;
> individual measurement of all exposures classified as unlikely-to-pay (UTP) and past-due of amounts in excess of 10 thousand euros and secured positions under 10 thousand euros;
> statistical measurement for all positions classified as unlikely-to-pay (UTP) and past-due below the above thresholds.

Individual measurement is performed by managers on individual positions on the basis of a qualitative and quantitative analysis of the debtor's financial performance and position, the risk level of the credit relationship and any mitigating factors (guarantees), while also taking account of the financial effect of the time estimated to be necessary for recovery.

In the case of bad loans in particular, significance is attached to a series of elements — present to varying degrees depending on the characteristics of the positions — to be assessed as thoroughly and prudently as possible, including, but not limited to:
> the nature of the claim, i.e., preferred or unsecured;
> the net assets of the obligors/third-party guarantors;
> the complexity of ongoing or potential litigation and/or the underlying legal matters;
> exposure of obligors to the banking system and other creditors;
> most recent available financial statements;
> legal status of obligors and pending insolvency and/or individual procedures.

Statistical assessments are conducted on the basis of the parameters set out in the ECB guidelines. Residual exposures of amounts beneath a predetermined threshold are written off.
The financial effect of time (time value) is not taken into account for exposures classified as past due by more than 90 days due to the high frequency of return to performing status in the short term.

Contributions to deposit guarantee systems and resolution mechanisms

Through Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, respectively, the "Deposit Guarantee Schemes Directive (DGSD)" and "Bank Recovery and Resolution Directive (BRRD)" and the institution of the Single Resolution Mechanism (Regulation (EU) No. 806/2014 of 15 July 2014), European lawmakers made significant changes to the rules concerning banking crises with the strategic aim of strengthening the single market and ensuring systemic stability. As illustrated in further detail below, the above legislative changes had a significant impact on financial performance and financial position as a result of the obligation to establish specific funds with financial resources that must be provided by contributions from financial institutions starting in 2015.

Contributions deriving from the Deposit Guarantee Schemes Directive (DGSD)

Directive 2014/49/EU, effective as of 3 July 2015, harmonises the levels of protection offered by national deposit guarantee schemes (DGSs) and their methods of intervention, with the aim of eliminating possible competitive disparities within the European market. To that end, the Directive provides that national DGSs (in Italy, the Interbank Deposit Protection Fund or FITD) must endow themselves with means commensurate to the deposits protected, which must be provided through mandatory contributions from financial institutions. The new element for Italian banks is the new mechanism for financing the fund: the previous after-the-fact contribution system, in which funds were requested in case of need, has been replaced by a mixed system, in which funds must be paid in advance, so as to reach, within ten years of the entry into force of the Directive (3 July 2024), a minimum target level of **0.8% of the deposits guaranteed**.

The contributions from each entity are calculated as a function of the ratio of the amount of own deposits to the total protected deposits in the country.

Article 10 of Directive 2014/49/EU provides that contributions are to be paid by banks with at least annual frequency.

In its extraordinary meeting of 26 November 2015, the FITD then amended its Articles of Association to comply with the new contribution rules and regulatory framework.

The Directive was then transposed into Italian law through Legislative Decree No. 30/2016.

Contribution charges deriving from the Bank Recovery and Resolution Directive (BRRD)

Directive 2014/59/EU establishes the new resolution rules, applicable from 1 January 2015 to all European Union banks in a state of current or prospective default. These rules, which introduce the “bail-in” principle, require, under certain circumstances, that funding for resolution may also be supported by a national resolution fund instituted by each of the 28 European Union Member States and managed by a national resolution authority.

To that end, the Directive provides that the national resolution funds be endowed with financial means provided through mandatory advance contributions from authorised financial institutions.

In particular, the funds are to be paid in advance until reaching a minimum target level, over a period of ten years, i.e., by 31 December 2024, **of 1% of guaranteed deposits**[3].

The contributions from each entity are calculated as a function of the ratio of its total eligible liabilities, i.e., net of own funds and the guaranteed deposits, to the total liabilities of all authorised financial institutions in the country.

In this context, on 16 November 2015 Legislative Decrees Nos. 180/2015 and 181/2015 were enacted, introducing the National Resolution Fund into the Italian legal system and assigning the Bank of Italy the role of National Resolution Authority.

In particular, Articles 78 et seqq. of Legislative Decree 180/15 provide that such funds are to be financed by, among other sources:

- ordinary contributions paid on an annual basis in the amount determined by the Bank of Italy in accordance with Directive 2014/59/EU (Article 103) and commensurate for the purposes of reaching the fund’s target funding level;
- extraordinary contributions when ordinary contributions are insufficient to cover losses, costs or other expenses incurred to achieve resolution objectives, up to an amount of three times annual average ordinary contributions.

The new European Single Resolution Fund (SRF) provided for in Regulation No. 806/2014, instituting the Single Resolution Mechanism (SRM) and managed by a new European resolution authority, formed within the ECB (Single Resolution Board – SRB), began to function on 1 January 2016.

From 1 January 2016 to 31 December 2023 (a period of eight years), the Single Resolution Fund must reach a target level of means of at least 1% of the amount of the protected deposits of all authorised entities in the Banking Union. The contribution rules for the period 2016-2023 are established in Article 8 of Implementing Regulation No. 81 of 2015.

Accordingly, the banks of Member States of the Banking Union (including Italian banks) contributed to the National Resolution Fund in 2015 and contributed to the Single Resolution Fund starting in 2016 (until 2023). During the initial period, when calculating each institution’s individual contributions, this transfer will be taken into account.

Accounting treatment of contribution charges deriving from the BRRD and DGSD

The accounting and reporting treatment applicable to contributions to resolution funds was the subject of the Bank of Italy’s notice dated 20 January 2016, as well as of a notice dated 25 January 2017 specifically relating to “Additional contributions to the national resolution fund”.

Similar conclusions were reached by ESMA in its Opinion 2015/ESMA/1462 “Application of the IFRS requirements in relation to the recognition of contributions to Deposit Guarantee Schemes in IFRS accounts” of 25 September 2015 with regard to non-reimbursable cash contributions to be paid in advance into deposit guarantee funds.

For financial reporting purposes, reference should be made to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* and the Interpretation IFRIC 21 – *Levies*, which entered into force on 1 January 2015.

[3] Also in this case, in order to achieve the target level, the financial means provided by the credit institutions may include payment commitments up to a maximum of 30%.

The Interpretation concerns the accounting treatment of a liability for a levy where the liability falls within the scope of application of IAS 37.
As defined in IFRIC 21, "a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation".
Obligations to contribute to the National Guarantee Fund, in both ordinary and extraordinary form, are imposed by legislation, and thus fall within the scope of "levies" as defined in IFRIC 21.

IAS 37 and IFRIC 21 provide that a liability must be recognised when the obligating event that gives rise to a present obligation occurs. Since the decree does not provide for contributions to be reduced or refunded to intermediaries, in whole or in part, whenever the obligating event occurs the liability relating to the contributions in question must be recognised for the full amount.

Since it is not possible to account for the liability through either an intangible asset pursuant to IAS 38 or a prepayment asset, the contributions must be recognised in profit and loss.

In this regard, the Bank of Italy has clarified that the item to which to classify such contributions, which for accounting purposes may be regarded as levies, is sub-item 160 b "General and administrative expenses – other general and administrative expenses" of the profit and loss account in the separate financial statements and sub-item 190 b of the consolidated financial statements), which is also used to account for the indirect levies and taxes (paid and unpaid) accrued during the year.

Business combinations

Business combinations are regulated by the IFRS 3 — *Business Combinations*. Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and contingent liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the Profit and Loss Account.
The purchase method is applied as of the acquisition date, i.e., from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the Consolidated Financial Statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the Consolidated Financial Statements, up to the date control is transferred.

Business combinations of entities under common control are not included in the scope of IFRS 3, nor are they covered by other IFRSs. They are accounted for in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.
The IASs/IFRSs provide specific guidelines for transactions not covered by IFRS (described in paragraphs 10-12 of IAS 8); according to these guidelines, management is encouraged to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.
In fulfilment of this requirement, we observed that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1R on the accounting treatment of business combinations of entities under common control, and OPI No. 2R on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.
In a similar way, if an entity is disposed of, the amount received is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

Part A.4 – Information on fair value

With the introduction of IFRS 13, the definition of **fair value** has been modified with respect to IAS 39, in view of a more market-based approach.
According to the new standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is thus not an entity-specific measurement, but rather a market-based measurement. In detail, measurement at fair value:
- presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
- refers to a particular asset or liability and must take account of the characteristics of the asset or liability that market participants take into account when pricing the asset or liability;

- assumes that market participants act in their economic best interest;
- assumes that the sale of the asset or the transfer of the liability takes place:
  a) in the principal market for the asset or liability; or
  b) in the most advantageous market, in the absence of a principal market.

Fair value hierarchy

International accounting standard IFRS 13 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation:

- **Level 1**: quoted prices in active markets, as defined in IFRS 13, for identical instruments;
- **Level 2**: inputs other than the price quotations indicated above, observable on the market either directly (prices) or indirectly (price-derived data) (Level 2);
- **Level 3**: inputs not based on observable market data.

For the purposes of the fair value hierarchy, inputs may thus be classified as:

- **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;
- **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

Valuation criteria of the fair value of financial instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Lending Department and review and validation of the data to the Risk Management Service.
The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.
Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered listed on an active market if objective parameters such as the following may be observed:

- an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
- a spread between the ask and bid price that falls within an interval deemed appropriate; and
- continuity of quotations on both sides of the market.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.
For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is not material, the official closing price for the last trading day is also used.

A.4.1 Fair value Level 2 and Level 3: valuation techniques and inputs used

Financial instruments measured at fair value on a recurring and non-recurring basis

Level 2 of the fair value hierarchy includes all financial instruments whose fair value, despite not being directly observable on the market, may be estimated using valuation models based on:

- inputs directly observable on the market (e.g., executable prices, interest rates or yield curves observable within various buckets, volatilities, credit spreads, etc.);
- inputs indirectly observable on the market or based on observable market data and supported by strong evidence of correlation with observable market data (market-corroborated inputs).

With regard to bond securities (including government bonds and securitisations), the price sources to be used, where available, to determine fair value in the absence of an active market are as follows:
> Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using both the prices contributed to Bloomberg;
> the Bloomberg Valuation Service (BVAL), which provides a valuation of bonds based on a three-stage pricing process: 1) observation of market data; 2) analysis of observed prices for similar instruments; and 3) valuation based on non-arbitrage models (for comparable yield curve models). The BVAL is considered a Level 2 price source when there is evidence that it is based on directly observable market data. In all other cases, it will be considered a Level 3 price source;
> other consensus prices provided by Bloomberg, Telekurs or other Information Providers;
> contributors' executable prices that do not meet the significance requirements;
> valuation models developed by Banca Generali, implemented on front-office systems or provided by third-party providers, based on observable significant inputs, which have been validated by the Risk and Capital Adequacy Department.

UCITS not listed on regulated markets are normally not considered listed on active markets.
UCITS characterised by significant levels of transparency and liquidity are considered Level 2 and valued on the basis of the NAVs provided by the management company/fund administrator.
UCITS relating to private equity, private debt and similar activities are considered Level 3 and measured on the basis of the most recent available NAV, adjusted, where applicable, to take account of events not incorporated into unit value or on the basis of specific valuations, where it is necessary to reflect a different valuation of the fund's underlying assets.

With reference to the measurement method used for the Forward Fund, the reader is referred to the information provided in Part E "Information on Risks and Risk Hedging Policies", Section 2 "Prudential consolidation risks", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

As regard derivative instruments, valuation models are used that have been developed by Banca Generali, implemented on front-office systems or provided by third-party providers, based on observable significant inputs, which have been validated by the Risk and Capital Adequacy Department.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:
> the analysis of discounted cash flows;
> option pricing models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships, and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

Other financial assets and liabilities not measured at fair value on a recurring basis

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITS, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

Sight and uncommitted financial assets and financial assets with residual lives of less than one year
The fair value of this class of assets, which essentially consists of uncommitted current account exposures, sight deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

Assets with fixed contractual lives included in the financial portfolio
This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:
> the cost of credit risk (the cost of covering expected losses in relation to credit risk);
> the cost of funding (the cost of funding positions);
> the cost of capital (the cost of covering unexpected losses in relation to credit risk);
> operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PDs related to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.

Loans with fixed contractual lives are classified Level 3 of the Fair Value Hierarchy, in consideration of the Significant presence of non-observable inputs (spreads determined based on internal PD and LGD).

Non-performing loans
When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value.
Such loans are classified to Level 3 of the fair value hierarchy.

Other financial liabilities
Financial liabilities classified as amounts due to customers and banks consist mainly of sight deposits, short-term time deposits and operating payables.
Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other sight or uncommitted financial assets.

A.4.2 Processes and sensitivity of measurements

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.
The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITS. For such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (e.g., the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified as assets measured at OCI and FV-OCI. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

A.4.3 Fair value hierarchy

IFRS 13, recalling the contents of IFRS 7, requires that entities that apply IAS/IFRS make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:
1. the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2. any significant transfers between Level 1 and Level 2 during the year;
3. for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the Profit and Loss Account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

Transfers between levels refer to the end of the accounting period of reference (half-yearly or annual), in an independent manner, and generally enter into effect from the beginning of the year of reference.
Transfers to and from Level 3 are infrequent and primarily involve the occurrence of situations of default, in which the Bank's subjective assessment of debt recoverability takes preeminence.

A.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 48, 93(i) and 96, occur in these Financial Statements.

Quantitative Information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

	31.12.2021				
ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss:					
a) HFT financial assets	2,020	4,558	-	-	6,578
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	1,151	19,374	388,455	-	408,980
2. Financial assets at fair value through other comprehensive income	2,496,384	28,739	-	17,942	2,543,065
3. Hedging derivatives	-	11,357	-	-	11,357
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,499,555**	**64,028**	**388,455**	**17,942**	**2,969,980**
1. HFT financial liabilities	-	4,551	-	-	4,551
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	167,320	-	-	167,320
Total	**-**	**171,871**	**-**	**-**	**171,871**

	31.12.2020				
ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets at fair value through profit or loss:					
a) HFT financial assets	2,011	1,608	-	-	3,619
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	5,815	37,375	1,646	-	44,836
2. Financial assets at fair value through other comprehensive income	2,696,936	14,995	162	18,005	2,730,098
3. Hedging derivatives	-	2,486	-	-	2,486
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,704,762**	**56,464**	**1,808**	**18,005**	**2,781,039**
1. HFT financial liabilities	-	1,551	-	-	1,551
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	67,853	-	-	67,853
Total	**-**	**69,404**	**-**	**-**	**69,404**

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of financial assets measured at fair value through profit or loss, the portfolio of financial assets measured at fair value through other comprehensive income (HTCS), hedging derivatives and HFT financial liabilities comprised 84.2% of financial assets eligible for allocation to class L1, with a lower ratio compared to the previous year (97.2%). This category continues to be concentrated on the sovereign debt, with the highest component made up of bonds issued by EU countries (Iberian peninsula and Greece). Overall, government debt securities decreased slightly by 59 thousand euros. It also includes other debt securities (214.3 million euros) chiefly referring to credit sector (155.3 million euros), and listed equities totalling 1.2 million euros.

The financial assets allocated to the L2 class, on the other hand, consist of UCITS not listed on regulated markets (1,546 thousand euros), as well as of unit-linked policies that, due to failing the SPPI Test, have been reclassified among financial assets mandatorily measured at fair value. In addition, the L2 portfolio includes a minor portion of bonds (28.8 million euros), hedging derivatives and financial assets and liabilities consisting solely of currency outrights, valued on the basis of observable market parameters.

In the reporting year, no significant transfers of financial assets were performed between class L1 and class L2.

A.4.5.2 Year changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS							
	TOTAL	OF WHICH: A) HFT FINANCIAL ASSETS	OF WHICH: B) ASSETS FINANCIAL ASSETS AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE WITH IMPACT ON COMPREHEN-SIVE INCOME	HEDGING DERIVATIVES	TANGIBLE ASSETS	INTANGIBLE ASSETS
1. Amount at year-start	**1,646**	**-**	**-**	**1,646**	**18,167**	**-**	**-**	**-**
2. Increases	**843,911**	**456,338**	**-**	**387,573**	**588**	**-**	**-**	**-**
2.1 Purchases	839,801	456,338	-	383,463	174	-	-	-
2.2 Gains through:	188	-	-	188	-	-	-	-
2.2.1 Profit and loss	188	-	-	188	-	-	-	-
of which:								
- capital gains	*188*	-	-	*188*	-	-	-	-
2.2.2 Net equity	-	-	-	-	414	-	-	-
2.3 Transfers from other levels	3,824	-	-	3,824	-	-	-	-
2.4 Other increases	98	-	-	98	-	-	-	-
3. Decreases	**457,102**	**456,338**	**-**	**764**	**813**	**-**	**-**	**-**
3.1 Disposals	376,407	376,407	-	-	-	-	-	-
3.2 Redemptions	-	-	-	-	6	-	-	-
3.3 Losses through:	80,695	79,931	-	764	807	-	-	-
3.3.1 Profit and loss	80,695	79,931	-	764	-	-	-	-
of which:								
- capital losses	*764*	-	-	*764*	-	-	-	-
3.3.2 Net equity	-	-	-	-	807	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Amount at year-end	**388,455**	**-**	**-**	**388,455**	**17,942**	**-**	**-**	**-**

Other L3 financial assets mandatorily measured at fair value include:

> the investment in the Luxembourg vehicle Algebris of 2,069 thousand euros, and the units of the MIP I Fund, of 1,938 thousand euros;

> the convertible loan to Conio Inc., acquired in December 2020, which at the end of 2021 had a value of 1,882 thousand euros;

> the Forward Fund, a newly formed closed-ended, reserved alternative investment fund (AIF) managed by Gardant SGR, specialised in illiquid investments. The fund was subscribed in October 2021 in the amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables. At the end of 2021 the fund had a capital loss of 696 thousand euros. A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in Part E "Information on Risks and Risk Hedging Policies", Section 2 "Prudential consolidation risks", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised";

> the acquisition of 11,608 shares of TECREF S.àr.l. for 4,263 thousand euros, following the complete divestment of the units of the TEREF fund.

By contrast, L3 financial assets in the portfolio of Financial assets at fair value through other comprehensive income, for a total amount of 17,942 thousand euros, consist of:

> the equity investment in Conio Inc., a company operating in the cryptocurrency industry, acquired in December 2020, and that at 31 December 2021 had a value of 5,375 thousand euros;

> the equity investment in the independent asset management company 8A+ Investimenti SGR, in which the Bank controls 19.5% of share capital for a value of 912 thousand euros at 31 December 2021;

> some equity investments continued to be measured at purchase cost, in the absence of reliable estimates of fair value; these are the so-called "minor investments" in companies with which the Bank has long-term strategic service arrangements (CSE, GBS, Caricese, SWIFT, etc.) or commercial partnerships (Tosetti Value), for a total of 11.5 million euros;

> the equity investment in Beyond S.p.A., a new holding set up at the end of June 2021, of which Banca Generali purchased 6.6 thousand shares, for a consideration of 166 thousand euros;

> the contributions to film production ventures with Tyco Film S.r.l., Fabula Pictures S.r.l., Eskimo S.r.l., Zocotoco S.r.l. and Palomar S.p.A., at year-end 2021 were written off.

A.4.5.4 Breakdown by fair-value levels of assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2021			
	VB	L1	L2	L3
1. Financial assets at amortised cost	10,853,611	7,609,681	2,449,431	982,043
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**10,853,611**	**7,609,681**	**2,449,431**	**982,043**
1. Financial liabilities at amortised cost	14,412,355	-	14,412,355	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**14,412,355**	**-**	**14,412,355**	**-**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2020			
	VB	L1	L2	L3
1. Financial assets at amortised cost	9,016,566	6,287,991	1,975,424	1,019,804
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**9,016,566**	**6,287,991**	**1,975,424**	**1,019,804**
1. Financial liabilities at amortised cost	11,506,596	-	11,506,596	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**11,506,596**	**-**	**11,506,596**	**-**

Part A.5 – Disclosure about so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity. In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.
At the reporting date there were no impacts of day one profit/loss in relation to the restructuring of a portfolio of senior notes arising from the securitisation of healthcare receivables. A detailed analysis of the transaction and the related accounting treatments, the reader is referred to the information provided in Part E “Information on Risks and Risk Hedging Policies”, Section 2 “Prudential consolidation risks”, Subsection D “Sale transactions”, paragraph C “Financial assets sold and fully derecognised”.

PART B – INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS[4]

Section 1 – Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2021	31.12.2020
a) Cash	26,687	25,128
b) Current accounts and sight deposits with Central Banks	1,504,015	548,980
c) Current accounts and sight deposits with banks	89,632	91,834
Total	**1,620,334**	**665,942**

Item b) Sight deposits with Central Banks represents the portion of the balance of the settlement account held with the Bank of Italy that is not restricted according to the mandatory reserve rules.

Section 2 – Financial assets measured at fair value through profit or loss - Item 20

2.1 HFT financial assets: categories

	31.12.2021			31.12.2020		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Cash assets						
1. Debt securities	2,010	-	-	2,003	47	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,010	-	-	2,003	47	-
2. Equity securities	10	-	-	2	-	-
3. UCITS units	-	-	-	6	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**2,020**	**-**	**-**	**2,011**	**47**	**-**
B. Derivatives						
1. Financial	-	4,558	-	-	1,561	-
1.1 Trading	-	4,558	-	-	1,561	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**4,558**	**-**	**-**	**1,561**	**-**
Total (A + B)	**2,020**	**4,558**	**-**	**2,011**	**1,608**	**-**

[4] A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.

2.2 HFT financial assets: debtors/issuers/counterparties

ITEMS/VALUES	31.12.2021	31.12.2020
A. Cash assets		
1. Debt securities	**2,010**	**2,050**
a) Central Banks	-	-
b) Public administration bodies	-	45
c) Banks	2,008	2,001
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	2	4
2. Equity securities	**10**	**2**
a) Banks	-	-
b) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
c) Non-financial companies	10	2
d) Other issuers	-	-
3. UCITS units	**-**	**6**
4. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**2,020**	**2,058**
B. Derivatives		
a) Central counterparties	-	-
b) Other	4,558	1,561
Total B	**4,558**	**1,561**
Total (A + B)	**6,578**	**3,619**

2.5 Other financial assets mandatorily measured at fair value: categories

	31.12.2021			31.12.2020		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	-	1,882	-	-	1,646
1.1 Structured securities	-	-	1,882	-	-	1,646
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	1,151	-	5,263	883	-	-
3. UCITS units	-	1,546	381,310	4,932	16,307	-
4. Loans	-	17,828	-	-	21,068	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	17,828	-	-	21,068	-
Total	**1,151**	**19,374**	**388,455**	**5,815**	**37,375**	**1,646**

2.6 Other financial assets mandatorily measured at fair value: debtors/issuers

ITEMS/VALUES	31.12.2021	31.12.2020
1. Equity securities	6,414	883
of which:		
- *banks*	-	-
- *other financial companies*	*6,414*	*883*
- *other non-financial companies*	-	-
2. Debt securities	1,882	1,646
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	1,882	1,646
3. UCITS units	382,856	21,239
4. Loans	17,828	21,068
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	16,892	21,068
of which:		
- *insurance companies*	*16,892*	*17,328*
e) Non-financial companies	936	-
f) Households	-	-
Total	**408,980**	**44,836**

The UCITS portfolio includes the Forward Fund, a newly formed Italian AIF managed by Gardant SGR, specialised in illiquid investments. The fund was subscribed in October 2021 in the amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables, which Banca Generali purchased from its customers and concurrently transferred to the Fund, subscribing 98% of its units. At the end of 2021, the fund had a capital loss of 696 thousand euros.

A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in “Part E – Information on Risks and Risk Hedging Policies, Section 2 “Prudential consolidation risks”, Subsection D “Sale transactions”, paragraph C “Financial assets sold and fully derecognised”.

The residual UCITS portfolio is comprised for 2,069 thousand euros of the investment in the Luxembourg vehicle Algebris, for 1,546 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., and for 1,938 thousand euros of the closed alternative real-estate investment fund MIP I managed by Milano Investment Partners SGR S.p.A.

In February 2021, Banca Generali subscribed 100,000 shares of the newly formed Hope S.p.A., transformed into Sicaf, a fixed-capital investment company, following authorisation from the Supervisory Authorities. HOPE Sicaf S.B (società benefit) S.p.A. is an independent, innovative investment platform that adopts a multi-asset and multi-strategy management strategy, selecting excellent, sustainable companies, projects and investment ideas in which to invest, with a focus on “real” Italian assets (tangible assets such as services of public utility, energy and digital infrastructure, real-estate assets and fields for agriculture).
The class-A notes held by Banca Generali, as the founding shareholder, were placed in the FVOCI portfolio in the amount of 1 million euros.

The entirety of the interest in the TEREF Fund, which at the end of the previous year had amounted to 10,506 thousand euros, was divested in December 2021. The units were partly liquidated and partly reinvested in interests in the equity of TECREF S.àr.l. The units acquired, with a nominal value of 11,608, were reclassified to the portfolio of financial assets mandatorily at fair value, with a final value of 4,263 thousand euros.
Equity investments in shares of the parent company Assicurazioni Generali amounted to 1,151 thousand euros as at 31 December 2021.

Debt securities refer to the convertible bond issued by Conio Inc. on 9 December 2020, with maturity set on 31 May 2025, more thoroughly analysed in the following Section.

Section 3 – Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: categories

ITEMS/VALUES	31.12.2021 LEVEL 1	31.12.2021 LEVEL 2	31.12.2021 LEVEL 3	31.12.2020 LEVEL 1	31.12.2020 LEVEL 2	31.12.2020 LEVEL 3
1. Debt securities	2,496,384	28,739	-	2,696,936	14,995	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,496,384	28,739	-	2,696,936	14,995	-
2. Equity securities	-	-	17,942	-	-	18,167
3. Financing	-	-	-	-	-	-
Total	**2,496,384**	**28,739**	**17,942**	**2,696,936**	**14,995**	**18,167**

3.2 Financial assets measured at fair value through other comprehensive income: debtors/issuers

ITEMS/VALUES	31.12.2021	31.12.2020
1. Debt securities	**2,525,123**	**2,711,931**
a) Central Banks	-	-
b) Public administration bodies	2,285,776	2,337,209
c) Banks	182,379	198,653
d) Other financial companies	55,958	156,677
of which:		
- *insurance companies*	-	-
e) Non-financial companies	1,010	19,392
2. Equity securities	**17,942**	**18,167**
a) Banks	-	-
b) Other issuers:	17,942	18,167
- other financial companies	3,195	3,028
of which:		
- *insurance companies*	-	-
- non-financial companies	14,740	15,132
- other	7	7
3. Financing	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**2,543,065**	**2,730,098**

The equity securities portfolio included 17,942 thousand euros referring to “minor equity investments”, which are largely related to service agreements concluded by the Group (CSE, GBS, Caricese, SWIFT, etc.) or agreements of a commercial nature (Tosetti Value SIM, 8 A+ SGR, Conio Inc.), usually not listed and non-negotiable. Those interests are measured at purchase cost in the absence of reliable, updated estimates of fair value.

The interest acquired in Conio falls within the wider corporate and commercial partnership with the Californian fintech company founded in 2015, which has positioned itself as a wallet provider that offers custody, negotiation and reporting services, currently regarding Bitcoins only, on the Italian market, thought its investee Conio S.r.l.

Under the agreement, Banca Generali also undertook to pay an earn-out of an additional 1.7 million euros if the company were to achieve certain objectives in terms of EBITDA or valuation by 31 March 2025 and, to this end, it subscribed for a convertible bond of USD 2,013 thousand, equivalent to 1,882 thousand euros as at 31 December 2021.

In particular, the mandatory convertible bond pays interest at an annual rate of 5.5% due in a single instalment at maturity on 31 March 2025, with the following conversion conditions:

- if the earn-out conditions are met, the bond will be redeemed and taken to an equity reserve with the payment of interest only;
- if the earn-out conditions are not met, the bond will be fully converted, along with the interest accrued, into conversion shares at the ratio of the nominal value of the bonds to the fair value of Conio's share capital.

At the end of June 2021 Banca Generali acquired a minority interest in the newly formed Beyond Investment S.p.A., an investment holding company owned by the Bank and a group of leading Italian entrepreneurial families with the aim of undertaking private equity, venture capital and real estate investments. The shares, with a value of 166 thousand euros, are measured at cost.

The capital contributions relating to cinematographic joint ventures of 650 thousand euros as at 31 December 2020 were fully written off in 2021 as they were deemed unrecoverable.

During the year, the minor equity investment in SPAC Capital for Progress (155 thousand euros) was also written off and liquidation of Athena Private Equity was concluded with further redemptions of 78 thousand euros against a residual carrying amount of 6 thousand euros.

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total adjustments

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRUMENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS (*)
Debt securities	2,525,515	2,286,046	-	-	-	392	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2021	**2,525,515**	**2,286,046**	**-**	**-**	**-**	**392**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**2,705,366**	**2,337,463**	**7,042**	**-**	**-**	**407**	**70**	**-**	**-**	**-**

(*) Value to be indicated for disclosure purposes.

In respect of the model for measuring expected credit losses (ECLs) provided for in IFRS 9, as at 31 December 2021 collective reserves of 392 thousand euros had been recognised for the debt securities portfolio, of which 270 thousand euros relating to the portfolio of government securities.

Section 4 – Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: categories of loans to banks

	31.12.2021						31.12.2020					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE1 AND STAGE 2	STAGE 3	IMPAIRED OR ACQUIRED	L1	L2	L3	STAGE1 AND STAGE 2	STAGE 3	IMPAIRED OR ACQUIRED	L1	L2	L3
A. Loans to Central Banks	**130,137**	**-**	**-**	**-**	**130,137**	**-**	**107,772**	**-**	**-**	**-**	**107,772**	**-**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Mandatory reserve	130,137	-	-	X	X	X	107,772	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**1,088,001**	**-**	**-**	**650,127**	**439,074**	**-**	**487,970**	**-**	**-**	**376,262**	**119,517**	**-**
1. Loans	412,103	-	-	-	412,102	-	83,434	-	-	-	83,434	-
1.1 Current accounts	6,136	-	-	X	X	X	-	-	-	X	X	X
1.2 Term deposits	25,510	-	-	X	X	X	24,585	-	-	X	X	X
1.3 Other loans:	380,457	-	-	X	X	X	58,849	-	-	X	X	X
- repurchase agreements	199,805	-	-	X	X	X	-	-	-	X	X	X
- lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- other	180,652	-	-	X	X	X	58,849	-	-	X	X	X
2. Debt securities	675,898	-	-	650,127	26,972	-	404,536	-	-	376,262	36,083	-
2.1 Structured securities	538	-	-	534	-	-	-	-	-	-	-	-
2.2 Other debt securities	675,360	-	-	649,593	26,972	-	404,536	-	-	376,262	36,083	-
Total	**1,218,138**	**-**	**-**	**650,127**	**569,211**	**-**	**595,742**	**-**	**-**	**376,262**	**227,289**	**-**

The item “Other financing - Other” includes 170,598 thousand euros (58,142 thousand euros at 31 December 2020) relating to guarantee margins paid to banking counterparties for derivatives transactions. The remaining 10 million euros is almost entirely attributable to operating receivables relating to placement and distribution of financial products, collected in the first few months of the following year.

4.2 Financial assets measured at amortised cost: categories of loans to customers

	31.12.2021						31.12.2020					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE1 AND STAGE 2	STAGE 3	IMPAIRED OR ACQUIRED	L1	L2	L3	STAGE1 AND STAGE 2	STAGE 3	IMPAIRED OR ACQUIRED	L1	L2	L3
1. Loans	**2,596,281**	**31,830**	**-**	**-**	**1,762,608**	**876,146**	**2,553,215**	**24,596**	**-**		**1,663,399**	**923,973**
1. Current accounts	1,551,912	15,265	-	X	X	X	1,290,743	8,939	-	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	160,907	-	-	X	X	X
3. Mortgages	804,993	16,111	-	X	X	X	837,305	15,648	-	X	X	X
4. Credit cards, personal loans and loans on wages	-	6	-	X	X	X	-	6	-	X	X	X
5. Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	239,376	448	-	X	X	X	264,260	3	-	X	X	X
2. Debt securities	**7,007,362**	**-**	**-**	**6,959,554**	**117,612**	**105,897**	**5,843,013**	**-**	**-**	**5,911,729**	**84,736**	**95,832**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	7,007,362	-	-	6,959,554	117,612	105,897	5,843,013	-	-	5,911,729	84,736	95,832
Total	**9,603,643**	**31,830**	**-**	**6,959,554**	**1,880,220**	**982,043**	**8,396,228**	**24,596**	**-**	**5,911,729**	**1,748,135**	**1,019,805**

Item 2.2 relating to debt securities, includes 177,799 thousand euros of senior notes issued in securitisation transactions. The ABS component increased on the previous year (128,736 thousand euros) due to the investment in the Muzinich CLO portfolio. Detailed information on the securitised notes is given in Part E of these Notes.

The item "Debt securities" includes encumbered assets used as collateral for ECB refinancing operations totalling 1,004,956 thousand euros and securities held in deposit with Cassa di Compensazione e Garanzia amounting to 204,435 thousand euros. This item also includes own securities used in repurchase agreements amounting to 12,227 thousand euros.

Item 1.7 "Other loans" includes operating receivables relating to the placement and distribution of financial and insurance products in the amount of 157,645 thousand euros, consisting solely of short-term receivables from managing companies and insurance companies belonging to the Generali Group, collected in the early months of the following year.

Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2021	31.12.2020
Other grants	23,945	47,984
Loans on promissory notes	3,042	3,173
Stock exchange interest-bearing daily margin	2,257	24,096
Sums advanced to Financial Advisors	31,119	23,297
Operating loans	157,645	150,735
Interest-bearing caution deposits	992	1,003
Amounts to be collected	20,824	13,975
Total	**239,824**	**264,263**

Pursuant to IFRS 15, paragraph 116 a), the previous table includes the opening and closing balances of receivables within the scope of IFRS 15 (operating receivables and fees receivable).
In reference to paragraph 118 of IFRS 15, the change in receivables during the year was due to the Bank's normal operations and therefore is not attributable to contractual amendments or changes in the time required for the right to the consideration to become unconditional.

Sums advanced to Financial Advisors enrolled with the Register of Financial Advisors include non-performing positions for a net amount of 1,804 thousand euros, largely attributable to advances to former Financial Advisors who have left service due to a dispute or pre-dispute.

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2021 STAGE 1 AND STAGE 2	31.12.2021 STAGE 3	31.12.2021 IMPAIRED ACQUIRED OR ORIGINATED	31.12.2020 STAGE 1 AND STAGE 2	31.12.2020 STAGE 3	31.12.2020 IMPAIRED ACQUIRED OR ORIGINATED
1. Debt securities	**7,007,362**	**-**	**-**	**5,843,013**	**-**	**-**
a) Public administration bodies	6,515,503	-	-	5,323,111	-	-
b) Other financial companies	366,465	-	-	339,272	-	-
of which:						
- *insurance companies*	-	-	-	-	-	-
c) Non-financial companies	125,394	-	-	180,630	-	-
2. Financing	**2,596,281**	**31,830**	**-**	**2,553,215**	**24,596**	**-**
a) Public administration bodies	-	-	-	-	-	-
b) Other financial companies	247,725	6,197	-	413,094	5,652	-
of which:						
- *insurance companies*	*25,100*	*3*	-	*35,600*	-	-
c) Non-financial companies	365,496	11,427	-	344,438	11,494	-
d) Households	1,983,060	14,206	-	1,795,683	7,450	-
Total	**9,603,643**	**31,830**	**-**	**8,396,228**	**24,596**	**-**

4.4 Financial assets measured at amortised cost: gross value and total adjustments

	GROSS VALUE STAGE 1	GROSS VALUE OF WHICH: LOW CREDIT RISK INSTRUMENTS	GROSS VALUE STAGE 2	GROSS VALUE STAGE 3	GROSS VALUE IMPAIRED ACQUIRED OR ORIGINATED	TOTAL ADJUSTMENTS STAGE 1	TOTAL ADJUSTMENTS STAGE 2	TOTAL ADJUSTMENTS STAGE 3	TOTAL ADJUSTMENTS IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
Debt securities	7,659,922	-	26,296	2,642	-	2,801	157	2,642	-	-
Financing	2,914,379	-	227,656	43,853	-	2,606	908	12,023	-	-
Total at 31.12.2021	**10,574,301**	**-**	**253,952**	**46,495**	**-**	**5,407**	**1,065**	**14,665**	**-**	**-**
Total at 31.12.2020	**8,873,143**	**-**	**124,927**	**39,317**	**-**	**5,400**	**700**	**14,721**	**-**	**-**

In respect of the model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 31 December 2021 performing loans measured at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 6,472 thousand euros, of which:

- 2,958 thousand euros relating to the debt securities portfolio;
- 3,514 thousand euros relating to other loans.

Within this item, total value adjustments of exposures to banks amounted to 1,055 thousand euros, of which 840 thousand euros on debt securities and 215 thousand euros on other loans.

The provision for expected losses on debt securities refers instead to the government bond portfolio in the amount of 1,280 thousand euros.

The item relating to non-performing “Debt securities” (Stage 3) refers to the Alitalia bond. This bond known as “Dolce Vita”, amounting to 2,642 thousand euros, was fully written down in the previous years due to the airline’s serious state of crisis, which resulted in a court declaration of the company’s insolvency and the commencement of the extraordinary administration procedure.

The provision for expected losses on trade receivables, measured in accordance with IFRS 9 5.5.15, is not material in view of the short-term nature of the exposures concerned, all of which were collected in full in the first few months of the following year.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total adjustments

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRUMENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
1. Loans subject to forbearance in accordance with the GLs	-	-	-	-	-	-	-	-	-	-
2. Loans subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	7,583	-	-	-	-	1	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. Newly originated loans	118,663	-	566	-	-	2	1	-	-	-
Total at 31.12.2021	**126,246**	**-**	**566**	**-**	**-**	**3**	**1**	**-**	**-**	**-**
Total at 31.12.2020	**119,535**	**-**	**-**	**-**	**-**	**184**	**-**	**-**	**-**	**-**

Section 5 – Hedging derivatives - Item 50

5.1 Breakdown of hedging by type of hedge and hierarchy levels

	31.12.2021				31.12.2020			
	FAIR VALUE				FAIR VALUE			
TYPE OF TRANSACTIONS/VALUES	L1	L2	L3	NOTIONAL VALUE	L1	L2	L3	NOTIONAL VALUE
A) Financial derivatives	**-**	**11,357**	**-**	**827,500**	**-**	**2,486**	**-**	**180,000**
1) Fair value	-	11,357	-	827,500	-	2,486	-	180,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**11,357**	**-**	**827,500**	**-**	**2,486**	**-**	**180,000**

5.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

	FAIR VALUE							CASH FLOWS		
	SPECIFIC									
HEDGING TRANSACTIONS/TYPE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND EQUITY INDICES	CURREN-CIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVEST-MENTS
1. Financial assets at fair value through comprehensive income	26	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	11,331	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**11,357**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 7 – Equity investments - Item 70

7.1 Equity investments: disclosure on type of relations

				SHAREHOLDING		
COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF RELATION	INVESTOR COMPANY	% HELD	% OF VOTING RIGHTS
A. Subsidiaries under common control						
1. BG SAXO SIM S.p.A.	Milan	Milan	Associate company	Banca Generali	19.9%	19.9%
B. Companies subject to significant influence						
1. IOCA Entertainment Ltd.	United Kingdom - London	United Kingdom - London	Associate company	Banca Generali	35%	35%

At 31 December 2021, there were two equity investments:

> IOCA Entertainment Ltd. is a company under the UK law, in which Banca Generali acquired a 35% interest on 19 October 2015, in the form of 3,500 shares with a nominal value of 1.00 pound sterling each, for a total of 1,616,125 pound sterlings, equivalent to an original amount to approximately 2.2 million euros. The company, an e-commerce/social networking start-up engaged in the commercial development of an app for smartphones and tablets, named Dringle, was fully written off in the previous year as it did not attain its commercial targets and did not offer concrete perspectives of future growth;

> BG SAXO SIM S.p.A. is an investment firm formed as part of the joint venture with SAXO Bank, in which Banca Generali acquired a 19.9% stake on 31 October 2019 for 1,995 thousand euros, plus additional costs. Banca Generali and SAXO Bank entered into an agreement to set up an exclusive partnership specialising in online trading and digital services. The deal aims to offer Italian customers exclusive access to an innovative advanced trading platform based on SAXO Bank's technology and managed by BG SAXO SIM. The new platform will expand the range of offerings available to Banca Generali's Financial Advisors, granting access to tailor-made transactions and innovative dynamic hedging solutions that may be offered to both private and corporate customers. The value of the equity investment in BG SAXO SIM S.p.A. changed during 2021 as a result of the company's capital increase authorised in May and subscribed by Banca Generali S.p.A. for the relevant share equal to 597 thousand euros.
> At 31 December 2021, the share of loss attributable to Banca Generali amounted to approximately 266 thousand euros.

7.4 Non significant equity investments: accounting information

COMPANY NAME	BOOK VALUE OF EQUITY INVEST-MENTS	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL REVENUES	PROFIT (LOSS) FROM CURRENT OPERATIONS NET OF TAXES	PROFIT (LOSS) FROM OPERATING ACTIVITIES NET OF TAXES	NET PROFIT (LOSS) FOR THE YEAR (1)	OTHER INCOME COMPO-NENTS NET OF TAXES (2)	COMPREHEN-SIVE INCOME (3) = (1) + (2)
A. Subsidiaries under common control									
1. BG SAXO SIM S.p.A.	2,048	18,311	13,820	530	-1,338	-	-1,338	-	-1,338
B. Companies subject to significant influence									
1. IOCA Entertainment Ltd.	-	181	14	-	-106	-	-106	-	-106
Total	**2,048**	**18,492**	**13,834**	**530**	**-1,444**	**-**	**-1,444**	**-**	**-1,444**

7.5 Equity investments: year changes

	31.12.2021	31.12.2020
A. Amount at year-start	**1,717**	**2,061**
B. Increases	**597**	**-**
B.1 Purchases	597	-
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	266	344
C.1 Sales	-	-
C.2 Adjustments	266	341
C.3 Write-downs	-	3
C.4 Other changes	-	-
D. Amount at year-end	**2,048**	**1,717**
E. Total revaluations	**-**	**-**
F. Total adjustments	**2,215**	**1,949**

Impairment tests of equity investments

In accordance with IASs/IFRSs, equity investments have been tested for impairment in order to verify whether there is objective evidence that the carrying amounts of the assets concerned may not be fully recoverable.

The impairment testing process for equity investments in associates and joint ventures involves verifying whether there are any impairment indicators and determining the amount of the impairment loss, if any.

The impairment indicators used for such unlisted equity investments are:
> qualitative indicators, such as an operating loss or a significant deviation from budget objectives, the announcement of restructuring plans or the commencement of insolvency procedures;
> quantitative indicators represented by a carrying amount of the equity investment in the individual financial statements that is significantly higher, for an extended period, than the carrying amount of the investee's net assets and goodwill in the consolidated financial statements.

Where there are impairment indicators, the recoverable amount is determined as the greater of the fair value net of costs to sell and value in use, and if this is lower than the carrying amount an impairment loss is recognised.

In this regard, the valuation of BG SAXO determined that the carrying values were accurate.

7.7 Commitments attributable to equity investments in joint ventures

In accordance with paragraphs 23 and B18-B20 of IFRS 12, there are no commitments by the Banking Group in the joint venture BG SAXO SIM S.p.A. to be reported in these financial statements, nor are there contingent liabilities relating to its equity investments in the said company.

Section 9 – Property and equipment - Item 90

9.1 Operating property and equipment: breakdown of assets valued at cost

ASSETS/VALUES	31.12.2021	31.12.2020
1. Owned assets	8,055	7,828
a) Land	-	-
b) Buildings	-	-
c) Furniture	6,452	6,481
d) Electronic equipment	290	414
e) Other	1,313	933
2. Rights of use acquired through leases	**150,957**	**144,848**
a) Land	-	-
b) Buildings	149,728	143,749
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	1,229	1,099
Total	**159,012**	**152,676**
of which:		
- *obtained through the enforcement of guarantees received*	-	-

9.6 Operating property and equipment: year changes

	RIGHTS OF USE ACQUIRED THROUGH LEASES – BUILDINGS	RIGHTS OF USE ACQUIRED THROUGH LEASES – OTHER	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross amount at year-start	**178,653**	**1,722**	**26,872**	**7,133**	**9,223**	**223,603**
A.1 Total net impairment	34,904	623	20,391	6,719	8,290	**70,927**
A.2 Net amount at year-start	**143,749**	**1,099**	**6,481**	**414**	**933**	**152,676**
B. Increases	**25,461**	**649**	**1,364**	**56**	**831**	**28,361**
B.1 Purchases	6,675	558	1,359	47	831	9,470
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
B.5 Exchange gains	115	-	5	9	-	129
B.6 Transfer of buildings held as investments	-	-	-	-	-	-
B.7 Other changes	18,671	91	-	-	-	18,762
C. Decreases	**19,482**	**519**	**1,393**	**180**	**451**	**22,025**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	19,455	519	1,344	180	451	**21,949**
C.3 Adjustments for impairment in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
C.4 Fair value negative changes in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property and equipment held as investments	-	-	-	-	-	-
b) non-current assets available for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	27	-	49	-	-	76
D. Net amount at year-end	**149,728**	**1,229**	**6,452**	**290**	**1,313**	**159,012**
D.1 Total net impairment	52,252	875	21,686	6,894	8,703	**90,410**
D.2 Gross amount at year-end	**201,980**	**2,104**	**28,138**	**7,184**	**10,016**	**249,422**
E. Valued at cost	149,728	1,229	6,452	290	1,313	159,012

Section 10 – Intangible assets - Item 100

10.1 Breakdown of intangible assets by categories

	31.12.2021		31.12.2020	
ASSETS/VALUES	DEFINITE LIFE	INDEFINITE LIFE	DEFINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**88,073**	**X**	**86,973**
A.1.1 Attributable to the Group	X	87,211	X	86,111
A.1.2 Attributable to minority interests	X	862	X	862
A.2 Other intangible assets	**47,383**	**716**	**48,249**	**700**
of which:				
- *software*	*19,128*	-	*12,986*	-
A.2.1 Assets valued at cost:	47,383	716	48,249	700
a) internally generated intangible assets	-	-	-	-
b) other assets	47,383	716	48,249	700
A.2.2 Assets valued at fair value:	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**47,383**	**88,789**	**48,249**	**87,673**

10.2 Intangible assets: year changes

		OTHER INTANGIBLE ASSETS				
		INTERNALLY GENERATED		OTHER		
	GOODWILL	DEFINITE LIFE	INDEFINITE LIFE	DEFINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross amount at year-start	**86,973**	**-**	**700**	**111,192**	**-**	**198,865**
A.1 Total net impairment	-	-	-	62,943	-	**62,943**
A.2 Net amount at year-start	**86,973**	**-**	**700**	**48,249**	**-**	**135,922**
B. Increases	**1,100**	**-**	**16**	**12,944**	**-**	**14,060**
B.1 Purchases	1,100	-	-	12,836	-	**13,936**
B.2 Increase of internal intangible assets	X	-	-	-	-	**-**
B.3 Reversals	X	-	-	-	-	**-**
B.4 Fair value positive changes		-	-	-	-	**-**
- Net equity	X	-	-	-	-	**-**
- Profit and Loss Account	X	-	-	-	-	**-**
B.5 Exchange gains	-	-	16	108	-	**124**
B.6 Other changes		-	-	-	-	**-**
C. Decreases	**-**	**-**	**-**	**13,810**	**-**	**13,810**
C.1 Sales	-	-	-	-	-	**-**
C.2 Adjustments	-	-	-	13,705	-	**13,705**
- Amortisation	X	-	-	13,705	-	**13,705**
- Write-downs:	-	-	-	-	-	**-**
+ Net equity	X	-	-	-	-	**-**
+ Profit and Loss Account	-	-	-	-	-	**-**
C.3 Fair value negative changes		-	-	-	-	**-**
- Net equity	X	-	-	-	-	**-**
- Profit and Loss Account	X	-	-	-	-	**-**
C.4 Transfers to non-current assets held for sale	-	-	-	105	-	**105**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-			-	**-**
D. Net amount at year-end	**88,073**	**-**	**716**	**47,383**	**-**	**136,172**
D.1 Total net adjustments	-	-	-	76,380	-	**76,380**
E. Gross amount at year-end	**88,073**	**-**	**716**	**123,763**	**-**	**212,552**
F. Valued at cos	88,073	-	716	47,383	-	**136,172**

10.3 Other information

Breakdown of consolidated goodwill

(€ THOUSAND)	31.12.2021	31.12.2020
Prime Consult SIM and INA SIM	2,991	2,991
BG Fiduciaria SIM S.p.A.	4,289	4,289
Banca del Gottardo	31,352	31,352
Credit Suisse Italy	27,433	27,433
Nextam S.p.A. group	12,202	12,202
Valeur S.A.	8,706	8,706
Binck Bank Italia business unit	1,100	-
Total	**88,073**	**86,973**

Breakdown of intangible assets - other assets

(€ THOUSAND)	31.12.2021	31.12.2020
Charges associated with the implementation of legacy CSE procedures	18,856	12,451
Customer relationships (former Credit Suisse Italy)	9,024	10,176
Customer relationships (former Nextam S.p.A. Group)	7,562	8,119
Transactions with customers (former BG Valeur S.A.)	2,570	2,780
Other software costs	272	535
Other intangible assets	-	236
Advance payments on intangible assets	9,099	13,952
Total	**47,383**	**48,249**

Intangible assets recognised in respect of contractual relationships governing financial assets managed on account of customers (AUM) refer to business combinations undertaken by Banca Generali in the course of the years and represent an economic assessment of the expected cash flows from those relationships on the basis of specific profitability coefficients and appropriate default rates, identified from time to time within the framework of purchase price allocation (PPA) procedures.

In this regard, it should be noted that:
> the consideration paid to acquire in 2014 the former Credit Suisse's business unit amounting to 44,712 thousand euros was initially allocated for 17,280 thousand euros to intangible assets and for 27,433 thousand euros to goodwill;
> the consideration paid to acquire Nextam Partners Group in 2019 was initially recognised for 8.9 million euros to intangible assets, attributable to the contractual relationships with customers of the Nextam Group and amortised over a total period of 16 years, for 0.3 million euros to the value of the Nextam trademark, and for 12.2 million euros to goodwill;
> the consideration paid to acquire Valeur Fiduciaria S.A. in 2019 was originally allocated for 3.2 million euros to the intangible assets attributable to contractual relationships with customers and amortised over a total period of ten years, for 0.4 million euros to the value of the Valeur trademark, and for 8.7 million euros to goodwill.

Impairment testing of goodwill

During the preparation of the 2021 Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate. In this regard, reference should be made to Part G, Section 3, of the Notes and Comments to the Consolidated Financial Statements.

Section 11 – Tax assets and liabilities - Item 110 (Assets) and Item 60 (Liabilities)

Breakdown of item 110 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2021	31.12.2020
Current taxation	**9,623**	**1,080**
Sums due for taxes to be refunded	177	77
IRES arising on National Tax Consolidation scheme	7,908	-
IRES and foreign direct taxes	437	739
IRES surtax	1,100	98
IRAP	1	166
Deferred tax assets	**63,004**	**48,766**
With impact on Profit and Loss Account	**61,965**	**48,000**
IRES	51,603	39,784
IRAP	10,362	8,216
With impact on Net Equity	**1,039**	**766**
IRES	966	742
IRAP	73	24
Total	**72,627**	**49,846**

Current tax assets and liabilities represent the positive or negative imbalance between the estimated income taxes due for the year and the associated tax credits due to overpayments in previous tax periods, prepayments made and amounts withheld.
In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of account receivable from or payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A.

Due to Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then figures and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.

Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2021	31.12.2020
Current taxation	**22,233**	**29,174**
IRES arising on National Tax Consolidation scheme	-	5,287
IRES and other foreign income taxes	20,900	21,118
IRAP	1,333	2,769
Deferred tax liabilities	**6,087**	**13,342**
With impact on Profit and Loss Account	**4,195**	**9,848**
IRES deferred tax liabilities and foreign income taxes	2,825	7,620
IRAP	1,370	2,228
With impact on Net Equity	**1,892**	**3,494**
IRES deferred tax liabilities and foreign income taxes	1,627	2,994
IRAP	265	500
Total	**28,320**	**42,516**

Realignment operations

On 27 July 2021, the Board of Directors of Banca Generali resolved to undertake a thorough series of operations to realign the accounting values, which exceeded the tax values of goodwill and other intangible assets arising from business combinations undertaken over time.

At the end of the first half of 2021, Banca Generali proceeded to exercise the option to carry out the following operations to realign the carrying and tax values of goodwill, trademarks and other intangible assets, through payment of the related substitute taxes by the income tax payment deadline for the 2020 tax period:

- realignment of misalignments resulting from previous years' goodwill stated in the balance sheet at 31.12.2019 and still recognised in the 2020 financial statements, pursuant to Article 110 of DL 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law through payment of a 3% substitute tax, and subsequent right to benefit from the ensuing off-balance sheet amortisation over a period initially determined as 18 years (subsequently raised to 50 years);
- realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the incorporation for accounting and tax purposes from 1 January 2020 of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  - Article 15 of DL 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
  - Article 176, paragraph 2-*ter*, of the TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset.

The first operation concerned both goodwill resulting from taxable operations for which the misalignment was generated by the off-balance sheet deduction of amortisation amounts, and goodwill resulting from tax-neutral merger operations, for which the Bank had in the past already exercised the special redemption option.

The options exercised were then confirmed when filing the Bank's income tax return for the 2020 tax period, submitted on 30 November 2021.

With regard to the realignment carried out pursuant to Article 110 of Legislative Decree 104/2021, it should also be mentioned that finalising the election also requires, on pain of inefficacy of the election, that a tax restriction be placed on a portion of reserves in the financial statements at 31 December 2020, in an amount corresponding to the higher values subject to realignment, net of the substitute tax (Article 110, paragraph 8).

In particular, realigned differences amounted to 32,811 thousand euros, tax due to 984 thousand euros, and the reserve to be restricted thus came to 31,827 thousand euros. The provisions for tax-suspended reserves governing revaluation balances (paragraph 8) apply to this reserve. In this regard, the reader is referred to the Notes to the Financial Statements of Banca Generali S.p.A., Part B, paragraph 12.4 "Income reserves: further information".

With regard to this special treatment, the 2022 Budget Law (Law 234 of 30 December 2021) extended the duration of tax amortisation from 18 to 50 years, without prejudice to the possibility of maintaining the initial duration of 18 years by paying the greater tax due for the ordinary redemption transactions or revoking the transaction in full with a refund of the substitute tax paid. As a consequence of these changes, Banca Generali derecognised the DTAs the reversal period of which exceeds the initial term of 18 years, for a total of 4.5 million euros.

The aforementioned operations thus led to:
> the release of the deferred tax liabilities (DTLs) for the accounting items deriving from taxable operations (purchase of business units) for which the off-balance sheet amortisation of the tax value has already been made, for an amount of 6.2 million euros;
> the recognition, based on the method indicated in the OIC document application No. 1 of February 2009[5], of deferred tax assets (DTA), for the accounting items from non-implementation operations (mergers), for an amount of 6.5 million euros against 10.9 million euros overall receivable for the transactions carried out;
> the allocation to profit and loss of the substitute tax paid and accrued for an amount of 4.0 million euros.

Substitute tax on realignments	-4,026
DTAs recognised on realigned goodwill	6,463
Reversal of DTLs on goodwill, trademarks and intangible assets	6,190
Economic impact of realignments	**8,627**

The table below provides detailed information on the items subject to realignment and to the tax regime applied.

REDEEMABLE VALUES (€ THOUSAND)	REGULATORY	REDEMPTION RATE	TAX AMORTI-SATION	BOOK VALUE	TAX VALUE	REDEEMABLE VALUE	SUBSTITUTE TAX	RECOGNI-TION OF DTAS	DTLS	NET BENEFIT
Prime Consult and INA SIM	Art. 110 of Decree Law No. 104/20	3%	18 years	2,991	-	2,991	-90	-	942	852
Credit Suisse Italy	Art. 110 of Decree Law No. 104/20	3%	18 years	27,433	19,559	7,874	-236	-	2,532	2,295
Taxable transactions (off balance -sheet deduction)				**30,423**	**19,559**	**10,865**	**-326**	**-**	**3,474**	**3,148**
BG Fiduciaria SIM S.p.A.	Art. 110 of Decree Law No. 104/20	3%	18 years	4,289	4,289	-	-	-	-	-
Banca del Gottardo Italia (*)	Art. 110 of Decree Law No. 104/20	3%	18 years	31,352	9,406	21,946	-658	2,540	-	1,882
Tax-neutral transactions (redeemed)				**35,641**	**13,695**	**21,946**	**-658**	**2,540**	**-**	**1,882**
Total realignment operations (Decree "Sostegni Bis")				**66,065**	**33,253**	**32,811**	**-984**	**2,540**	**3,474**	**5,029**
Goodwill	Art. 110 of Decree Law No. 185/08	16.0%	5 years	12,202	-	12,202	-1,952	3,923	-	1,971
Trademark	Art. 110 of Decree Law No. 185/08	16.0%	5 years	330	-	330	-53	-	106	53
Client relationships	Art. 176 Paragraph 3-*ter*	12.8%	15 years	8,119	-	8,119	-1,037	-	2,610	1,574
Total special and ordinary redemption operations				**20,650**	**-**	**20,650**	**-3,042**	**3,923**	**2,716**	**3,597**
Total realignment and redemption operations				**86,715**	**33,253**	**53,462**	**-4,026**	**6,463**	**6,190**	**8,627**

(*) DTAs recognised in the amount of 18/50.

[5] In particular, the OIC application document No. 1 of 27 February 2009 relating to the "Accounting treatment of substitute tax on the redemption of goodwill pursuant to Article 15, paragraph 10, of Decree-Law No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements according to IAS/IFRS" provided for 3 accounting treatment models based on different interpretations of IAS 12.

11.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2021	PURSUANT TO LAW NO. 214/2011	31.12.2020	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**61,965**	**6,663**	**48,000**	**7,569**
Provisions for liabilities and contingencies	46,637	-	38,270	-
Write-downs of loans to customers before 2015	1,980	1,980	2,358	2,358
Redeemed goodwill of former Banca del Gottardo (Art. 15, para. 10, of Decree Law 185/08)	2,631	2,631	2,933	2,933
Goodwill of former BG Fiduciaria SIM (Art. 15, para. 10-*ter*)	1,200	1,200	1,338	1,338
Redeemed goodwill of former BG SGR (Art. 176, para. 2-*ter* of TUIR)	852	852	940	940
Redeemed goodwill of former Nextam Partners (Art. 15, para. 10, of Decree Law 185/08)	3,923	-	-	-
Redeemed goodwill of former Banca del Gottardo (Art. 110 of Decree Law 104/21)	2,399	-	-	-
Collective write-downs (ECLs) on loans to customers and banks	381	-	327	-
Other	774	-	732	-
Group companies' tax losses	494	-	376	-
BVG pension funds	694	-	726	-
With impact on Net Equity	**1,039**	**-**	**766**	**-**
Measurement at fair value of HTCS financial assets	453	-	138	-
Actuarial losses (IAS 19) on post-employment benefits	586	-	628	-
Total	**63,004**	**6,663**	**48,766**	**7,569**

The 2015 Financial Stability Law (Law No. 305 of 28 December 2015) mandated a reduction in the ordinary IRES rate from 27.5% to 24% with effect from 1 January 2017. However, for the credit sector alone, a permanent IRES surtax of 3.5% was concurrently introduced, to be applied with effect from the same date, essentially with the aim of permitting the recovery of the very large volume of DTAs accumulated by the banking industry. In view of the combined effect of the two provisions, the DTAs/DTLs continue to be recognised for IRES purposes on the basis of a tax rate of 27.5%, inclusive of the credit sector surtax.

The DTAs eligible for conversion into tax credits pursuant to Law No. 214/2011 include:

a) assets relating to goodwill and other intangible assets subject to redemption pursuant to Article 10, paragraph 10, and paragraph 10-ter of Law Decree 185/08 and Article 176, paragraph 2-ter, of the Consolidated Income Tax Act, relating to the redemption transactions undertaken before 2015; on the other hand, DTAs accrued in respect of realignment transactions undertaken in financial year 2021 cannot be transformed;
b) assets related to adjustments on loans not deducted from taxes as at 31 December 2015, for which Decree Law No. 83/2015, by introducing a system of full deductibility of losses with effect from that year, had remodulated deductibility percentages according to a thorough the ten-year recovery scheme originally set, from 2016 to 2025, based on variable annual quotas.

The 2019 Budget Law (Law No. 145 of 30 December 2018) and the 2020 Budget Law (Law No. 160 of 30 December 2019) once again deferred the deduction of the goodwill and previous adjustments that had given rise to the recognition of deferred tax assets eligible for conversion into tax credits. In detail, the 2019 Budget Law provided for:

> the remodulation of the deductibility of part of the goodwill and other intangible assets not deducted as at 31 December 2017 over a ten-year period, from 2019 to 2029, at different tax rates;
> the deferral until 2026 of the deduction of the portion of adjustments to loans not deducted as at 31 December 2015 that accrued in 2018, set by Decree Law No. 83/2015 at 10% as at 31 December 2026.

The 2020 Budget Law further amended this legal framework by introducing:

> the deferral until 2022 and the three subsequent years of the deduction of the portion of adjustments to loans not deducted as at 31 December 2015 that accrued in 2019 (originally set at 12%);
> the deferral until 2025 and the four subsequent years of the deduction of the portion of goodwill and other intangible assets, which gave rise to the recognition of deferred tax assets eligible for conversion into tax credits pursuant to Article 2, paragraphs 55-56-ter, of Legislative Decree No. 225/2010 (of which Law No. 214/2011) (originally set at 5%).

Accordingly, no DTAs eligible for conversion into tax credits were recovered in 2018 and 2019.

Finally, Law Decree No. 17 of 1 March 2022 provided for the deferral of the deductibility of 12% of the value adjustments for the tax period in progress on 31 December 2021, on a straight-line basis, to the tax period in progress on 31 December 2022 and the three following years.

By way of partial derogation from the mechanism of full deduction of adjustments from loans recognised as loans to customers, the 2019 Budget Law and the 2020 Stability Law introduced a mechanism for deferring income components resulting from the application of the expected credit loss (ECL) model recognised upon first-time adoption of IFRS 9. In particular, the 2018 Budget

Law had established that such components were deductible in ten straight-line instalments over the tax periods from 2018 to 2027, whereas the 2020 budget law provided for the deferral until 2028 of the deduction of the portion accrued in 2019 relating to the first-time adoption of IFRS 9.
DTAs relating to the adjustments in question are not among those eligible for conversion into tax credits and amounted to 140 thousand euros at 31 December 2021.

DTAs for tax losses carryforward amounted to 494 thousand euros and referred to net losses reported by Generfid S.p.A., BG Valeur S.A. and BG Suisse S.A.
The deferred tax assets relating to BG Suisse S.A., a company not within the scope of prudential consolidation, amounted to 388 thousand euros as at 31 December 2021, of which 379 thousand euros with effect on the profit and loss account, almost solely attributable to recognised tax losses, and the remainder on net equity.

11.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2021	31.12.2020
With impact on Profit and Loss Account	**4,195**	**9,848**
Off-balance sheet goodwill deduction	1,054	3,964
Intangible assets recognised upon PPA (trademarks and client relationships)	546	3,298
Financial assets mandatorily measured at fair value through profit and loss (equity securities and policies)	472	418
FTA IFRS 15 – Prepayments for recruitment incentives	-	132
Provision for post-employment benefits (IAS 19)	152	152
Other	131	34
Retained earnings of subsidiaries (IAS 12, para. 38 40)	1,840	1,850
With impact on Net Equity	**1,892**	**3,494**
Measurement at fair value of HTCS financial assets	1,738	3,461
IAS 19-related actuarial gains on BGV pension funds	154	33
Total	**6,087**	**13,342**

The significant reduction in DTLs compared to the previous year was largely due to the realignment transactions carried out during the year and refers to the following accounting items:
- the fair value of customer relationships and trademarks recognised in the consolidated financial statements following the business combination involving the Nextam Partners Group in 2019 of 2,716 thousand euros;
- goodwill relating to the Prime group, fully deducted off-balance sheet over time, and the goodwill recognised in the acquisition of the former Credit Suisse business unit of 2,474 thousand euros.

The residual DTLs deriving from the FTA of IFRS 15 refer to costs for obtaining contracts and relating to ordinary recruitment incentives, taken to the profit and loss account in previous years and recognised as assets at 1 January 2018 (prepayments) and at year-end 2021 were totally recovered.

The DTLs relating to financial assets mandatorily measured at fair value refer to the revaluation of equity instruments and unit-linked policies, the tax relevance of which is deferred until realisation.

Deferred tax assets related to BG Suisse S.A., a company excluded from the prudential consolidated accounts, amounted to 94 thousand euros at 31 December 2021.

11.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2021	31.12.2020
1. Amount at year-start	**48,000**	**46,669**
2. Increases	**26,196**	**14,047**
2.1 Deferred tax assets recognised in the period:	19,733	14,021
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	19,733	14,021
2.2 New taxes or increases in tax rates	-	26
2.3 Other increases	6,463	-
of which recognised for realignment operations	*6,463*	-
3. Decreases	**12,231**	**12,716**
3.1 Deferred tax assets eliminated in the year:	11,928	11,908
a) transfers	11,707	11,449
b) write-downs for non-recoverability	2	280
c) change in accounting criteria	-	-
d) other	219	179
3.2 Decreases in tax rates	-	272
3.3 Other decreases:	303	536
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	303	536
4. Amount at year-end	**61,965**	**48,000**

11.4 Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2021	31.12.2020
1. Amount at year-start	**7,569**	**8,107**
2. Increases	**-**	**-**
3. Decreases	**906**	**538**
3.1 Transfers	906	538
3.2 Conversion into tax credits:	-	-
a) due to losses for the year	-	-
b) due to tax losses	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**6,663**	**7,569**

11.5 Change in deferred tax liabilities (offsetting entry to the Profit and Loss Account)

	31.12.2021	31.12.2020
1. Amount at year-start	**9,848**	**8,650**
2. Increases	**2,624**	**2,769**
2.1 Deferred tax liabilities recognised in the year:	2,624	2,453
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	2,624	2,453
2.2 New taxes or increases in tax rates	-	315
2.3 Other increases	-	1
3. Decreases	**8,277**	**1,571**
3.1 Deferred tax liabilities eliminated in the year:	2,087	940
a) transfers	236	480
b) change in accounting criteria	-	-
c) other	1,851	460
3.2 Decreases in tax rates	-	173
3.3 Other decreases	6,190	458
of which eliminated for realignment operations	*6,190*	-
4. Amount at year-end	**4,195**	**9,848**

11.6 Changes in deferred tax assets (offsetting entry to the Net Equity)

	31.12.2021	31.12.2020
1. Amount at year-start	**766**	**826**
2. Increases	**1,466**	**565**
2.1 Deferred tax assets recognised in the year:	1,466	427
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,466	427
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	138
3. Decreases	**1,193**	**625**
3.1 Deferred tax liabilities eliminated in the year:	118	160
a) transfers	118	160
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	1,075	465
4. Amount at year-end	**1,039**	**766**

The item 3.3 “Other decreases” refers to the reduction in deferred tax assets following the re-absorption of deductible temporary differences as a result of reversals of assets in the HTCS portfolio.

11.7 Changes in deferred tax liabilities (offsetting entry to the Net Equity)

	31.12.2021	31.12.2020
1. Amount at year-start	**3,494**	**3,278**
2. Increases	601	1,250
2.1 Deferred tax liabilities recognised in the year:	601	1,250
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	601	1,250
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	2,203	1,034
3.1 Deferred tax liabilities eliminated in the year:	1,180	580
a) transfers	1,180	580
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	1,023	454
4. Amount at year-end	**1,892**	**3,494**

The item 3.3 “Other decreases” refers to the reduction in deferred tax liabilities following the re-absorption of deductible temporary differences as a result of higher value adjustments of assets in the HTCS portfolio.

Section 12 – Non-current assets available for sale and disposal groups and associated liabilities - Item 120 (Assets) and Item 70 (Liabilities)

12.1 Non-current assets held for sale and disposal groups: categories

	31.12.2021	31.12.2020
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property and equipment	-	-
of which:		
- *obtained through the enforcement of guarantees received*	-	-
A.4 Intangible assets	106	-
A.5 Other non-current assets	2,588	-
Total (A)	**2,694**	**-**
of which:		
– valued at cost	**-**	**-**
– of which measured at fair value level 1	**-**	**-**
– of which measured at fair value level 2	***2,694***	**-**
– of which measured at fair value level 3	**-**	**-**
B. Discontinued operations	**-**	**-**
B.1 Financial assets measured at fair value through profit or loss	-	-
HFT financial assets	-	-
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
of which:		
- *obtained through the enforcement of guarantees received*	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
of which:		
– valued at cost	**-**	**-**
– of which measured at fair value level 1	**-**	**-**
– of which measured at fair value level 2	**-**	**-**
– of which measured at fair value level 3	**-**	**-**
C. Liabilities associated with assets held for sale		
C.1 Debts	25	-
C.2 Securities	-	-
C.3 Other liabilities	293	-
Total (C)	**318**	**-**
of which:		
– valued at cost	**-**	**-**
– of which measured at fair value level 1	**-**	**-**
– of which measured at fair value level 2	***318***	**-**
– of which measured at fair value level 3	**-**	**-**
D. Liabilities associated with discontinued operations	**-**	**-**
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which:		
– valued at cost	-	-
– of which measured at fair value level 1	-	-
– of which measured at fair value level 2	-	-
– of which measured at fair value level 3	-	-

12.2 Non-current assets held for sale and disposal groups: other information

On 5 March 2021, Banca Generali's Board of Directors approved the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group.

After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on 20 January 2022. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate.

Pursuant to IFRS 5, at 31 December 2021, at consolidated level the assets and liabilities of the company have been reclassified to the assets and liabilities referring to disposal groups and liabilities associated with disposal groups.

Section 13 – Other assets - Item 130

13.1 Breakdown of other assets

	31.12.2021	31.12.2020
Fiscal items	**80,935**	**81,840**
Advances paid to fiscal authorities – current account withholdings	80	276
Advances paid to fiscal authorities – stamp duty	56,691	53,654
Advances of substitute tax on capital gains	22,368	24,637
Excess payment of substitute taxes for tax shield	-	634
Other advances paid to and sums due from fiscal authorities	463	2,401
Fiscal Authorities/VAT	88	88
Sums due from fiscal authorities for other taxes to be refunded	1,245	150
Leasehold improvements	**7,985**	**7,271**
Operating loans not related to financial transactions	**290**	**201**
Sundry advances to suppliers and employees	**2,119**	**2,981**
Cheques under processing	**8,634**	**9,499**
Money orders and other amounts receivable	8,634	9,499
Other amounts to be debited under processing	**34,848**	**52,534**
Amounts to be settled in the clearing house (debits)	2,285	2,702
Clearing accounts for securities and funds procedure	24,030	44,994
Other amounts to be debited under processing	8,533	4,838
Amounts receivable for legal disputes related to non-credit transactions	**109**	**127**
Trade receivables from customers and banks that cannot be traced back to specific items	**52,864**	**44,972**
Other amounts	**187,348**	**173,856**
Prepayments for the new supplementary fees for sales network	73,451	84,556
Prepayments of exclusive portfolio management fees	-	64
Prepayments for ordinary incentives	93,031	69,255
Prepayments of segregated asset management fees	-	4,789
Other accrued income and deferred charges that cannot be traced back to specific items	17,573	11,858
Term deposit to guarantee the consideration related to Nextam (escrow account)	3,000	3,000
Sundry amounts	293	334
Total	**375,132**	**373,281**

Receivables from fiscal authorities for withholdings on current accounts represent the positive imbalance between payments on account and the related payable to fiscal authorities.

Other assets include assets associated with the incremental costs of obtaining a contract or incurred to fulfil a contract with customers set out in IFRS 15, paragraphs 91-104.

Prepayments for the supplementary fees for sales network refer to incremental fee expense of acquiring new customers paid to new Financial Advisors within the framework of recruitment programmes and based on the achievement of specific net inflows targets.

Prepayments for ordinary incentives paid to the sales network instead qualify as incremental costs of obtaining a contract or costs incurred to fulfil a contract and consist of fees paid annually to the existing sales network based on the achievement of net inflows targets, irrespective of whether they have been achieved by acquiring new customers or by strengthening relationships already in place with existing customers.

This latter class of assets includes a portion of incentives paid to the management in respect of the recruitment of new Financial Advisors, essentially based on net inflows targets and akin to recruitment incentives, subject to recognition upon FTA of IFRS 15.

Both categories of costs are systematically amortised over a time horizon corresponding to the transfer to the customer of the goods or services to which the asset refers, estimated to amount to five years.

Prepaid segregated portfolio fees refer to the up-front fees paid in 2017 to the sales network for the stabilisation of the LOB I insurance portfolio in post sales over a five-year time horizon.

The changes in the main prepaid expenses during the year are shown below.

	31.12.2020	AMORTISATION	OF WHICH RELATIVE TO THE PREVIOUS YEAR	INCREASES	OTHER CHANGES	31.12.2021
Supplementary fees	84,556	-41,418	-35,818	30,313	-	73,451
Ordinary incentives	69,255	-33,561	-21,642	59,598	-2,261	93,031
Up-front fees on segregated accounts	4,789	-4,758	-4,758	-	-31	-
Total network incentives	**158,600**	**-79,737**	**-62,218**	**89,911**	**-2,292**	**166,482**
Entry bonus on BG Solution portfolio management	5,740	-2,169	-1,899	4,144	-	7,715
Bonus on JPM funds	117	-104	-86	119	-	132
Total other acquisition costs	**5,857**	**-2,273**	**-1,985**	**4,263**	**-**	**7,847**
Total	**164,457**	**-82,010**	**-64,203**	**94,174**	**-2,292**	**174,329**

Other prepaid expenses include for 9,726 thousand euros prepaid expenses not accrued during the period and refer in particular to lease prepayments, insurance premiums and other general and administrative expenses.

PART B – INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - LIABILITIES

Section 1 – Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: due to banks - categories

TYPE OF TRANSACTIONS/VALUES	31.12.2021 BOOK VALUE	31.12.2020 BOOK VALUE
1. Due to Central Banks	**690,725**	**497,361**
2. Due to banks	**128,009**	**100,768**
2.1 Current accounts and sight deposits	96,022	77,034
2.2 Term deposits	-	-
2.3 Financings	12,422	6,014
2.3.1 Repurchase agreements	11,752	6,014
2.3.2 Other	670	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Lease debts	-	-
2.6 Other debts	19,565	17,720
Total	**818,734**	**598,129**
Fair value – L1	-	-
Fair value – L2	818,734	598,129
Fair value – L3	-	-
Total – Fair value	**818,734**	**598,129**

The item “Other debts” entirely refers to deposits made by EFG Bank S.A. as a guarantee for some non-performing exposures, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

1.2 Financial liabilities measured at amortised cost: due to customers – categories

TYPE OF TRANSACTIONS/VALUES	**31.12.2021 BOOK VALUE**	**31.12.2020 BOOK VALUE**
1. Current accounts and sight deposits	13,231,340	10,440,898
2. Term deposits	-	-
3. Financing	7,441	144,937
3.1 Repurchase agreements	-	144,937
3.2 Other	7,441	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Lease debts	156,363	148,952
6. Other debts	198,476	**173,680**
Total	**13,593,620**	**10,908,467**
Fair value – L1	-	-
Fair value – L2	13,593,620	10,908,467
Fair value – L3	-	-
Total - Fair value	**13,593,620**	**10,908,467**

Item 5 “Lease debts” includes the liability relating to lease payments determined on the basis of the IFRS 16 - Leases, which entered into force on 1 January 2019.

Item 6 “Other debts” refers for 18,230 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, and, for the remaining amount, to other sums made available to customers and trade payables to the sales network.

1.6 Lease debts

Lease debts recognised in the Financial Statements at 31 December 2021 amounted to 156,363 thousand euros.

The following table shows the maturity of these lease debts in accordance with paragraphs 53(g) and 58 of IFRS 16 – Leases:

RESIDUAL LEASE DEBTS – YEAR	AMOUNT
2022	19,081
2023	18,446
2024	17,976
2025	16,510
2026	15,613
2027	13,751
2028	12,222
2029	10,874
2030	9,803
2031	8,587
2032	8,100
2033	4,052
2034	525
2035	543
2036	278

Section 2 – Financial liabilities held for trading - Item 20

2.1 HFT financial liabilities: categories

	31.12.2021					31.12.2020				
		FV					FV			
TYPE OF TRANSACTIONS/VALUES	NV	L1	L2	L3	FV (*)	NV	L1	L2	L3	FV (*)
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2,1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial	**-**	**-**	**4,551**	**-**	**-**	**-**	**-**	**1,551**	**-**	**-**
1.1 Trading	X	-	4,551	-	X	X	-	1,551	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit		-	-	-	**-**		-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**4,551**	**-**	**X**	**X**	**-**	**1,551**	**-**	**X**
Total (A + B)	**X**	**-**	**4,551**	**-**	**X**	**X**	**-**	**1,551**	**-**	**X**

(*) FV = fair value measured without taking account of the issuer's creditworthiness changes compared to issue date.

HFT financial liabilities consist for 4,551 thousand euros of trading transactions relating to currency outrights with customers as counterparty. This item has its balancing entry in assets classified under Item 20.

Section 4 – Hedging derivatives - Item 40

In the second half of 2019, the Bank began to operate in asset swap derivatives, trading interest rate swaps to hedge debt securities, mostly Italian and foreign fixed-rate and index-linked government bonds allocated to the HTCS and HTC portfolios.

For each hedging derivative, a specific highly effective fair value hedging relationship is formed.

At year-end, the notional amounts of the hedging derivatives outstanding amounted to approximately 2,543.5 million euros, of which 310 million euros relating to the HTCS portfolio with a positive fair value of 11.4 million euros and a negative fair value of 167.3 million euros.

4.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

	31.12.2021 - FAIR VALUE			NOTIONAL VALUE	31.12.2020 - FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**167,320**	**-**	**1,716,000**	**-**	**67,853**	**-**	**1,654,000**
1) Fair value	-	167,320	-	1,716,000	-	67,853	-	1,654,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**167,320**	**-**	**1,716,000**	**-**	**67,853**	**-**	**1,654,000**

4.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

	FAIR VALUE							SPECIFIC		
	SPECIFIC									
HEDGING TRANSACTIONS/TYPE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND STOCK INDICES	CURREN-CIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVEST-MENTS
1. Financial assets measured at fair value through other comprehensive income	8,231	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	159,089	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**167,320**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**X**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax liabilities - Item 60

Section 11 (Assets) provides an analysis.

Section 7 – Liabilities associated to assets held for sale - Item 70

Section 12 (Assets) provides an analysis.

Section 8 – Other liabilities - Item 80

8.1 Breakdown of other liabilities

	31.12.2021	31.12.2020
Trade payables	**26,739**	**20,195**
Due to suppliers	26,002	19,758
Due for payments on behalf of third parties	737	437
Due to staff and social security institutions	**27,875**	**26,685**
Due to staff for accrued holidays etc.	3,699	4,483
Due to staff for productivity bonuses to be paid out	16,314	14,945
Contributions to be paid to social security institutions	3,047	2,950
Contributions to Financial Advisors to be paid to Enasarco	4,815	4,307
Tax authorities	**30,397**	**30,439**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	6,745	6,190
Withholding taxes to be paid to tax authorities on behalf of customers	5,534	4,700
Notes to be paid into collection services	16,528	15,707
VAT payables	1,493	3,842
Tax payables – other (stamp duty and substitute tax on medium-/long-term loans)	97	-
Amounts to be debited under processing	**66,487**	**93,258**
Bank transfers, cheques and other sums payable	986	434
Amounts to be settled in the clearing house (credits)	21,306	23,098
Liabilities from reclassification of portfolio subject to collection (SBF)	6,956	5,986
Other amounts to be debited under processing	37,239	63,740
Sundry items	**90,539**	**11,120**
Amounts to be credited	2,454	1,820
Sundry items	1,519	1,088
Amounts due to shareholders for dividends for financial year 2020	80,874	-
Accrued expenses and deferred income that cannot be traced back to specific items	985	905
Sums made available to customers	206	1,573
Liabilities for deferred consideration (earn out) related to the acquisition of the Nextam Group	4,501	5,734
Total	**242,037**	**181,697**

The amount payable for the deferred consideration due to the selling shareholders of the Nextam Group was partially written off due to the settlement agreements reached with them in July 2021 and conditional on the finalisation of the sale of the majority interest in Nextam Partners SIM. On 20 January 2022, the date of disposal of the interest, a settlement amount of 2.2 million euros was therefore paid to the previous shareholders compared to 3.4 million euros initially established as earn-out, as the unpaid residual amounting to 1.2 million euros had been already recognised in provisions for contingencies. The agreements with the key managers remains valid and their employment relationship with the Bank continues.

Pursuant to paragraphs 116 a) and 116 b) of IFRS 15, it is reported that the item deferred income includes liabilities associated with contracts within the scope of application of IFRS 15 and relating to three-year up-front fees received in connection with the placement of certain classes of foreign UCITS.

Opening balance at 01.01.2021	**154**
Increases	217
Decreases due to the transfer to profit and loss	-138
of which:	
- *relating to prior years*	*-112*
Closing balance at 31.12.2021	**233**

Section 9 – Provisions for termination indemnity - Item 90

9.1 Provisions for termination indemnity: year changes

	31.12.2021	31.12.2020
A. Amount at year-start	**4,936**	**5,153**
B. Increases	**13**	**541**
B.1 Provisions for the year	13	41
B.2 Other increases	-	500
C. Decreases	**614**	**758**
C.1 Amounts paid	384	732
C.2 Other decreases	230	26
D. Amount at year-end	**4,335**	**4,936**

9.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.

The provision was measured based on the actuarial value using the methods described in Part. A.2 of these Notes and Comments. The following are the main actuarial assumptions and the breakdown of the provision for the year and actuarial gains/(losses):

	31.12.2021	31.12.2020
Discount rate (*)	0.49%	0.15%
Annual inflation rate	1.00%	0.70%
Salary increase rate	1.80%	1.80%
Average duration (years)	9	10

(*) Rate applied to Banca Generali.

	31.12.2020	31.12.2020
1. Provisions:	13	41
- current service cost	6	20
- interest cost	7	21
2. Actuarial gains and losses:	-168	500
- based on financial assumptions	-159	110
- based on actuarial demographic assumptions	-9	390
Total provisions for the year	**-155**	**541**
Actuarial value	**4,335**	**4,936**
Value calculated re. Article 2120 of the Italian Civil Code	**4,056**	**4,238**

Section 10 – Provisions for liabilities and contingencies - Item 100

10.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2021	31.12.2020
1. Provisions for credit risk relating to commitments and financial guarantees issued	43	124
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	2,974	3,751
4. Other provisions for liabilities and contingencies	223,491	183,461
4.1 Legal and tax disputes	24,123	15,573
4.2 Staff	18,118	15,703
4.3 Other	181,250	152,185
Total	**226,508**	**187,336**

Breakdown of other provisions for liabilities and contingencies

	31.12.2021	31.12.2020
Provision for staff expenses	**18,118**	**15,703**
Provision for restructuring plan	2,462	162
Provision for staff expenses - other	15,656	15,541
Provisions for legal disputes	**16,067**	**12,923**
Provision for risks related to legal disputes connected with sales network's embezzlements	9,968	7,940
Provision for risks related to legal disputes with sales network	961	644
Provision for other legal disputes	5,138	4,339
Provision for termination indemnity of Financial Advisors	**147,070**	**121,433**
Provision for termination indemnity of sales network	83,104	74,039
Provision for managerial development indemnity	12,020	12,190
Provision for portfolio overfee indemnities	7,845	4,477
Provision for pension bonuses	10,292	10,180
Provisions for Framework Loyalty Programme	33,809	20,547
Provisions for network incentives	**31,270**	**27,522**
Provision for network development plans	23,301	19,125
Provision for deferred bonus	59	474
Provision for managers with access gate	1,092	821
Provision for sales incentives	2,197	1,615
Provision for travel incentives	3,700	4,500
Provision for other fee plans	921	987
Provision for tax and contributions/pension dispute	**8,056**	**2,650**
Other provisions for liabilities and contingencies	**2,910**	**3,230**
Total	**223,491**	**183,461**

10.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR OTHER COMMITMENTS AND OTHER GUARANTEES ISSUED	PROVISIONS FOR PENSIONS	OTHER PROVISIONS FOR LIABILITIES AND CONTINGENCIES	TOTAL
A. Amount at year-start	**124**	**3,751**	**183,461**	**187,336**
B. Increases	**-**	**433**	**75,973**	**76,406**
B.1 Provisions for the year	-	296	75,973	76,269
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to different discount rates	-	-	-	-
B.4 Other increases	-	137	-	137
C. Decreases	**81**	**1,210**	**35,943**	**37,234**
C.1 Use in the year	-	-	26,407	26,407
C.2 Changes due to different discount rates	-	-	-	-
C.3 Other decreases	81	1,210	9,536	10,827
D. Amount at year-end	**43**	**2,974**	**223,491**	**226,508**

Other provisions for liabilities and contingencies – details of movements

	31.12.2020	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2021
Provision for staff expenses	**15,703**	**-2,674**	**-1,712**	**-253**	**7,054**	**18,118**
Provision for restructuring plan	162	-	-	-	2,300	2,462
Provision for staff expenses - other	15,541	-2,674	-1,712	-253	4,754	**15,656**
Provisions for legal disputes	**12,923**	**-2,246**	**-661**	**-**	**6,051**	**16,067**
Provision for risks related to legal disputes connected with sales network's embezzlements	7,940	-614	-110	-	2,752	9,968
Provision for risks related to legal disputes with sales network	644	-61	-221	-	599	961
Provision for other legal disputes	4,339	-1,571	-330	-	2,700	5,138
Provision for termination indemnity of Financial Advisors	**121,433**	**-2,320**	**-2,075**	**-2,359**	**32,391**	**147,070**
Provision for termination indemnity of sales network	74,039	-1,343	-1,828	-	12,236	83,104
Provision for portfolio overfee indemnities	4,477	-85	-68	-	3,521	7,845
Provision for managerial development indemnity	12,190	-682	-51	-2,359	2,922	12,020
Provision for pension bonuses	10,180	-210	-128	-	450	10,292
Provision for Framework Loyalty Programme	20,547	-	-	-	13,262	33,809
Provisions for risks related to network incentives	**27,522**	**-17,699**	**-1,691**	**-**	**23,138**	**31,270**
Provision for network development plans	19,125	-11,698	-1,282	-	17,156	23,301
Provision for deferred bonus	474	-370	-53	-	8	59
Provision for managers with access gate	821	-284	-150	-	705	1,092
Provision for sales incentives	1,615	-118	-	-	700	2,197
Provision for fees – travel incentives	4,500	-4,500	-	-	3,700	3,700
Provision for fee plans	987	-729	-206	-	869	921
Provision for tax and contributions/ pension dispute	**2,650**	**-282**	**-**	**-**	**5,688**	**8,056**
Other provisions for liabilities and contingencies	**3,230**	-1,186	-785	-	**1,651**	**2,910**
Total	**183,461**	**-26,407**	**-6,924**	**-2,612**	**75,973**	**223,491**

The increase in provisions for contractual indemnities was attributable for approximately 2.5 million euros to the effect of the change in the curve of discount rates applied to them, measured according to an actuarial approach.

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED				
	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	TOTAL
1. Commitments to disburse funds	-	-	-	-	**-**
2. Financial guarantees issued	33	10	-	-	**43**
Total	**33**	**10**	**-**	**-**	**43**

10.5 Defined benefit company pension funds

10.5.1 Characteristics of the funds and related risks

The item "Pension funds" refers to the supplementary pension plan for employees of BG Valeur S.A. and BG Suisse S.A., which under local pension legislation (LLP) provides mandatory supplementary benefits upon meeting pension requirements or an adverse event (death or disability).
Pension obligations are covered by segregated assets, managed under a contractual relationship between the Company and Swiss Life Collection Foundation BGV.
In turn, the Foundation fully reinsures all disability, death and longevity risks, including investment risk, with the insurer Swiss Life SA, which invests the capital, guaranteeing the repayment of 100% of capital plus interest at a guaranteed rate.
In 2021, the guaranteed rate was 1.00% for the mandatory cover and 0.125% for the optional cover.

Contributions to the plan are paid by employees and the employer, with regard to both pension entitlement and coverage of the death and disability risk benefits. The cumulative balance of the pension account is based on the pension contributions made by the employee and employer and the interest accrued. The amount of the pension payable upon retirement is calculated by applying an annuity conversion rate established by the law and plan rules to the cumulative balance of each participant's pension account.
Although the Swiss supplementary pension system operates as a defined-contribution plan pursuant to local legislation, under IAS 19 – Employee Benefits it is accounted for as a defined benefit pension plan, due to the presence of the guaranteed return on investment, fixed rate of conversion of the pension amount into a life annuity and the obligation for the participants to intervene if the plan is underfunded.

The liability and cost relating to this plan are calculated on the basis of actuarial assumptions applying the Projected Unit Credit Method. This method calls for future outlays to be projected on the basis of historical statistical and demographic curve analyses and discounting of the cash flows in question at a market interest rate. The contributions paid in each year are considered separate units, recognised and measured individually to determine the final obligation.
The rate used for discounting is determined by reference to the yields on "high quality corporate bonds" and in particular yields observed on the Swiss market for maturities between 15 and 20 years.
The present value of the obligation at the reporting date is also stated net of the fair value of the assets in service of the plan.
Actuarial gains and losses on defined-benefit plans are taken to the statement of other comprehensive income (OCI).

10.5.2 Year changes in net defined benefit liabilities (assets) and reimbursement rights

The following table shows the changes in liabilities and assets associated with the defined benefit plan in 2021:

	LIABILITIES OF THE DBO PENSION FUND	ASSETS IN SERVICE OF THE PLAN (FAIR VALUE)	PROVISIONS FOR PENSIONS
Amount at year-start	**-11,658**	**7,907**	**-3,751**
Current service cost	-286	-	-286
Interest (expense)/income	-35	25	-10
Other increases	-487	350	-137
Return on assets, net of interests	-	34	34
Actuarial gains (losses) arising from changes in financial assumptions	542	-	542
Employer contributions paid	-	256	256
Employer contributions paid to meet benefits directly	-254	254	-
Plan beneficiaries' contributions	-160	160	-
Indemnities paid	195	-195	-
Other decreases	378	-	378
Amount at year-end	**-11,765**	**8,791**	**-2,974**

10.5.3 Fair value of the assets in service of the plan

The assets in service of the plan consist solely of the value of the insurance policy covering the plan.

10.5.4 Description of the main actuarial assumptions

The following table presents the main actuarial assumptions and reference rates used:

	31.12.2021
Discount rate	0.35%
Salary increase rate	0.50%
Men's retirement age	65 years
Women's retirement age	64 years
Demographic tables used	BVG 2020 GT
Average duration (years)	9.7

10.5.5 Amount, timing and uncertainty of cash flows

The sensitivity analysis was conducted on the DBO value presented in Table 10.5.2 above.
The results presented below express the percent change in the defined benefit obligation resulting from a +/- 50 bps change in the discounting rate or the salary increase rate or a change in life expectancy of +/-1 year:

SENSITIVITY ANALYSIS	CHANGE %
Sensitivity analysis on discount rate	
Discount rate +0.50%	-7.80%
Discount rate -0.50%	9.00%
Sensitivity analysis on salary increase rate	
Salary increase rate +0.50%	0.50%
Salary increase rate -0.50%	-0.50%
Sensitivity analysis on mortality assumptions	
Life expectancy +1 year	1.50%
Life expectancy -1 year	-1.50%

The average duration of the defined benefit obligation was 9.7 years.

10.6 Provisions for liabilities and contingencies - other provisions

10.6. 1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

> the share of the variable compensation of managers of the Banking Group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration policy;
> allocations to the provision for the recruitment plans regarding new employed Relationship Managers (RMs), valued also based on the specific contractual conditions agreed upon and on the probability to achieve the net inflow targets set;
> allocations for post-employment medical benefits of Group's managers, valued using the actuarial method pursuant to IAS 19;
> the provision related to the performance bonus, if at the reporting date the company supplementary contract (CIA) has expired or has not been renewed yet.

The above-mentioned provisions have as their balancing entries staff expenses.

Provisions for staff expenses also include, to a lesser extent, provisions outside the scope of IAS 19 but for which IAS 37 applies and that have therefore as their balancing entries net provisions for liabilities and contingencies.

10.6.2 Restructuring provisions – Redundancy incentives plan

The voluntary redundancy plan covered by the specific company restructuring provision was launched at the end of 2015 to encourage the rotation of resources through incentives for voluntary departure for groups of employees nearest to retirement age and the filling of the resulting vacant positions with professional and/or managerial profiles more suited to the specific skills now required from a business standpoint.

On 17 December 2021, the Board of Directors extended the voluntary redundancy plan, allocating 2.3 million euros. At the end of the year, the residual amount was therefore 2,462 thousand euros.

10.6.3 Provisions for legal disputes

This type of provisions for risks includes provisions for pending litigations connected with sales network's embezzlements after insurance coverage, as well as those with disputes currently underway with the sales network and employees and other legal and extra-legal disputes with customers and other entities.

10.6.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity, the social-security bonus, the provisions associated with the Framework Loyalty Programme (approved by the General Shareholders' Meeting on 20 April 2017) and the provisions for manager development indemnity.
Provisions covering the cost of the **termination indemnity** of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments to the Consolidated Financial Statements for the year ended on 31 December 2021.
The expenses associated with obligations extant at year-end relating to Financial Advisors are valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

TERMINATION INDEMNITY	31.12.2021	31.12.2020
Discount rate [6]	1.0%	1.1%
Turnover rate (professionals)	1.46%	1.71%
Average duration (years)	13 years	12 years
IAS 37 DBOs/Indemnity provision at the measurement date	67.01%	66.72%

The ratio of Deferred Benefit Obligations (DBOS) to nominal value of the accrued obligation towards Financial Advisors is given using the value of the provision after one-off deductions related to seniority.

The increase in the provision for termination indemnities accrued to Financial Advisors during the year was due not only to the significant increase in the fee base, but also the lower discount rates applied and the revision of the demographic parameters used, owing to the adjustment of the retirement age of advisors, identified on the most recent surveys conducted[7].

A specific measurement is made for Financial Advisors who have left service.

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.6 million euros, is still based on the payment criteria established by the previous employer and was recognised under provisions for risks. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The **portfolio overfee indemnities** are instead a scheme (further details are provided in Part A.2 of the Notes and Comments to the Consolidated Financial Statements as at 31 December 2021) that calls for Financial Advisors with at least five years of seniority who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reassignment of the latter.
The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.
Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the Bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

The "**pension bonus**" is a component of the sales network's indemnity plans, which entailed the yearly provision of an amount based on the achievement of pre-set sales objectives and to be paid only upon final termination for retirement or permanent disability. The actuarial method is used also for this type of evaluation. This incentive has been discontinued as of 2016, without prejudice to the rights acquired by the beneficiaries in previous years.

Within the framework of provisions for contractual indemnities, on 21 March 2017 the Board of Directors granted its final approval for a **Framework Loyalty Programme for the Sales Network** aimed at improving the retention of the Network and the customers acquired over time, and creating value for the Group by attracting stable, high-quality net inflows.

[6] The discount rate was determined on the basis of an average EURIRS curve for the last four quarters, increased linearly by the spread between the EURIRS rate and 10-year BTP.
The rate represented is the rate that corresponds to the average duration of the relevant liabilities, 13 years.

[7] *In particular, on the basis of observations of the average retirement age over a 5-year time horizon, the estimated age for Financial Advisors was raised to about 70, an increase of two years over the estimate based on the legal parameters.*

The Framework Loyalty Programme is divided into eight separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which may be activated from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.
The individual plans of the Framework Loyalty Programme for the Sales Network will all expire on 31 December 2026, after decreasing lengths, and each will allow part of the bonus to be paid in cash and part in shares of Banca Generali (max 50%), after having assessed their effects at the level of capital ratios and free float. The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.
2021 saw the launch of the fifth annual cycle (2021-2026).

Provisions for contractual indemnities refer also to the charge relating to the managerial development indemnity mechanism, approved by the Board of Directors in June 2018 and intended to ensure fair treatment of all network managers in the event of dismissal from their additional roles.

10.6.5 Provisions for sales network incentives

This aggregate includes:

> the estimate of the charges accrued in relation with several recruitment plans for middle-term expansion of managed portfolios. These plans envisage different kinds of incentives (entry bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow target and the presence in the company for one or more years (up to 5 or 7 years);
> the share of network managers' annual incentives deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration Policy;
> provisions for incentive plans based on the network's performance for the period, including the BG Premier Club trip and other special fee plans (supplementary allowances, stabilisers, target-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuous service on the network or the achievement of sales targets.

10.6.6 Tax dispute

In the tax dispute, two distinct tax audits are being conducted by the Italian Revenue Agency for tax period 2014 and, as limited to 2015, also by the Trieste Economic and Financial Police Unit of the Italian Finance Police, concerning financial year 2015 and following.
The tax audit relating to 2014, launched in March 2017 by the Italian Revenue Agency – Friuli-Venezia Giulia Regional Department, has thus far resulted in the issuance of two Report on Findings (PVC), the first of which on 22 December 2017, primarily containing charges relating to accrual and pertinence of costs, and the second on 29 June 2018, relating to transfer pricing violations.
The time limit for the assessment relating to the year 2014 is pending to date, following the extension granted pursuant to Article 1, paragraph 9, of Decree-Law No. 119 of 23 October 2018.
In November 2019, discussions were also begun with the Large Business Taxpayers Office of the above Department regarding a ruling granted by the Luxembourg Tax Authority to the Luxembourg subsidiary BGFML in 2008, obtained by it via the international administrative cooperation procedure.
Furthermore, with regard to a report of irregularities contained in the 2017 Report on Findings, an assessment notice was issued for the 2015 tax period in a modest amount relating to alleged non-deductibility of costs, but only served on the Bank on 24 February 2022, as a result of the pandemic rules introduced in 2020 in response to the pandemic.
On 4 March 2020, the Trieste Economic and Financial Police Unit of the Italian Finance Police began an audit of VAT, direct taxes and other taxes focusing on "relations with foreign subsidiaries" and concerning all years open for tax purposes, from 2015 to 2020, inclusive.
However, the control activity was significantly influenced by the Covid-19 emergency and was therefore immediately suspended in March 2020, to be resumed in July and then suspended again from October 2020 to November 2021.
On 9 December 2021, the Bank was thus served with an initial Report on Findings concerning 2015 and 2016, focused on disputing the Luxembourg ruling and the transfer pricing method for relations with BGFML adopted by the Bank and subject to disclosure within the framework of the national documentation.
This Report on Findings also contained a recalculation of 2014 taxable income that was not subject to audit by the Economic and Finance Police Unit. The audit continues in relation to subsequent tax periods.

The issuance of the Report on Findings (the so-called PVC) by the Economic and Finance Police Unit also marked the resumption of the assessment process by the Italian Revenue Agency, which on 24 November served an invitation to appear to begin the process leading up to a verification with acceptance procedure for the tax period 2014.
In that document, the Revenue Agency also redetermined the amount of taxes due for the tax period 2014 claiming the taxable income to be about 90.4 million euros higher, of which 86.8 million euros regarding objected transfer pricing, as per the above-mentioned Finance Police's PVC, and 3.6 million arising mostly on the 2017 PVC itself.
In December and in the first two months of 2022, various exchanges thus took place with the Large Business Taxpayers Office to reach a solution to the tax dispute, the outcome of which is currently still under evaluation.
Despite having stressed the correctness of its actions in all venues and deeming the Revenue Agency's claims unfounded, Banca Generali decided to recognise a further prudential provision to cover the claims of 5 million euros, bringing the total provisioned for this tax dispute to approximately 7.6 million euros. The Bank reserves, in any way, the right to dispute any assessment notices based on the alleged irregularities identified in the Report on Findings, through both administrative and judicial process.

10.6.7 Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include provisions for operating risks.

Section 13 – Group net equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 Breakdown of share capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
Share capital				
- ordinary shares	1.00	116,851,637	116,851,637	116,852
Treasury shares				
- ordinary shares	1.00	-2,219,469	-2,219,469	-64,822
		114,632,168	**114,632,168**	**52,030**

13.2 Share capital – Number of shares of the Parent Company: year changes

ITEMS/TYPES	ORDINARY	OTHER
A. Existing shares at year-start	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-
A.1 Treasury shares (-)	-1,767,676	-
A.2 Outstanding shares: at year-start	**115,083,961**	**-**
B. Increases	248,207	-
B.1 Newly issued shares		
- against payment:	-	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrants	-	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	248,207	-
B.3 Other changes	-	-
C. Decreases	**-700,000**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-700,000	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**114,632,168**	**-**
D.1 Treasury shares (+)	2,219,469	-
D.2 Existing shares at year-end	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-

13.3 Share capital: further information

At the reporting date, the share capital of the Bank consisted of 116,851,637 ordinary shares of 1 euro each, with regular dividend entitlement, and it was fully paid up.

13.4 Earnings reserves: further information

	31.12.2020	PROFIT ALLOCATION DIVIDEND DISTRIBUTION	PURCHASE/ SALE OF TREASURY SHARES	ISSUE OF NEW SHARES	IFRS 2 CHARGES	OTHER CHANGES	31.12.2021
Legal reserve	23,370	-	-	-	-	-	23,370
Restricted reserve for shares of the Parent Company	883	-	-	-	-	268	1,151
Merger surplus reserve –BG SGR	3,853		-	-	-	-	3,853
Merger surplus reserve – BG Fiduciaria	10,901	-	-	-	-	-	10,901
Reserves for IFRS 9 and IFRS 15 FTA	4,768	-	-	-	-	-	4,768
Share-based payments reserve (IFRS2) plans ended	507	-	-	-	-	-	507
IFRS 2 reserves – LTIP cycles ended (1)	10,550	-	-	-	-	-	10,550
IFRS 2 reserves – LTI plans based on BG shares	3,601	-	-1,771	-	1,839	-	3,669
IFRS 2 reserve – 2019-2021 share plan	220	-	-	-	183	-	403
IFRS 2 reserve – Key Personnel remuneration	4,116	-	-3,351	-	4,274	-	5,039
IFRS 2 reserve – Group key personnel remuneration	276	-	-163	-	45	-	158
IFRS 2 reserve – Framework Loyalty Programme	2,652	-	-	-	2,770	-	5,422
Reserve for AT1 BG Perpetual coupon	-1,631	-	-	-	-	-1,632	-3,263
Reserve from profit (loss) carried forward – Parent Company	529,154	-96,403	-	-	-	7,374	440,125
Reserve from profit (loss) carried forward – consolidated	125,898	-14,290	-	-	-	-	111,608
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	3,710
Restricted reserve pursuant to Article 6, para. 1(a), of Leg. Decree No. 38/2005	3,643	-	-	-	-	-1,581	2,062
Total	**726,471**	**-110,693**	**-5,285**	**-**	**9,111**	**4,429**	**624,033**

(1) This reserve shows the increase in capital ensuing from share-based payments to employees and Directors through assignment of shares of the parent company Assicurazioni Generali S.p.A.

13.5 Breakdown of equity instruments: year changes

On 23 December 2019, Banca Generali finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros that under IAS 32 is considered an equity instrument and meets the requirements under regulatory capital rules in force for being recognised as Additional Tier 1 instrument in the Issuer's financial statements.

The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer's sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent supervisory authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years.

(€ THOUSAND)	31.12.2021	31.12.2020
Amount at year-start	50,000	50,000
Issue-related increases	-	-
Decreases for reimbursements	-	-
Amount at year-end	**50,000**	**50,000**

Section 14 – Net equity attributable to minority interests - Item 190

14.1 Breakdown of Item 190 – Net equity attributable to minority interests

(€ THOUSAND)	31.12.2021	31.12.2020
Other equity investments		
1. BG Valeur S.A.	313	246
Total	**313**	**246**

PART B – INFORMATION ON THE BALANCE SHEET

Other information

1. Commitments and financial guarantees issued

TRANSACTIONS	NOMINAL VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED					
	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	31.12.2021	31.12.2020
1. Commitments to disburse funds	**453**	**-**	**-**	**-**	**453**	**68**
a) Central Banks	-	-	-	-	-	-
b) Public administration bodies	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	300	-	-	-	300	-
e) Non-financial companies	-	-	-	-	-	-
f) Households	153	-	-	-	153	68
2.Financial guarantees issued	**64,564**	**1,937**	**-**	**-**	**66,501**	**78,144**
a) Central Banks	-	-	-	-	-	-
b) Public administration bodies	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	9,682	2	-	-	9,684	8,809
e) Non-financial companies	22,049	70	-	-	22,119	29,197
f) Households	32,833	1,865	-	-	34,698	40,138
Total	**65,017**	**1,937**	**-**	**-**	**66,954**	**78,212**

Loan commitments include commitments subject to mandatory and optional use towards customers and refer to irrevocable lines of credit already granted.
Items 2 c) and 2 d) also include assets pledged as collateral of third-party bonds consisting of the Default Fund contributed to cover possible losses of defaulted operators within the collateralised interbank market and transactions concerning customers' securities and derivatives.

2. Other commitments and other guarantees issued

TRANSACTIONS	NOMINAL VALUE	
	31.12.2021	31.12.2020
1. Other guarantees issued	**313**	**31**
of which:		
- *non-performing*	*313*	*31*
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	193	31
f) Households	120	-
2. Other commitments	**114,803**	**3,612**
of which:		
- *non-performing*	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	113
d) Other financial companies	112,000	300
e) Non-financial companies	2,803	3,199
f) Households	-	-
Total	**115,116**	**3,643**

Other commitments to financial companies referred solely to Banca Generali's commitment to pay the value of the 12 units of the Forward Fund, already subscribed but not yet called up by its management company.
For a detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 2 "Prudential consolidation risks", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

3. Assets pledged as collateral for own liabilities and commitments

	31.12.2021				31.12.2020			
PORTFOLIOS	REPURCHASE AGREEMENTS	ECB	CC&G + OTHER	TOTAL	REPURCHASE AGREEMENTS	ECB	CC&G + OTHER	TOTAL
1. Financial assets measured at fair value through profit or loss	-	-	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	29,582	-	-	29,582
3. Financial assets measured at amortised cost	12,227	1,004,956	204,435	1,221,618	118,067	784,715	155,023	1,057,805
4. Property and equipment	-	-	-	-	-	-	-	-
of which:								
- *assets constituting inventories*	-	-	-	-	-	-	-	-
Total	**12,227**	**1,004,956**	**204,435**	**1,221,618**	**147,649**	**784,715**	**155,023**	**1,087,387**

Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di Compensazione e Garanzia, Eurex, Euroclear and ETD for ordinary operations.

5. Management and trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2021	31.12.2020
1. Execution of orders on behalf of customers	**26,691,922**	**24,242,817**
a) Purchases	13,839,190	12,688,913
1. Settled	13,772,532	12,672,179
2. To be settled	66,658	16,734
b) Sales	12,852,732	11,553,904
1. Settled	12,799,889	11,538,678
2. To be settled	52,843	15,226
2. Portfolio management	**28,590,467**	**25,477,856**
a) Individual	7,785,822	7,231,828
b) Collective	20,804,645	18,246,028
3. Custody and administration of securities	**41,151,192**	**49,050,968**
a) Third-party securities held in deposit: related to services provided as depository bank (excluding portfolio management)	-	-
1. Securities issued by companies included in the consolidation area	-	-
2. Other	-	-
b) Third-party securities held in deposit (excluding portfolio management): other	15,407,705	20,090,206
1. Securities issued by companies included in the consolidation area	14,861	14,826
2. Other	15,392,844	20,075,380
c) Third-party securities deposited with third parties	15,342,158	20,043,495
d) Portfolio securities deposited with third parties	10,401,329	8,917,267
4. Other transactions	**-**	**-**

Securities under custody and administration are recognised at nominal value.

6. Financial assets offset in the financial statements or falling within the scope of master netting agreements or similar agreements

TECHNICAL TYPES	GROSS AMOUNT OF FINANCIAL ASSETS (A)	AMOUNT OF FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS		NET AMOUNT 31.12.2021 (F = C - D - E)	NET AMOUNT 31.12.2020
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	-	-	-	-	-	-	1,533
2. Repurchase agreements	199,805	-	199,805	199,493	-	312	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2021	**199,805**	**-**	**199,805**	**199,493**	**-**	**312**	**X**
Total at 31.12.2020	**162,440**	**-**	**162,440**	**160,907**	**-**	**X**	**1,533**

7. Financial liabilities offset in the financial statements or falling within the scope of master netting arrangements or similar agreements

TECHNICAL TYPES	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	AMOUNT OF FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS		NET AMOUNT 31.12.2021 (F = C - D - E)	NET AMOUNT 31.12.2020
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	146,873	-	146,873	-	144,820	2,053	-1,185
2. Repurchase agreements	11,752	-	11,752	11,752	-	-	-3,087
3. Securities loans	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total at 31.12.2021	**158,625**	**-**	**158,625**	**11,752**	**144,820**	**2,053**	**X**
Total at 31.12.2020	**186,189**	**-**	**186,189**	**152,484**	**37,977**	**X**	**-4,272**

IFRS 7 requires a detailed disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or financial instruments that can be potentially set off, under certain conditions, but have been recognised in the Balance Sheet without any offsetting as they fall within the scope of master netting arrangements of similar agreements that do not meet all the requirements under IAS 32 paragraph 42.

In this regard, it should be noted that Banca Generali has not entered into any netting arrangements that meet the requirements of IAS 32.42 on offsetting in the financial statements.

With reference to financial instruments that can be potentially set off under certain conditions, it should be noted that, as far as repurchase agreements (REPO) are concerned, Banca Generali currently participates in the MTS S.p.A. Repo market through a Clearing Agreement with Cassa Compensazione e Garanzia (CC&G) concerning the centralised management of transaction clearing.
With reference to financial instruments that can be potentially set off under certain conditions, Banca Generali entered into bilateral netting arrangements that enable offsetting of credit and debt positions related to financial and credit derivatives in case of default of the counterparty, as well as into transactions such as Securities Financing Transactions (SFTs). In detail, ISDA (International Swaps and Derivatives Association) agreements and GMRAs (Global Market Purchase Agreements) are in place. As regard REPOs with banks, Banca Generali has in place master netting arrangements that enable offsetting of credit and debt positions in case of default of the counterparty and compliant with international standards (Global Master Repurchase Agreement – GMRA). Such transactions are also covered by GMRA-compliant financial guarantee agreements, envisaging the bilateral exchange of collaterals in cash and/or government bonds. These agreements, in the case of repurchase agreements, mitigate the liquidity risk by offsetting the debt to the counterparty up to the fair value of the collateral.
In the table, repurchase agreements are measured at amortised cost, whereas financial instruments used as collateral are measured at fair value up to the amount of the guaranteed liability.
Banca Generali has entered into International Swap and Derivatives Association (ISDA) master netting arrangements as its main technique for mitigating the credit risk and the related impacts on fair value associated with OTC derivatives contracts with institutional counterparties. These arrangements as well envisage the bilateral exchange of cash collateral. These arrangements reduce the capital absorbed by such derivatives contracts, in accordance with the conditions established in supervisory regulations. The ISDA master netting arrangements entered into with the main institutional counterparties to OTC derivatives have been appropriately reported to the Bank of Italy.

Banca Generali joined Eurex through the clearing broker Banca Intesa for the clearing of derivatives such as interest rate swaps subject to clearing obligations through the clearing house.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 – Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	2021	2020
1. Financial assets measured at fair value through profit or loss	**99**	**-**	**-**	**99**	**61**
1.1 HFT financial assets	1	-	-	1	4
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	98	-	-	98	57
2. Financial assets measured at fair value through other comprehensive income	**1,083**	**-**	**X**	**1,083**	**-1,028**
3. Financial assets measured at amortised cost	**67,109**	**24,512**	**-**	**91,621**	**85,116**
3.1 Loans to banks	5,632	31	X	5,663	4,376
3.2 Loans to customers	61,477	24,481	X	85,958	80,740
4. Hedging derivatives	X	X	**-10,957**	**-10,957**	**5,370**
5. Other assets	X	X	8	**8**	**-**
6. Financial liabilities	X	X	X	**10,364**	**6,338**
Total	**68,291**	**24,512**	**-10,949**	**92,218**	**95,857**
of which:					
- *interest income on impaired financial assets*	-	*441*	-	*441*	*455*

By convention, interest on "Financial liabilities" includes the negative interest expense accrued on funding transactions, as broken down in the following table.

Breakdown of negative interest expense

	2021	2020
Interest income on bank deposits and current accounts	33	109
TLTRO	6,636	2,756
Repurchase agreements with banks	161	292
Repurchase agreements with customers	295	628
Interest income on customer deposit and current accounts	3,239	2,553
Total interest income on financial liabilities	**10,364**	**6,338**

1.2 Interest income and similar revenues: further information

1.2.1 Interest income on financial assets in foreign currencies

	2021	2020
Interest income on financial assets in foreign currencies	119	181
Total	**119**	**181**

1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	2021	2020
1. Financial liabilities measured at amortised cost	4,813	-	-	**4,813**	**5,058**
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	823	X	X	823	865
1.3 Due to customers	3,990	X	X	3,990	4,193
1.4 Securities issued	X	-	X	-	-
2. HFT financial liabilities	-	-	-	**-**	**-**
3. Financial liabilities designated at fair value	-	-	-	**-**	**-**
4. Other liabilities and funds	X	X	-	**-**	**-**
5. Hedging derivatives	X	X	-	**-**	**-**
6. Financial assets	X	X	X	**4,071**	**1,155**
Total	**4,813**	**-**	**-**	**8,884**	**6,213**
of which:					
- interest expense relating to lease debts	*3,332*	*X*	*X*	*3,332*	*3,450*

The Item 1.3 "Financial liabilities measured at amortised cost – Due to customers" includes a 3.3 million euro interest accrued on lease payment debts calculated in accordance with the provisions of IFRS 16.

By convention, interest on "Financial assets" includes the negative interest income accrued on lending transactions, as broken down in the following table.

Breakdown of negative interest income

	2021	2020
Interest expense on deposits with the ECB	2,729	410
Interest expense on deposits with banks	873	573
Repurchase agreements with banks	443	91
Repurchase agreements with customers	18	27
Interest expense on customer deposits	8	54
Total	**4,071**	**1,155**

1.4 Interest expense and similar charges: further information

1.4.1 Interest expense on liabilities in foreign currencies

	2021	2020
Interest expense on financial liabilities in foreign currencies	66	223
Total	**66**	**223**

1.5 Hedging differentials

ITEMS	2021	2020
A. Hedging gains	46,413	40,282
B. Hedging losses	57,370	34,912
C. Total (A - B)	**-10,957**	**5,370**

Hedging differentials refer to interest-rate swaps (IRSs) and inflation IRSs entered into in relation to fair-value hedging transactions for fixed-rate or inflation-linked debt securities.

The balance includes 4,305 thousand euros attributable to the hedging of debt securities classified to the portfolio of financial assets measured at amortised cost (3,595 thousand euros in 2020), with the remainder referring to debt securities classified to the portfolio of financial assets measured at fair value through other comprehensive income.

Section 2 – Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	2021	2020
a) Financial instruments	**297,757**	**236,776**
1. Placement of securities	171,148	127,554
1.1 With direct underwriting and/or a firm commitment	1,419	3,110
1.2 Without a firm commitment	169,729	124,444
2. Receipt and transmission of orders and execution of orders on customers' behalf	35,756	29,802
2.1 Receipt and transmission of orders for one or more financial instruments	10,748	8,952
2.2 Execution of orders on customers' behalf	25,008	20,850
3. Other fees related to activities linked to financial instruments	90,853	79,420
of which:		
- *trading for own account*	-	-
- *individual portfolio management*	*90,853*	*79,420*
b) Corporate finance	**-**	**-**
1. Consultancy on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees related to corporate finance services	-	-
c) Investment advisory	**45,513**	**33,115**
d) Offsetting and settlement services	**-**	**-**
e) Collective portfolio management	**533,868**	**392,834**
f) Custody and administration services	**406**	**492**
1. Depository Bank	-	-
2. Other fees related to custody and administration services	406	492
g) Centralised administration services for collective portfolio management	**-**	**-**
h) Trust services	**-**	**-**
i) Payment services	**9,398**	**6,167**
1. Current accounts	5,017	1,987
2. Credit cards	-	-
3. Debit cards and other payment cards	288	302
4. Bank transfers and other payment services	1,328	1,266
5. Other fees linked to payment services	2,765	2,612
j) Distribution of third-party services	**272,701**	**251,196**
1. Collective portfolio management	1,067	872
2. Insurance products	268,182	247,984
3. Other products	3,452	2,340
of which:		
- *individual portfolio management*	*28*	*27*
- *BG SAXO services*	*2,766*	*1,629*
k) Structured finance	**-**	**-**
l) Servicing related to securitisations	**-**	**-**
m) Commitments to disburse funds	**-**	**-**
n) Financial guarantees issued	**432**	**478**
of which:		
- *credit derivatives*	-	-
o) Financing transactions	**-**	**-**
of which: factoring-related services	-	-
p) Currency trading	**-**	**-**
q) Goods	**-**	**-**
r) Other fee income	**3,128**	**3,059**
of which:		
- *management of multilateral trading facilities*	-	-
- *management of organised trading facilities*	-	-
Total	**1,163,203**	**924,117**

Table 2.1 relating to the breakdown of fee income includes revenues arising from financial services falling within the scope of IFRS 15, broken down by type of service rendered. With reference to the provisions of IFRS 15 paragraph 113, fee income may be further divided into the following four categories:

(€ THOUSAND)	2021	2020
Underwriting fees	42,725	32,375
Management fees	804,323	675,406
Performance fees	220,550	141,594
Fees for other services	95,605	74,742
Total	**1,163,203**	**924,117**

Underwriting, management and performance fees refer, in particular, to individual (discretionary) and collective (Sicavs promoted by the Banking Group) portfolio management, placement of securities and distribution of third-party services.

Fees for BG SAXO services refer to the offering to the Bank's customers of the trading and order collection services rendered by BG SAXO SIM S.p.A. They were classified under banking products.

	UNDERWRITING FEES	MANAGEMENT FEES	PERFORMANCE FEES	OTHER	2021	2020
Individual portfolio management	-1,344	90,106	2,091	-	90,853	79,490
Collective portfolio management	8,362	317,202	218,459	-	544,023	399,003
Placement of UCITS	7,552	130,731	-	-	138,283	103,797
Placement of securities	24,506	-	-	-	24,506	17,532
Distribution of third-party services	3,649	266,284	-	-	269,933	249,553
Other services and banking products	-	-	-	95,605	95,605	74,742
Total fee income	**42,725**	**804,323**	**220,550**	**95,605**	**1,163,203**	**924,117**

Underwriting fees refer to the support provided by the Bank's sales network to customers for the purchase of financial products and services and their useful lives end when the products and services concerned are subscribed. In particular, the item includes the distribution and private placement of certificates.

Variable performance fees refer mainly to the management of the Sicavs promoted by the Banking Group — they are applied on the basis of the rules set out in the prospectuses for the Sicavs concerned — and, to a lesser extent, to the individual portfolio management of Banca Generali and advisory services.

Management fees refer to:
> discretionary management of financial assets on behalf of customers according to the conditions specified in individual mandates, accruing on a quarterly basis;
> collective management of the assets of the Sicavs managed by the Banking Group's management company (Lux IM Sicav, BG Selection Sicav and BG Alternative Sicav) on the basis of the conditions established for each sub-fund in the relevant prospectuses, accruing on a monthly basis;
> the ongoing customer support activity carried out by the Financial Advisor network with regard to the placement of units of third-party UCITS and the distribution of insurance products.

Finally, fees on other services include revenues on traditional banking services (custody and trading of financial instruments, collection and payment services, current account keeping and management services, etc.) and advisory fees, mostly consisting of recurring fees.

Fee revenues consist solely of short-term items, normally collected on a monthly or quarterly basis and therefore do not include a component of a financial nature relating to the passage of time.

In reference to IFRS 15, paragraph 116 b), fee income on the placement of securities includes revenues of 112 thousand euros on the recycling to the profit and loss account for the year of liabilities included in the opening balance attributable to contracts (deferred income).

2.2 Breakdown of fee expense

SERVICES/VALUES	2021	2020
a) Financial instruments	**8,149**	**6,277**
of which:		
- *trading of financial instruments*	*6,910*	*5,226*
- *placement of financial instruments*	-	-
- *individual portfolio management*	*1,239*	*1,051*
- own portfolio	1,239	1,051
- third-party portfolio	-	-
b) Offsetting and settlement services	**-**	**-**
c) Collective portfolio management	**35,266**	**29,588**
1. Own portfolio	35,266	29,588
2. Third-party portfolio	-	-
d) Custody and administration services	**3,054**	**2,287**
e) Collection and payment services	**4,029**	**3,871**
of which:		
- *credit cards, debit cards and other payment cards*	*1,354*	*1,309*
f) Servicing related to securitisations	**-**	**-**
g) Commitments to receive funds	**-**	**-**
h) Financial guarantees received	**-**	**-**
of which:		
- *credit derivatives*	-	-
i) Off-premises offer of financial instruments, products and services	**418,852**	**355,847**
j) Currency trading	**-**	**-**
k) Other fee expense	**5,097**	**3,436**
Total	**474,447**	**401,306**

Fee expense for off-premises offer includes the costs incurred to obtain or fulfil contracts with customers of 82,010 thousand euros, of which 64,203 thousand euros relating to previous years.

Section 3 – Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

	2021		2020	
ITEMS/INCOME	DIVIDENDS	SIMILAR INCOME	DIVIDENDS	SIMILAR INCOME
A. HFT financial assets	-	-	7	-
B. Other financial assets mandatorily measured at fair value	91	93	31	1,250
C. Financial assets measured at fair value through other comprehensive income	900	-	1,040	-
D. Equity investments	-	-	-	-
Total	**991**	**93**	**1,078**	**1,250**

Section 4 – Net trading income (loss) - Item 80

4.1 Breakdown of net income from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSSES FROM TRADING	NET RESULT 2021
1. HFT financial assets	**8**	**187**	**-**	**80,273**	**-80,078**
1.1 Debt securities	8	56	-	79,964	-79,900
1.2 Equity securities	-	71	-	193	-122
1.3 UCITS units	-	60	-	116	-56
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**6,654**
4. Derivatives	**-**	**-**	**-**	**-**	**-2**
4.1 Financial	-	-	-	-	-2
- on debt securities and interest rates	-	-	-	-	-
- *interest rate swaps*	-	-	-	-	-
- *government bond forwards*	-	-	-	-	-
- on equity securities and stock indexes	-	-	-	-	-
- *options*	-	-	-	-	-
- *futures*	-		-	-	-
- on currency and gold(1)	X	X	X	X	-2
- other	-	-	-	-	-
4.2 Credit	-	-	-	-	-
of which:					
- *natural hedging related to the fair value option*	*X*	*X*	*X*	*X*	-
Total	**8**	**187**	**-**	**80,273**	**-73,426**

(1) It includes currency options and currency outrights.

Section 5 – Net hedging income (loss) - Item 90

5.1 Breakdown of net income from hedging

INCOME COMPONENTS/VALUES	2021	2020
A. Income from:		
A.1 Fair-value hedge derivatives	27,026	2,146
A.2 Hedged financial assets (fair value)	81,678	44,855
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	**108,704**	**47,001**
B. Charges from:		
B.1 Fair-value hedge derivatives	80,848	46,329
B.2 Hedged financial assets (fair value)	25,768	1,578
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	**106,616**	**47,907**
C. Net income from hedging (A – B)	**2,088**	**-906**
of which:		
- *result of hedging of net positions*	-	-

Section 6 – Gains (losses) on disposal/repurchase - Item 100

6.1 Breakdown of gains (losses) on disposal/repurchase

	2021			2020		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Financial assets measured at amortised cost	16,460	785	15,675	17,461	11	17,450
1.1 Loans to banks	3,925	-	3,925	154	-	154
1.2 Loans to customers	12,535	785	11,750	17,307	11	17,296
2. Financial assets measured at fair value through other comprehensive income	5,299	2,820	2,479	2,800	4,957	-2,157
2.1 Debt securities	5,299	2,820	2,479	2,800	4,957	-2,157
2.2 Loans	-	-	-	-	-	-
Total assets	**21,759**	**3,605**	**18,154**	**20,261**	**4,968**	**15,293**
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

HTCS equity reserves transferred back to the profit and loss account due to the disposal of pre-existing equity reserves of the HTCS portfolio are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	3,669	-366	3,303
Total	**3,669**	**-366**	**3,303**

Section 7 – Net gains (losses) on other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 Net change of other financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily measured at fair value

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	**1,114**	**55**	**877**	**147**	**145**
1.1 Debt securities	334	-	-	-	334
1.2 Equity securities	268	-	-	-	268
1.3 UCITS units	51	51	823	147	-868
1.4 Loans	461	4	54	-	411
2. Financial assets in foreign currencies: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**1,114**	**55**	**877**	**147**	**145**

Section 8 – Net adjustments/reversals for credit risk - Item 130

8.1 Breakdown of net adjustments for credit risk relating to financial assets measured at amortised cost

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS						REVERSALS					
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED							
	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	2021	2020
A. Loans to banks	**753**	**55**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-808**	**56**
Loans	131	55	-	-	-	-	-	-	-	-	-186	18
Debt securities	622	-	-	-	-	-	-	-	-	-	-622	38
B. Loans to customers	**490**	**-**	**54**	**1,966**	**-**	**-**	**403**	**48**	**601**	**-**	**-1,458**	**-835**
Loans	412	-	54	1,966	-	-	403	-	601	-	-1,428	-2,215
Debt securities	78	-	-	-	-	-	-	48	-	-	-30	1,380
Total	**1,243**	**55**	**54**	**1,966**	**-**	**-**	**403**	**48**	**601**	**-**	**-2,266**	**-779**

Specific adjustments to loans to customers classified under “Stage 3” amounted to 1,966 thousand euros and included 20 thousand euros for bad loans, 456 thousand euros for positions past due by more than 90 days, 444 thousand euros for unlikely-to-pay positions, and, for the remainder, other operating loans and loans to sales network.

These write-downs were partly offset through reversals relating to positions past due at the end of the previous year (114 thousand euros) and reclassified out of the non-performing category, to bad loans (71 thousand euros), to unlikely-to-pay exposures (88 thousand euros) and, for the remainder, to operating loans and loans to sales network.

8.1a Breakdown of net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures

	ADJUSTMENTS							
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED			
TRANSACTIONS/INCOME COMPONENTS	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	2021	2020
1. Loans subject to forbearance measure in accordance with the GLs	-	-	-	-	-	-	-	57
2. Loans subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-56	-	-	-	-	-	-56	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
4. Newly originated loans	-124	-	-	-	-	-	-124	127
Total at 31.12.2021	**-180**	**-**	**-**	**-**	**-**	**-**	**-180**	**X**
Total at 31.12.2020	**184**	**-**	**-**	**-**	**-**	**-**	**X**	**184**

8.2 Breakdown of net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income

	ADJUSTMENTS						REVERSALS					
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED							
TRANSACTIONS/INCOME COMPONENTS	STAGE 1	STAGE 2	WRITE-OFFS	OTHER	WRITE-OFFS	OTHER	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	2021	2020
A. Debt securities	258	-	-	-	-	-	-	-	-	-	-258	117
B. Loans	-	-	-	-	-	-	-	-	-	-	-	
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
Total	**258**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-258**	**117**

Section 12 – General and administrative expenses - Item 190

Breakdown of general and administrative expenses

	2021	2020
190 a) Staff expenses	107,844	104,272
190 b) Other general and administrative expenses	203,790	176,237
Total	**311,634**	**280,509**

12.1 Breakdown of staff expenses

TYPE OF EXPENSES/SECTORS	2021	2020
1) Employees	**106,559**	**102,969**
a) Wages and salaries	57,105	55,514
b) Social security charges	14,095	13,728
c) Termination indemnity	733	714
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	42	36
f) Provision for pensions and similar obligations:	-81	180
- defined contribution	-	-
- defined benefit	-81	180
g) Amounts paid to supplementary external pension funds:	5,275	4,994
- defined contribution	5,275	4,994
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	2,772	2,342
i) Other employee benefits	26,618	25,461
2) Other staff	**-362**	**-237**
3) Directors and Auditors	**1,577**	**1,501**
4) Retired personnel	**70**	**39**
Total	**107,844**	**104,272**

12.2 Average number of employees by category (*)

	2021	2020
Employees	**954**	**940**
a) Managers	66	67
b) Executives	331	312
c) Employees at other levels	558	561
Other personnel	**3**	**4**
Total	**957**	**945**

(*) Quarterly weighted average, with part-time employees considered at 50% by convention.

12.2.1 Breakdown of personnel

	2021	2020
Employees	**986**	**962**
a) Managers	67	65
b) Total executives	337	321
of which:		
- *3rd and 4th level*	*184*	*175*
c) Employees at other levels	582	576
Other personnel	**4**	**2**
Total	**990**	**964**

12.3 Defined benefit company pension funds: costs and income

Income generated in 2021 by defined benefit company pension funds amounted to 81 thousand euros, broken down as follows:

	2021
Current service cost	287
Past service cost	-378
Interest expense	10
Total	**-81**

12.4 Other employee benefits

	2021	2020
Short-term productivity bonuses	**18,238**	**16,612**
Long-term benefits	**2,512**	**3,035**
Charges for Relationship Manager recruitment plans	860	272
Charges for deferred variable remuneration (managers' MBO)	1,652	2,025
Charges for post-employment medical care plans	-	738
Other benefits	**5,868**	**5,814**
Charges for staff supplementary pensions	3,404	3,227
Amounts replacing cafeteria indemnities	1,077	1,042
Training expenses	790	616
Contributions to employees	192	157
Transfer incentives and other indemnities	263	528
Other expenses	142	244
Total	**26,618**	**25,461**

Short-term productivity bonuses include the portion of non-deferred variable remuneration payable in cash (MBO) for office and sales managers and portfolio managers, the performance bonus envisaged in company supplementary contracts and allocations in service of the 2021 plan for measures.

12.5 Breakdown of other general and administrative expenses

	2021	2020
Administration	**26,024**	**21,215**
Advertising	3,030	3,604
Audit fees	16,560	10,675
Corporate boards and auditing firms	827	635
Insurance	3,623	3,527
Entertainment expenses	317	377
Membership contributions	1,264	1,182
Charity	403	1,215
Operations	**22,050**	**22,028**
Rent and usage of premises and management of property	4,521	4,677
Outsourced administrative services	6,059	6,352
Post and telephone	2,348	2,131
Print material	1,257	1,243
Other expenses for sales network management	2,049	2,155
Other expenses and purchases	4,464	4,071
Other indirect staff expenses	1,352	1,399
Information system and equipment	**53,654**	**49,799**
Expenses related to outsourced IT services	35,041	32,121
Fees for IT services and databases	8,606	8,493
Software maintenance and servicing	7,843	7,390
Fees for equipment hired and software used	336	372
Other maintenance	1,828	1,423
Indirect taxation	**86,587**	**71,913**
Stamp duty on financial instruments	85,312	71,023
Substitute tax on medium/long-term financing	454	548
Other indirect taxes to be paid by the Bank	821	342
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	**15,475**	**11,282**
Total	**203,790**	**176,237**

The administrative expenses aggregate includes the costs of short-term leases (less than 12 months), consisting primarily of lease payments for parking spaces and low-value leases (less than 5 thousand euros), consisting of lease payments for photocopiers and faxes, for which the Bank has availed itself of the option not to apply the accounting treatment provided for in IFRS 16, as detailed below. There are no costs for variable payments other than those included in the measurement of lease liabilities.

	2021	2020
Lease costs < 5,000 euros	335	264
Lease costs < 12 months	124	279
Costs for variable lease payments not included in the valuation of lease liabilities	-	-

The aggregate also includes other costs arising from lease transactions but attributable to contractual components other than lease payments and not relevant to the valuation of lease liabilities, such as fees for additional services and non-deductible VAT, which amounted to 3,725 thousand euros.

Section 13 – Net provisions for liabilities and contingencies - Item 200

13.1 Breakdown of net provisions for credit risk relating to commitment to disburse funds and financial guarantees issued

	2021			2020		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and financial guarantees issued	-	-82	**-82**	17	-	**17**
Total	**-**	**-82**	**-82**	**17**	**-**	**17**

13.3 Breakdown of net provisions to other provisions for liabilities and contingencies

	2021			2020		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	**4,412**	**-1,207**	**3,205**	**2,200**	**-872**	**1,328**
Provision for restructuring plan	2,300	-	2,300	21	-386	-365
Provision for staff expenses – Other (1)	2,112	-1,207	905	2,179	-486	1,693
Provisions for legal disputes	**6,051**	**-661**	**5,390**	**3,650**	**-1,186**	**2,464**
Provision for risks related to legal disputes with subscribers	2,752	-110	2,642	1,400	-498	902
Provision for risks related to legal disputes with Financial Advisors	599	-221	378	77	-343	-266
Provision for risks related to legal disputes with staff	-	-	-	-	-15	-15
Provision for risks related to legal disputes with other parties	2,700	-330	2,370	2,173	-330	1,843
Provisions for termination indemnity – Financial Advisors	**32,391**	**-2,075**	**30,316**	**25,789**	**-790**	**24,999**
Provision for risks related to termination indemnity — Financial Advisors	12,236	-1,828	10,408	12,487	-540	11,947
Provision for manager incentive indemnity	2,922	-51	2,871	2,961	-115	2,846
Provision for portfolio overfee indemnities	3,521	-68	3,453	671	-37	634
Provision for pension bonuses	450	-128	322	1,221	-98	1,123
Provision for Framework Loyalty Programme	13,262	-	13,262	8,449	-	8,449
Provisions for network incentives	**23,138**	**-1,691**	**21,447**	**17,443**	**-2,662**	**14,781**
Provision for network development plans	17,156	-1,282	15,874	11,695	-1,239	10,456
Provision for deferred bonus	8	-53	-45	59	-12	47
Provision for sales incentives	700	-	700	-	-	-
Provision for managers with access gate	705	-150	555	220	-	220
Provision for incentive travels	3,700	-	3,700	4,500	-1,336	3,164
Provision for fee plans	869	-206	663	969	-75	894
Provision for tax and contributions dispute	**5,688**	**-**	**5,688**	**-**	**-**	**-**
Other provisions for liabilities and contingencies	**1,651**	**-785**	**866**	**2,118**	**-98**	**2,020**
Total	**73,331**	**-6,419**	**66,912**	**51,200**	**-5,608**	**45,592**

(1) Provisions for staff expenses do not include the items that are classified as "Staff expenses – Other benefits" in accordance with IAS 19.

Section 14 – Net adjustments/reversals of property and equipment - Item 210

14.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2021	NET RESULT 2020
A. Property and equipment					
1. Operating:	21,949	-	-	21,949	21,511
- owned	1,975	-	-	1,975	1,837
- rights of use acquired through leases	19,974	-	-	19,974	19,674
2. Held as investments:	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	X	-	-	-	
Total	**21,949**	**-**	**-**	**21,949**	**21,511**

Section 15 – Net adjustments/reversals of intangible assets - Item 220

15.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 2021	NET RESULT 2020
A. Intangible assets	**13,705**	**-**	**-**	**13,705**	**11,447**
of which:					
- *software*	*11,678*	-	-	*11,678*	*9,417*
A.1 Owned:	13,705	-	-	13,705	11,447
- generated in-house	-	-	-	-	-
- other	13,705	-	-	13,705	11,447
A.2 Rights of use acquired through leases	-	-	-	-	-
Total	**13,705**	**-**	**-**	**13,705**	**11,447**

Breakdown of value adjustments of intangible fixed assets – amortisation

	2021	2020
Charges associated with the implementation of legacy CSE procedures	11,242	8,995
Customer relationships	2,027	2,030
Other intangible fixed assets	436	422
Total	**13,705**	**11,447**

Section 16 – Other operating income and expenses - Item 230

16.1 Breakdown of other operating expenses

	2021	2020
Adjustments of leasehold improvements	2,669	2,650
Indemnities and compensation for litigation and claims	359	396
Charges from accounting adjustments with customers	4,562	1,287
Charges for card compensation and guarantees	4	7
Costs associated with tax disputes, penalties and fines	28	16
Other contingent liabilities and non-existent assets	243	587
Consolidation adjustments	-	3
Total	**7,865**	**4,946**

16.2 Breakdown of other operating income

	2021	2020
Recovery of taxes from customers	84,640	70,360
Recovery of expenses from customers	507	647
Fees for outsourced services	51	51
Charge-back of portfolio development indemnity to incoming Financial Advisors	3,880	2,413
Indemnities for Financial Advisors' termination without notice	464	388
Other recoveries of repayments and costs from Financial Advisors	3,249	2,612
Contingent assets related to provisions for staff expenses	581	1,225
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training (FBA)	204	282
Tax credits (film partnership, sanitisation and PPE, investments in new capital goods)	54	105
Other contingent assets and non-existent liabilities	3,121	1,329
Insurance compensation and indemnities	286	210
Other income	370	289
Total	**97,407**	**79,911**
Total other net income	**89,542**	**74,965**

Section 17 – Gains (losses) of equity investments - Item 250

17.1 Breakdown of gains (losses) of equity investments

INCOME COMPONENTS/SECTORS	2021	2020
1) Companies subject to joint control		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	-266	-216
1. Write-downs	-266	-216
2. Adjustments for impairments	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-266**	**-216**
2) Companies subject to significant influence		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	-	-125
1. Write-downs	-	-
2. Adjustments to non-performing loans	-	-125
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-**	**-125**
Total	**-266**	**-341**

Write-downs of equity investments in companies subject to joint control amounted to 266 thousand euros and related to the measurement using the equity method of BG SAXO SIM.

Section 20 – Gains (losses) on disposal of investments - Item 280

20.1 Breakdown of gains (losses) on disposal of investments

INCOME COMPONENTS/SECTORS	2021	2020
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-23	10
- Gains on disposal	4	25
- Losses on disposal	27	15
Net result	**-23**	**10**

Section 21 – Income tax for the year for current operations - Item 300

21.1 Breakdown of income tax for the year for current operations

INCOME COMPONENTS/SECTORS	2021	2020
1. Current taxation (-)	-90,729	-74,348
2. Change in prior years' current taxes (+/-)	1,482	2,058
3. Reduction of current taxes for the year (+)	-	-
3.*bis* Reduction of current taxes for the year arising on tax credits, pursuant to Law No.214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	13,927	1,530
5. Changes of deferred taxation (+/-)	5,681	-1,636
6. Taxes for the year (-)	**-69,639**	**-72,396**

Income taxes for the year on a current and deferred basis were estimated at 69.6 million euros and included the benefits arising from the realignment of the carrying and tax values of goodwill, trademarks and other intangible assets at the end of the first half of 2021, amounting to 8.6 million euros.

Substitute tax on realignments	-4,026
DTAs recognised on realigned goodwill	6,463
Reversal of DTLs on goodwill, trademarks and intangible assets	6,190
Economic impact of realignments	**8,627**

Gross of this component, ordinary taxes for the year would have been 78.3 million euros, up 5.9 million euros compared to the previous year.

For a more detailed analysis of these realignments, reference should be made to Part B of these Notes and Comments.

21.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes due for the year, including both current and deferred taxes, as indicated in Item 300 of the Profit and Loss Account, and the theoretical corporate income tax IRES calculated by applying the 27.5% current applicable tax rate to profit before taxation[8].

The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the Profit and Loss Account compared to the theoretical taxation.
The estimated total tax rate declined to 17.7%, whereas the tax rate gross of the realignments was 19.9%, down compared to the previous year (20.8%), chiefly due to the increase in the share of profits generated abroad.

[8] It should be noted that the effects of the reduction of the IRES tax rate from 27.50% to 24% introduced by the "2016 Stability Law" with effect from 1 January 2017 for tax periods after that in progress at 31 December 2016 were neutralised for the Bank as a result of the introduction by that same Law of a surtax of 3.5pps on credit and financial institutions in respect of the same tax periods.

	2021	2020
Current taxation	**-90,729**	**-74,348**
IRES and foreign income taxes	-72,437	-60,869
Substitute tax on realignments	-4,026	-
IRAP	-14,266	-13,479
Prepaid and deferred taxation	**19,608**	**-106**
IRES and foreign income taxes	16,605	353
- *of which due to realignments*	*10,839*	-
IRAP	3,003	-459
- *of which due to realignments*	*1,814*	-
Prior years' taxes	**1,482**	**2,058**
IRES and foreign income taxes	1,482	2,141
IRAP	-	-83
Income taxes	**-69,639**	**-72,396**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**392,746**	**347,290**
Theoretical taxation	**-108,005**	**-95,505**
Non-taxable income (+)		
Dividends	259	280
ACE	1,234	1,713
Other decreases	225	152
Non-deductible charges (-)		
Double taxation on Group's dividends	-4,586	-3,277
Impairment of equity securities PEX	-	-31
Other non-deductible costs	-5,962	-2,096
Other effects (+/-)		
IRAP	-13,077	-13,938
Prior years' taxes and tax withholdings	1,482	2,058
Rate change of companies under foreign law	50,323	39,492
Effect of realignments (deferred taxes, IRES, IRAP, substitute tax)	8,627	-
Not related deferred tax assets and liabilities and tax withholdings	-83	-1,201
Other consolidation adjustments	-76	-43
Actual tax expense	**-69,639**	**-72,396**
Total actual tax rate	**17.7%**	**20.8%**
IRES actual tax rate and corporate taxes (gross of realignments)	**16.6%**	**16.8%**
IRAP actual tax rate (gross of realignments)	**3.3%**	**4.0%**

Section 23 – Net profit (loss) for the year attributable to minority interests - Item 340

23.1 Breakdown of Item 340 "Net profit (loss) for the year attributable to minority interests"

	2021	2020
Other equity investments		
1. BG Valeur S.A.	4	-25
Total	**4**	**-25**

Section 25 – Earnings per Share

25.1 Average number of ordinary shares with diluted capital

	2021	2020
Net profit for the year (€ thousand)	323,103	274,919
Earnings attributable to ordinary shares (€ thousand)	323,103	274,919
Average number of outstanding shares (thousand)	115,016	115,340
EPS – Earning per share (euros)	**2.81**	**2.38**
Average number of outstanding shares with diluted capital (thousand)	115,016	115,340
EPS – Diluted earnings per share (euros)	**2.81**	**2.38**

PART D – CONSOLIDATED COMPREHENSIVE INCOME

Analytical Consolidated Statement of Comprehensive Income

ITEMS	2021	2020
10. Net profit (loss) for the year	**323,107**	**274,894**
Other income, without transfer to Profit and Loss Account	**303**	**-528**
20. Equity securities designated at fair value through other comprehensive income:	**-311**	**-217**
a) fair value changes	-311	-217
b) transfers to other net equity components	-	-
30. Financial liabilities designated at fair value through profit or loss (change in own creditworthiness):	**-**	**-**
a) fair value changes	-	-
b) transfers to other net equity components	-	-
40. Equity security hedges designated at fair value through other comprehensive income:	**-**	**-**
a) fair value changes (hedged instrument)	-	-
b) fair value changes (hedging instrument)	-	-
50. Property and equipment	**-**	**-**
60. Intangible assets	**-**	**-**
70. Defined benefit plans	**793**	**-453**
80. Non-current assets available for sale and disposal groups	**-**	**-**
90. Share of valuation reserves of equity investments valued at equity	**-**	**-**
100. Income taxes on other income, without transfer to Profit and Loss Account	**-179**	**142**
Other income, with transfer to Profit and Loss Account	**-3,842**	**860**
110. Hedges of foreign investments:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
120. Exchange differences:	**494**	**-2**
a) value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	494	-2
130. Cash-flow hedges:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
of which:		
- *result of net positions*	-	-
140. Hedging instruments (non-designated items):	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-

ITEMS	2021	2020
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income:	**-6,391**	**1,268**
a) fair value changes	-3,002	3,162
b) transfer to Profit and Loss Account	-3,389	-1,894
1. adjustments due to credit risk	-86	-588
2. gains (losses) on disposal	-3,303	-1,306
c) other changes	-	-
160. Non-current assets available for sale and disposal groups:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
170. Share of valuation reserves of equity investments valued at equity:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
3. adjustments due to impairment	-	-
4. gains (losses) on disposal	-	-
c) other changes	-	-
180. Income taxes on other income, with transfer to Profit and Loss Account	**2,055**	**-406**
190. Total other income components	**-3,539**	**332**
200. Comprehensive income (Item 10 + 190)	**319,568**	**275,226**
210. Consolidated comprehensive income attributable to minority interests	67	-21
220. Consolidated comprehensive income attributable to the Parent Company	**319,501**	**275,247**

PART E – INFORMATION ON THE RISKS AND RISK HEDGING POLICIES

Foreword

As per agreements with the Bank of Italy, the new company BG Suisse S.A., incorporated in Switzerland on 8 October 2021, has yet to be included in entities belonging to the Banking Group, pursuant to Article 64 of TUB.
At 31 December 2021, therefore BG Suisse S.A. was not yet subjected to the Basel 3 regulatory framework, was thus excluded from the prudential consolidation scope and was valued at Equity.

Section 1 – Accounting consolidation risks

See Section 2 – Prudential consolidation risks here below for the qualitative information required by Circular No. 262 of 22 December 2005 (7th update).

Quantitative information

A. Credit Quality

A.1 Credit exposures to non-performing and performing loans: balances, adjustments, performance and income breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS. For further information on credit assets underlying the Forward Fund (mainly non-performing loans to the Italian National Healthcare System), reference should be made to Section 2, Subsection D.

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets measured at amortised cost	18,971	5,757	7,102	7,308	10,806,776	10,845,914
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,525,123	2,525,123
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	19,709	19,709
5. HFS financial assets	-	-	-	-	2,694	2,694
Total at 31.12.2021	**18,971**	**5,757**	**7,102**	**7,308**	**13,354,302**	**13,393,440**
Total at 31.12.2020	**18,905**	**2,867**	**2,825**	**8,891**	**11,809,557**	**11,843,045**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

	NON-PERFORMING				PERFORMING			
PORTFOLIOS/QUALITY	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	OVERALL PARTIAL WRITEOFFS	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets measured at amortised cost	46,495	14,665	31,830	-	10,820,555	6,472	10,814,083	10,845,913
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,525,515	392	2,525,123	2,525,123
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	19,710	19,710
5. HFS financial assets	-	-	-	-	3,194	500	2,694	2,694
Total at 31.12.2021	**46,495**	**14,665**	**31,830**	**-**	**13,349,264**	**7,364**	**13,361,610**	**13,393,440**
Total at 31.12.2020	**39,318**	**14,721**	**24,597**	**-**	**11,802,367**	**6,633**	**11,818,448**	**11,843,045**

PORTFOLIOS/QUALITY	ASSETS WITH CLEARLY POOR CREDIT QUALITY		OTHER ASSETS
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	NET EXPOSURE
1. HFT financial assets	-	-	6,568
2. Hedging derivatives	-	-	11,357
Total at 31.12.2021	**-**	**-**	**17,925**
Total at 31.12.2020	**-**	**-**	**6,097**

B. Information on structured entities (other than securitisation companies)

The scope on consolidation of the Banca Generali Banking Group does not include structured entities consolidated either for accounting or prudential consolidation.

B.2.2 Other structured entities

Qualitative Information

Pursuant to IFRS 12, other structured entities consist solely of units of Italian and foreign UCITS.

The UCITS portfolio includes the Forward Fund, a newly formed closed-ended, reserved alternative investment fund (AIF) managed by Gardant SGR, specialised in illiquid investments. The fund was subscribed in October 2021 in the amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables. A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 2 "Prudential consolidation risks", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

Quantitative information

The following table presents the assets, liabilities and off-balance sheet exposures towards structured entities represented by units of UCITS.

ITEMS/TYPES OF STRUCTURED ENTITIES	ITEMS/TYPES OF STRUCTURED ENTITIES	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIOS - NET EQUITY AND LIABILITIES	TOTAL NET EQUITY AND LIABILITIES (B)	NET BOOK VALUE (C = A - B)	MAXIMUM EXPOSURE TO RISK OF LOSS (D)	DIFFERENCE BETWEEN EXPOSURE TO RISK OF LOSS AND BOOK VALUE (E = D - C)
OICR	20. c) Financial assets mandatorily measured at fair value through profit or loss	382,856	-	-	382,856	382,856	-
Total		**382,856**	**-**	**-**	**382,856**	**382,856**	**-**

	31.12.2021
Algebris NPL Partnership SCS (AIF)	2,069
MIP I Fund (FIA) - Milano Investment Partners SGR	1,938
Tenax Italian Credit fund PLC (IE Sicav)	1,546
Forward Fund CL A	377,303
Total	**382,856**

Section 2 – Prudential consolidation risks

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework (RAF).
In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:
> the efficiency and effectiveness of work processes;
> the maintenance of asset value and protection against losses;
> the reliability and integrity of accounting and operating information;
> operational compliance with the law and supervisory regulations;
> policies, plans, regulations and internal procedures; and
> the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with best practices at the national and international levels and structured on three different organisational levels:
> first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
> second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  – the Risk and Capital Adequacy Department is tasked with identifying, measuring/evaluating and monitoring all the types of risks to which the Banking Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and thereby contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies. The Department acts with a view to maintaining risk levels within the limits and tolerance thresholds indicated in the exposure profile and strategies established by the Board of Directors in the Risk Appetite Framework; it assures that risks are fully and transversally analysed, and to this end it applies a strategic, consistent and prospective approach and duly provides periodic reports;
  – Compliance Service: it is tasked with verifying the observance of obligations relating to the provision of services for the Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;
  – Anti Money Laundering Service: it is responsible, within the Banking Group, for preventing and combating transactions involving money laundering and financing of terrorism;
> third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates into company behaviour and choices.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, the control body and the independent auditors (who are responsible for accounting control):
> the Internal Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code for Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal control and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;
> the Risks Committee is charged with ensuring coordinated coverage of the system for managing and controlling the risks assumed by the Group in compliance with the Risk Appetite Framework; it is vested with specific responsibility for monitoring the Group's risks, such as the management of risk containment measures, as well as decision-making powers for identifying and implementing said measures;
> the Supervisory Board, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
> the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

1.1 Credit Risk

Qualitative Information

1. General Aspects

Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in the creditworthiness of a counterparty, to which an exposure exists, may generate a corresponding unexpected change in the market value of the associated exposure.

As part of its credit risk management process, the Group has established a formal Credit Risk Management Policy and Financial Portfolio Risk Management Policy, which lay down the general principles and the roles of company bodies and functions involved in managing risks associated with loans granted to institutional customers/counterparties and deriving from investment in financial instruments. The Policies also include the Group's risk management guidelines on management of credit risks in accordance with its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

Based on the Banca Generali Group's business model, this risk is mainly generated by financial instruments held in portfolios measured at amortised cost and in HTCS, credit exposures to customers (corporate and retail), and liquidity invested on the money market (interbank deposits).
With regard to the composition of the Banca Generali Group's portfolio, the portion classified as HTC consists primarily in debt security exposures towards government bodies and, to a lesser extent, lines of revocable and/or fixed-term credit to retail and corporate clients, from the sole Group company that operates in the direct lending sector, Banca Generali S.p.A. (hereinafter the Bank). As regards the latter case, in light of the Bank's business model, a sharp prevalence of exposures to retail customers (private customers and customers subject to agreements) over corporate customers.
With regard to institutional borrowers, credit risk management is based on the allocation of appropriate credit lines, which are monitored by the Risk and Capital Adequacy Department and established with the objective of maintaining a portfolio's risk profile that is consistent with the strategies and risk appetite approved by the Board of Directors.
Operational limits on the amounts of credit lines granted to institutional counterparties are governed by Group policies, which set out the maximum credit that may be extended to counterparties based on their rating class. The overall consistency of ECAI ratings with internal credit assessments is verified by the Risk Management Department at least annually.
Credit lines are reviewed at least every year; this involves updating existing credit lines for counterparties that are already borrowing from the bank or examining new credit line proposals with a view to diversifying the proprietary portfolio and developing new business linked to market opportunities.

The credit risk associated with business with customers is primarily managed by monitoring the performance of the overall portfolio and individual positions and by setting operating and process limits defined in the Risk Appetite Framework. More specifically:

> Loans to customers: the portfolio in question consists primarily in debt securities measured at amortised cost and loans to retail customers, chiefly in the form of Lombard loans, revocable current accounts, fixed-term loans and mortgage loans (in the latter case, for customers subject to agreements). Overall, the weight of non-performing exposures on the portfolio, although it increased during the year, remains low when compared to the banking system;

> Non-performing loans: the portfolio of NPLs to customers is mostly secured by pledges of securities and bank guarantees and has a good coverage level in the residual cases in which the collateral is insufficient, despite the internal credit initiatives launched due to the Covid-19 pandemic to support the Italian real economy;

> Performing loans: the portfolio of loans to customers is approximately 81% composed of exposures to natural persons, whereas the remainder is composed of exposures to Companies, in both cases with high creditworthiness. Credit is primarily provided in the form of revocable facilities and Lombard loans, which together account for around 73% of the actually and potentially used exposure. In accordance with the Bank's lending policies and risk appetite, credit is mostly secured by pledges of highly liquid financial instruments and products.

The Group is also strengthening its origination and monitoring processes in accordance with the EBA Guidelines on loan origination and monitoring (GL EBA LOM).

First-tier control activities are conducted by the Lending Department and the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.
The second-tier control activities are the responsibility of the Risk and Capital Adequacy Department which ensures that the processes, strategies and Risk Appetite Framework (RAF), yearly approved by the Bank's Board of Directors, are coherent. In the specific case of portfolios of loans to retail and corporate investors, the Risk and Capital Adequacy Department is tasked with identifying, measuring, assessing, monitoring and managing credit risk through performance monitoring of the overall portfolio, the control of the rules set forth by the Risk Appetite Framework, the drawing up of a prompt and adequate internal report to be submitted to the Bank and its corporate bodies.
Moreover, particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Department and established with the objective of always maintaining a level of risk of the portfolio that is consistent with the strategies and the risk appetite framework.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Loans subject to Covid measures

In response to the pandemic emergency that broke out in 2020, the Group took various initiatives in support of the real economy, to inject liquidity in Italy's businesses, participating in the initiatives launched by the Government in March and April 2020 ("Cure Italy Decree" and "Liquidity Decree").

In the April 2020 sessions of the Board of Directors, the Group in fact approved:

- the possibility for customers to apply for the suspension of loan payments in application of either Articles 54 and 56 of the "Cure Italy Decree" (legislative moratoria) or an internal initiative extended to borrowers and loans not contemplated in the "Cure Italy Decree" (non legislative moratoria which were not part of the industry's agreements and/or were promoted by specific bodies and thus could not be treated according to the EBA/GL/2020/02 guidelines, as announced by the Bank of Italy itself);
- the extension of the provisions of EBA/GL/2020/02 for non-legislative moratoria at the Bank's internal initiative, in the process of classification as forborne, in particular by assessing the individual positions in relation to the pandemic emergency and the time horizon of their difficulty, thus avoiding the introduction of automated classification mechanisms;
- the commencement of operations with the Mediocredito Centrale SME Guarantee Fund to obtain the guarantees provided for in the Liquidity Decree for loans to Italian companies according to the definition provided in the Decree (companies with fewer than 500 employees, including microenterprises and independent contractors, artisans and self-employment professionals).

In 2021 the Group resolved i) to suspend the disbursement of loans falling within the scope of internal and legislative initiatives in support of the economy, and therefore including the loans secured by the SME fund, with effect from the second half of 2021, and ii) to extend the moratoria until 31 December 2021 in accordance with the Sostegni Bis decree.

For further details regarding the exposures subject to the measures applied in the light of the Covid-19 crisis, as requested by the EBA (EBA/GL/2020/07 - Final Report - Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis), see the specific disclosure provided in "Pillar 3" disclosure provided at the consolidated level, available from Banca Generali's institutional website at www.bancagenerali.com.

2. Credit Risk Management Policies

2.1 Organisational aspects

The Bank's processes provide for the retail and corporate customer credit activity to be run by the Lending Department and loans to institutional counterparties and banks to be run by Banca Generali's Finance Department.

The Lending Department is tasked with issuing loans to retail and corporate customers, since it is responsible for loan approval and outstanding loan management, as provided for in the Lending Rules and Regulations.

2.2 Management, measurement and control systems

In addition to issuing loans, the Lending Department is also charged with credit managing and first-tier control, with a special focus on the performance of doubtful loans.
Within the Lending Department, responsibility for monitoring is assigned to specialised individual units on the basis of the supervisory classification of customers (performing and non-performing). The purpose of this is to maximise the efficacy of the actions aimed at monitoring and mitigating credit risk and managing the commercial relationship.
In 2021, the early-warning IT system and the features of the electronic credit line applications were further developed in order to ensure a more streamlined and by-the-book lending process, reduce processing times and limit anomalies in loan approval and disbursement.

The Bank's loan portfolio confirmed a low incidence of non-performing loans (NPLs) in the overall portfolio, a slight increase in the NPL ratio compared to the previous year, due to past due positions, which are being carefully monitored.

In recent years, the Group has developed a portfolio monitoring system based on triggers that make it possible to identify in advance signs of difficulty affecting counterparties and apply the limits established by the Risk Appetite during the granting phase. In 2021, a project was also launched for further reinforcement of credit processes during the origination and monitoring phase, according to criteria set by the EBA Guidelines on LOM (Loan Origination and Monitoring).

The exposure to credit risk associated with the loan portfolio is mostly Italian, given the dominant presence of investments in government bonds (approximately 90%) and investment grade bank bonds. The corporate securities in the portfolio are negligible.

2.3 Expected loss measurement methods

In compliance with IFRS 9, the Bank has adopted an impairment model based on the concept of expected losses, which makes it possible to determine adjustments to loans on the basis of the parameters of PD (probability of default) and LGD (loss given default) in forward-looking and point-in-time terms, conditional upon macroeconomic scenario models. Such value adjustments are determined over a time horizon of one year in the event of positions classified to Stage 1, or on a lifetime horizon, in the event of positions classified to Stage 2.

The stage assignment criteria for the portfolio of loans to customers in the traditional form of revocable account and term loans take account of the counterparty's status, any forbearance measures, decline in creditworthiness compared with origination and limits exceeded for more than 30 days.

When calculating impairment, the probability of default is determined on the basis of the counterparty's rating class (the Bank adopts a management rating model, developed with the CSE consortium) and the residual term of the loan. The parameter LGD is largely determined on the basis of loan type and counterparty type and whether certain guarantees are present. Finally, the parameter EAD (Exposure At Default) is equal to the accounting balance for sight positions, individual contractual cash flows discounted according to the internal rate of return (IRR) for term positions and the accounting balance adjusted by the regulatory Credit Conversion Factor (CCF) for off-balance sheet exposures.

Within the debt securities portfolio, securities classified to the Held-To-Collect and the Held-To-Collect and Sell portfolios that have passed the SPPI test are tested for impairment.
When calculating impairment, it is fundamental to classify the staging of individual positions in order to identify any decline in creditworthiness (credit quality) between the purchase of the security and the reporting date. This process (stage assignment) determines the residual quantities and the date with which to associate the credit quality/rating upon purchase, to be compared with the credit quality/rating observed at the reporting date for the purposes of identifying any "significant decline" in credit quality.

The impairment of securities subject to the IFRS 9 rules is calculated according to the following variables:
> PD: the model adopted for calculating the probability of default (PD) to be applied to the proprietary portfolio within the impairment scope is based on an estimate of a term structure default probability for each security. The component representing the remuneration for operator risk is eliminated from default probability measures so as to isolate the credit component (this is known as the "real world approach");
> LGD: the estimate of the loss given default (LGD) to be applied to the portfolio is calculated according to a deterministic approach in which the LGD parameter is assumed to be constant over the financial asset's entire time horizon as a function of the ranking of the instrument and the classification of the issuer's country;
> EAD: in the case of the proprietary finance portfolio, reference is made to the nominal value, inclusive of the coupon accrued at the measurement date, discounting both values at the security's rate of return.

During the year, the Group updated its impairment model for securities by bringing the staging allocation phase into line with the regulators' instructions for managing the contingent crisis period and introducing new rules for identifying significant increases in credit risk (SICRs).

2.4 Credit Risk Mitigation Techniques

With regard to the portfolio of loans to retail and corporate customers, in order to mitigate credit risk and in line with the Bank's lending policies, collaterals — or more rarely personal guarantees — are mainly required to secure the loans granted.
Within the pandemic scenario, the Bank adhered to the measures in support of the real economy, adding to its product range forms of credit devoted to small and medium-sized Italian enterprises and guaranteed by the Central Guarantee Fund, in accordance with the April 2020 Liquidity Decree, thus expanding on the sureties available under ordinary operating conditions.

Collaterals are chiefly in the form of pledges on securities, including managed securities portfolios, discretionary mandates, funds and insurance products.
In 2020, the Bank reintroduced the pledge on insurance policies by way of the August 2020 update to the Intermediaries Regulations that, in order to harmonise national conflict-of-interest legislation governing the distribution of insurance investment products with European law, focused on the topic of conflicts of interest between distributors and policy beneficiaries.

As limited to customers subject to agreements, the Bank also acquires mortgages, almost exclusively in residential properties used as a primary residence.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI S.A., now EFG Bank AG as a result of the merger of the two institutions in 2017, for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.
This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity was maintained for those positions managed with the aim of recovery and those positions that showed a default event for which payment of the indemnity was requested from the guarantor, BSI S.A., today EFG Bank AG.
At 31 December 2021, the guarantee covers bad loan positions of approximately 26 million euros, which net of adjustment declined to about 18 million euros (see paragraph 3 "Credit exposures to non-performing loans").

3. Credit exposures to non-performing loans

3.1 Management strategies and policies

Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority, as provided for in Bank of Italy Circular No. 272 dated 20 July 2008 (as subsequently amended), and pursuant to the EBA guidelines issued following the outbreak of the pandemic and concerning the management of non-performing positions and moratoria.
The process of identifying doubtful positions requires constant monitoring of positions. When limits are exceeded, various debt procedures are triggered. In general, considering that the vast majority of positions are secured by pledges of financial instruments, there are no residual debt exposures once the enforcement procedure has been concluded.
If the exposure is unsecured or there is a residual unsecured exposure, the Bank activates the process for recovering it. Expected losses are formulated specifically for each position on the basis of all relevant valuation elements (debtor's assets, earned income, date of expected recovery, etc.), with the exception of unsecured positions classified as past due and unlikely to pay of amounts less than 10 thousand euros, which are subject to impairment at a standard rate.

Net non-performing cash loans (hereinafter also referred as “NPLs”) totalled 31,830 thousand euros, of which:
> net bad loans amounting to 18,971 thousand euros referring to financing, of which 18,015 thousand euros (94.9%) covered by indemnities, 921 thousand euros (4.8%) secured by mortgages and 35 thousand euros (0.2%) not secured;
> unlikely-to-pay loans of 5,757 thousand euros, of which just 239 thousand euros (4.2%) actually at risk, and the remaining 5,518 thousand euros (95.8%) secured by collateral (pledges or mortgages);
> non-performing past-due loans of 7,102 thousand euros, of which 6,034 thousand euros (84.9%) secured by collateral, and 1,068 thousand euros (15.1%) not secured.

Net non-performing loans in the form of financing may be broken down as follows:
> about 56.6% (18,015 thousand euros) of exposures referring to Banca del Gottardo Italia’s customers and guaranteed by indemnity issued by the seller BSI S.A., now EFG Bank AG; as described above, these exposures do not entail any risk for the Bank. Therefore, no further adjustments were made to these positions with respect to the impairment already carried out by Banca del Gottardo Italia;
> about 43.4% (13,815 thousand euros) of exposures for which the Bank is at risk, mostly secured by pledges or mortgages.

Excluding positions covered by indemnities — which, as mentioned above, do not entail any risk for Banca Generali — non-performing cash positions amounted to 13,815 thousand euros, representing 0.2% of total net loans to customers. However, considering positions secured by collateral or similar guarantees, which at 12,473 thousand euros make up approximately 90.3% of total net non-performing loans, a residual total amount of 1,342 thousand euros of net non-performing loans are not secured by collateral, representing 4% of total net non-performing loans and an entirely marginal fraction of total net loans to customers (0.01%). The NPL portfolio increased in 2021 compared to 2020, due to the inclusion of positions from performing categories or the inclusion of new relationships attributable to/associated with positions already classified as in default and greater drawdowns of positions already classified as non-performing.

3.2 Write-off
The Banking Group has not adopted any write-off policy.

3.3 Acquired or originate impaired financial assets
The Banking Group’s portfolio does not include acquired or originated impaired financial assets.

4. Financial assets subject to commercial renegotiations and forborne exposures
A forbearance measure is an amendment of the original contractual conditions or refinancing granted to a customer in a situation of financial distress in respect of a credit position, which would not have been granted if the customer had not been in such a situation and/or that, conversely, would have resulted in default by the customer had they not been granted.

The Bank takes an individual measurement approach to each exposure. The Bank considers an exposure forborne when one of the following conditions has been met:
a) the amended contract has been fully or partially past due by more than 30 days at least once in the three months prior to the contractual amendment or would have been fully or partially past due by more than 30 days without the amendment;
b) at or around the same time as an additional loan is granted, the customer repays the principal or pays the interest on another contract fully or partially past due by 30 days at least once in the three months prior to the refinancing;
c) the Bank approves the use of contractual clauses (“embedded clauses”) in which the customer is past due by 30 days or the debtor would have been past due by 30 days without the exercise of such clauses.

This assessment is performed by a specific specialised unit of the Lending Department as regards the portfolio portion of loans to customers.

At 31 December 2021, outstanding forborne exposures in the portfolio of loans to customers were mostly classified as performing positions (76%), with the remainder classified as non-performing (24%). Nearly all positions were secured by collateral (primarily pledges) or similar guarantees[9].
Exposures subject to forbearance measures at 31 December 2021 mostly consisted (approximately 83%) of exposures in amortisation and, to a lesser extent, uncommitted cash exposures. As for the impact on the net present value of the contractual cash flows of the forbearance measures granted over a period of 24 months, given the nature of the renegotiation transactions subject to forbearance measures, represented essentially by the renegotiation of the uncommitted cash exposure in amortising loans with a final variable rate, the impact of such exposures on net present value is believed not to be material.

In the pandemic period, the Bank continued to monitor the presence of signs of financial difficulty, assessing events and elements that could result in the granting of forbearance measures on a case-by-case basis. In the case of positions with (legislative- and non-legislative) moratoria, no automated mechanisms were adopted, but thorough assessments were carried out.

9 “Similar guarantees” refer to authorisation to redeem insurance policies.

Quantitative information

A. Credit Quality

A.1 Credit exposures to non-performing and performing loans: balances, adjustments, performance and income breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS.

A.1.1 Prudential consolidation - Breakdown of financial assets by maturity brackets (book value)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3			IMPAIRED ACQUIRED OR ORIGINATED		
	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets measured at amortised cost	2,930	-	-	2,603	1,431	344	6	30	21,352	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. HFS financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2021	2,930	-	-	2,603	1,431	344	6	30	21,352	-	-	-
Total at 31.12.2020	6,591	-	2	669	490	1,139	-	-	24,597	-	-	-

A.1.2 Prudential consolidation: financial assets, commitments to disburse funds and financial guarantees issued – changes in total adjustments and total provisions

	TOTAL ADJUSTMENTS																							TOTAL PROVISIONS FOR COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED				
	ASSETS ALLOCATED TO STAGE 1						ASSETS ALLOCATED TO STAGE 2						ASSETS ALLOCATED TO STAGE 3						ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS									
CAUSES/RISK STAGES	SIGHT LOANS TO BANKS AND CENTRAL BANKS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HFS FINANCIAL ASSETS	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	SIGHT LOANS TO BANKS AND CENTRAL BANKS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	HFS FINANCIAL ASSETS	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	SIGHT LOANS TO BANKS AND CENTRAL BANKS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	HFS FINANCIAL ASSETS	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	HFS FINANCIAL ASSETS	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	STAGE 1	STAGE 2	STAGE 3	COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED IMPAIRED ACQUIRED OR ORIGINATED	TOTAL
Total adjustments at year-start	**56**	**5,164**	**407**	**-**	**-**	**5,627**	**-**	**936**	**70**	**-**	**-**	**1,006**	**-**	**14,721**	**-**	**-**	**14,721**	**-**	**-**	**-**	**-**	**-**	**-**	**110**	**14**	**-**	**-**	**21,478**
Increases from acquired or originated financial assets	4	1,536	188	-	-	1,728	38	536	-	-	-	574	-	-	-	-	-	-	X	X	X	X	X	6	6	-	-	2,314
Cancellations other than write-offs	-20	-1,179	-273	-	-	-1,472	-	-63	-70	-	-	-133	-	-600	-	-	-600	-	-	-	-	-	-	-35	-10	-	-	-2,250
Net adjustments/ reve rsals for credit risk (+/-)	6	-348	70	-	-	-272	-	-109		-	-	-109	-	1,120	-	-	1,120	-	-	-	-	-	-	-48	-1	-	-	690
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the assessment methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-577	-	-	-577	-	-	-	-	-	-	-	-	-	-	-577
Total adjustments at year-end	**46**	**5,173**	**392**	**-**	**-**	**5,611**	**38**	**1,300**	**-**	**-**	**-**	**1,338**	**-**	**14,664**	**-**	**-**	**14,664**	**-**	**-**	**-**	**-**	**-**	**-**	**33**	**9**	**-**	**-**	**21,655**
Recovery from collection of written off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs directly recognised through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	30	-	-	30	-	-	-	-	-	-	-	-	-	-	30

Pursuant to IFRS 7, paragraph 35H, letter b) (iii), it is reported that the final total adjustments to Stage 2 trade receivables amounted to approximately 16 thousand euros and did not change considerably from their initial levels.

Total final adjustments on the securities portfolio amounted to 5,991 thousand euros and rose by about 196 thousand euros, due to the expanded volume of investments, which was only partly offset by the lower risk level of government bonds.

A.1.3 Prudential consolidation: financial assets, commitments to disburse funds and financial guarantees issued – transfers between the different credit risk stages (gross and nominal values)

PORTFOLIOS/RISK STAGES	GROSS AMOUNTS/NOMINAL VALUE					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets measured at amortised cost	78,182	2,970	1,754	-	8,133	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. HFS financial assets	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	1,142	2,355	-	-	-	-
Total at 31.12.2021	**79,324**	**5,325**	**1,754**	**-**	**8,133**	**-**
Total at 31.12.2020	**9,473**	**37,350**	**1,498**	**-**	**3,916**	**2**

A.1.3a Loans subject to Covid-19 support measures: transfers between the different credit risk stages (gross and nominal values)

Exposures subject to Covid-19 support measures transferred from Stage 1 to Stage 2 amounted to approximately 567 thousand euros, accounting for less than 1% of the total exposures subject to such measures, and relate solely to loans to small-l and medium-sized enterprises secured by the Central Guarantee Fund.

PORTFOLIOS/RISK STAGES	GROSS VALUE					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
A. Assets measured at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Subject to forbearance measures in accordance with the GLs	-	-	-	-	-	-
A.2 Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-
A.3 Subject to other forbearance measures	-	-	-	-	-	-
A.4 Newly issued loans	567	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Subject to forbearance measures in accordance with the GLs	-	-	-	-	-	-
B.2 Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-
B.3 Subject to other forbearance measures	-	-	-	-	-	-
B.4 Newly issued loans	-	-	-	-	-	-
Total at 31.12.2021	**567**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**

A.1.4 Prudential consolidation: cash and off-balance sheet credit exposures with banks – gross and net amounts

	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS						
TYPES OF EXPOSURES/VALUES		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	NET EXPOSURE	OVERALL PARTIAL WRITEOFFS
A. Cash credit exposures												
A.1 On demand	1,592,871	1,580,399	12,472	-	-	85	46	39	-	-	1,592,786	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,592,871	1,580,399	12,472	X	-	85	46	39	X	-	1,592,786	-
A.2 Other	1,395,973	1,388,709	5,256	-	-	1,146	1,130	16	-	-	1,394,827	-
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past-due exposures	-	-	-	X	-	-	-	-	X	-	-	-
of which:												
- forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other non-performing exposures	1,395,973	1,388,709	5,256	X	-	1,146	1,130	16	X	-	1,394,827	-
of which:												
- forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
Total A	**2,988,844**	**2,969,108**	**17,728**	**-**	**-**	**1,231**	**1,176**	**55**	**-**	**-**	**2,987,613**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	12,991	-	-	X	-	-	-	-	X	-	12,991	-
Total B	**12,991**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,991**	**-**
Total (A + B)	**3,001,835**	**2,969,108**	**17,728**	**-**	**-**	**1,231**	**1,176**	**55**	**-**	**-**	**3,000,604**	**-**

Cash exposures with banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets designated at fair value and other financial assets mandatorily measured at fair value.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.5 Prudential consolidation: cash and off-balance sheet credit exposures with customers – gross and net amounts

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS					NET EXPOSURE	OVERALL PARTIAL WRITEOFFS
		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		
A. Cash credit exposures												
a) Bad loans	31,292	X	-	31,292	-	12,321	X	-	12,321	-	18,971	-
of which:												
- forborne exposures	*-*	*X*	*-*	*-*	-	*-*	*X*	*-*	*-*	-	*-*	-
b) Unlikely to pay	6,751	X	-	6,751	-	994	X	-	994	-	5,757	-
of which:												
- forborne exposures	*2,693*	*X*	-	*2,693*	-	*237*	*X*	-	*237*	-	*2,456*	-
c) Non-performing past-due exposures	8,451	X	-	8,451	-	1,349	X	-	1,349	-	7,102	-
of which:												
- forborne exposures	*1,030*	*X*	-	*1,030*	-	*18*	*X*	-	*18*	-	*1,012*	-
d) Performing past-due exposures	7,355	2,954	4,401	X	-	48	24	24	X	-	7,307	-
of which:												
- forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other non-performing exposures	11,964,462	11,700,456	244,295	X	-	5,671	4,646	1,025	X	-	11,958,791	-
of which:												
- forborne exposures	*11,886*	-	*11,886*	*X*	-	*23*	-	*23*	*X*	-	*11,863*	-
Total A	**12,018,311**	**11,703,410**	**248,696**	**46,494**	**-**	**20,383**	**4,670**	**1,049**	**14,664**	**-**	**11,997,928**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	313	X	-	313	-	-	X	-	-	-	313	-
b) Performing	1,082,652	1,077,791	1,937	X	-	43	32	11	X	-	1,082,609	-
Total B	**1,082,965**	**1,077,791**	**1,937**	**313**	**-**	**43**	**32**	**11**	**-**	**-**	**1,082,922**	**-**
Total (A + B)	**13,101,276**	**12,781,201**	**250,633**	**46,807**	**-**	**20,426**	**4,702**	**1,060**	**14,664**	**-**	**13,080,850**	**-**

Cash exposures with customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets designated at fair value and other financial assets mandatorily measured at fair value.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.
All non-performing off-balance sheet exposures refer to positions entirely secured by pledges.

The classification of non-performing loans to customers relating to the HTC accounting portfolio is shown below; loans and debt securities that reached maturity are thus included.

Bad loans
Gross bad loans to customers amounted to 31,292 thousand euros and included 12,321 thousand euros of value adjustments; therefore, net bad loans recognised totalled 18,971 thousand euros. Of this amount, 18,015 thousand euros (94.9% of the net bad loans alone) related to positions attributable to former Banca del Gottardo Italia's customers, fully covered by cash collateral deposits granted by BSI S.A., now EFG Bank AG, as part of the indemnity guarantee.
Excluding ex-indemnity positions, net bad loans to ordinary customers thus amounted to 956 thousand euros, equal to about 5% of total net bad loans and 0.01% of total net loans to customers. Considering bad loans secured by mortgages, which amounted to 921 thousand euros, the residual net bad loans amounted to 35 thousand euros.
The portfolio of bad loans also includes the exposure in debt instruments, amounting to 2,642 thousand euros gross, allocated to the HTC portfolio and deemed almost entirely irrecoverable.
The aggregate (see table A.1.9) declined by 384 thousand euros gross, primarily owing to realisation due to cancellations and collections totalling 1,028 thousand euros, against other increases and transfers from other non-performing categories in the total amount of 644 thousand euros.
The most significant increases related to changes in positions already classified as bad loans, primarily relating to interest accrued, amounting to 606 thousand euros, of which 465 thousand euros of exposures secured by indemnities. Decreases included realisations due to collections of 466 thousand euros and cancellations of 562 thousand euros.

Unlikely to pay
At 31 December 2021, gross unlikely-to-pay loans amounted to 6,751 thousand euros, including adjustments of 994 thousand euros, resulting in a net balance of 5,757 thousand euros, of which 5,518 thousand euros (equal to 95.8%) referred to positions secured by collateral or similar guarantees (mandate to policy-related collections).

The aggregate (see table A.1.9) increased by 2,673 thousand euros compared to 31 December 2020 as a result of:
> the increases of 5,771 thousand euros refer to positions reclassified from other performing categories for 4,038 thousand euros (forborne non perfoming), and transfers from other categories of non-performing exposures for 1,079 thousand euros and greater draw-downs from positions already classified as UTP for 654 thousand euros;
> a decline due to collections of 3,016 thousand euros, attributable to several counterparties with exposures secured by collateral or similar guarantees which were definitively recovered.

Non-performing past-due exposures
Non-performing past-due exposures amounted to 8,451 thousand euros, subject to impairment losses of 1,349 thousand euros, yielding a net balance of 7,102 thousand euros. The net aggregate mainly included:
> exposures largely secured by pledges or mortgages, totalling 6,034 thousand euros;
> other unsecured exposures with an average balance per position of approximately 608 euros.

The aggregate (see table A.1.9) increased by 4,888 thousand euros compared to 31 December 2020 as a result of:
> increases of 7,852 thousand euros, primarily attributable to new reclassifications from performing positions of 6,258 thousand euros, the inclusion of new relationships associated with positions already classified as non-performing for 882 thousand euros and, for the remainder, to increases in already non-performing positions of 712 thousand euros;
> decreases of 2,964 thousand euros, primarily attributable to collections on expired positions with full repayment of the exposure for 2,690 thousand euros, return to performing status of exposures for 187 thousand euros and, for the remainder, derecognitions with direct transfer to loss totalling 23 thousand euros.

Performing past-due exposures
Performing past-due exposures include also positions past due or expired by more than 90 days, for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted, in compliance with the provisions set forth in Bank of Italy Circular No. 272.
In almost all cases, these are positions guaranteed by pledges found to be expired at the reporting date and currently being repaid.

Loans subject to Covid measures
The following table shows the figures relating to Covid-19 support measures. In particular, as at 31 December 2021, loans that fall into the three specific clusters (Subject to forbearance measures in accordance with EBA GLs, Subject to other forbearance measures and Newly originated loans) amounted to 126,808 thousand euros, of which 7,582 thousand euros relating to legislative moratoria no longer in accordance with the GLs and not subject to forbearance measures and 118,807 thousand euros relating to new loans to small- and medium-sized enterprises guaranteed by the Central Guarantee Fund.
The table does not show loans for which internal moratoria (non-legislative and non-EBA compliant, as explained in the above section) have been applied for and granted, until 31 December 2021, amounting to 32,798 thousand euros (156 positions).
Of these, 155 positions are classified as performing with a value of 32,723 thousand euros and one has been reclassified as unlikely-to-pay for an amount of 75 thousand euros.

A.1.5a Loans subject to Covid-19 measures: gross and net values

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS						
		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	NET EXPOSURE	OVERALL PARTIAL WRITEOFFS (*)
A. Bad loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely- to-pay	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with G	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	-	-	-	-	-	-	-	-	-	-	-	-
C. Non-performing past-due loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	-	-	-	-	-	-	-	-	-	-	-	-
D. Performing loans	**421**	**-**	**421**	**-**	**-**	**2**	**-**	**2**	**-**	**-**	**419**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-		-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	421	-	421	-	-	2	-	2	-	-	419	-
E. Other performing loans	**126,391**	**126,246**	**145**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**126,389**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	7,583	7,583	-	-	-	1	1	-	-	-	7,582	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	118,808	118,663	145	-	-	1	1	-	-	-	118,807	-
Total (A + B + C + D + E)	**126,812**	**126,246**	**566**	**-**	**-**	**4**	**2**	**2**	**-**	**-**	**126,808**	**-**

A.1.7 Prudential consolidation: cash credit exposures with customers – changes in gross non-performing exposures

CAUSES/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES
A. Gross exposure at year-start	**31,676**	**4,078**	**3,563**
- *of which: exposures transferred but non written off*	-	-	-
B. Increases	**644**	**5,771**	**7,852**
B.1 exposures transferred but non written off	-	4,038	6,258
B.2 New reclassifications from acquired or originated impaired financial assets	-	-	-
B.3 Transfers from other categories of non-performing exposures	38	1,079	882
B.4 Contractual changes without cancellations	-	-	-
B.5 Other increases	606	654	711
C. Decreases	**1,028**	**3,098**	**2,964**
C.1 Reclassifications to performing exposures	-	1	187
C.2 Write-off	562	15	23
C.3 Repayments received	466	3,016	2,690
C.4 Gains on disposals	-	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	47	-
C.7 Contractual changes without cancellations	-	-	-
C.8 Other decreases	-	19	63
D. Gross exposure at year-end	**31,292**	**6,751**	**8,451**
- *of which: exposures transferred but non written off*	-	-	-

A.1.7bis Prudential consolidation: cash credit exposures with customers – changes in gross forborne exposures, broken down by credit quality

CAUSES/QUALITY	NON-PERFORMING FORBORNE EXPOSURES	PERFORMING FORBORNE EXPOSURES
A. Gross exposure at year-start	**2,333**	**21,139**
- *of which: exposures transferred but non written off*	-	-
B. Increases	**2,308**	**993**
B.1 New reclassifications from performing non-forborne exposures	2,223	866
B.2 New reclassifications from performing forborne exposures	58	X
B.3 New reclassifications from non-performing forborne exposures	X	-
B.4 Other increases	27	127
C. Decreases	**918**	**10,246**
C.1 Reclassifications to performing non-forborne exposures	X	4,750
C.2 Reclassifications to forborne performing exposures	761	X
C.3 Reclassifications to non-performing forborne exposures	X	58
C.4 Write-offs	-	-
C.5 Repayments received	157	5,396
C.6 Gains on disposals	-	-
C.7 Losses on disposals	-	-
C.8 Other decreases	-	42
D. Gross exposure at year-end	**3,723**	**11,886**
- *of which: exposures transferred but non written off*	-	-

Forborne exposures

Forborne exposures consisted mostly of performing positions, for a gross amount of 11,886 thousand euros, almost entirely secured by collateral or similar guarantees, whose decline compared to 2020 (21,139 thousand euros) was due to the reclassification of some significant positions to other categories following the closure of the forborne lines of credit or the lapse of the probation period. A residual share consisted of non-performing forborne exposures of 3,723 thousand euros gross (accounting for 24% of total performing and non-performing forborne exposures), almost all of which were fully secured by pledges (95%).

The non-performing cash forborne positions aggregate increased by 1,390 thousand euros overall (in gross terms), as a result of:
> increases due to new reclassifications from performing categories (58 thousand euros, relating to performing positions already classified as forborne), new reclassifications from other non-performing categories (past-due loans of 2,147 thousand euros and unlikely-to-pay positions of 76 thousand euros) and greater uses of positions already classified as non-performing of 27 thousand euros;
> a decline due to collection of 157 thousand euros referring to positions eliminated from the non-performing forborne category due to repayment in full of the exposure and closure of the relationships, in addition to derecognition of positions following the repayment of the single forborne exposure in the amount of 761 thousand euros.

The main component of performing forborne positions is collections, amounting to 5,396 thousand euros, attributed to positions repaid in full with the closure of the forborne lines of credit, positions transferred outside the forborne category due to the lapse of the probation period for 4,750 thousand euros, and positions transferred to the non-performing category for 58 thousand euros. The new reclassifications of 866 thousand euros refer exclusively to performing positions for which a new line of credit (new finance or restructuring of the existing debt position) with forbearance measures has been granted or a different loan measure on existing credit lines (moratorium). As indicated in the section above, classification to forborne was always based on an analysis of the individual position, and no automated mechanisms were activated for Covid-19 support measures.

A.1.9 Prudential consolidation: non-performing cash credit exposures with customers: changes in total adjustments

	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST-DUE EXPOSURES	
CAUSES/CATEGORIES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total adjustments at year-start	**12,772**	**-**	**1,211**	**390**	**738**	**-**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-
B. Increases	**164**	**-**	**183**	**141**	**840**	**18**
B.1 Adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other adjustments	112	-	175	141	833	18
B.3 Losses on disposals	14	-	8	-	7	-
B.4 Transfers from other categories of non-performing exposures	38	-	-	-	-	-
B.5 Contractual changes without derecognitions	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**615**	**-**	**400**	**294**	**229**	**-**
C.1 Reversal of adjustments	18	-	323	293	29	-
C.2 Reversal of collections	35	-	24	1	177	-
C.3 Gains on disposals	-	-	-	-	-	-
C.4 Write-offs	562	-	15	-	23	-
C.5 Transfers to other categories of non-performing exposures	-	-	38	-	-	-
C.6 Contractual changes without derecognitions	-	X	-	X	-	X
C.7 Other decreases	-	-	-	-	-	-
D. Total adjustment at year-end	**12,321**	**-**	**994**	**237**	**1,349**	**18**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-

Besides the exposures included in the previous tables, other non-performing positions are recognised in the Financial Statements for a net amount of 1,807 thousand euros, attributable to operating receivables not involving lending transactions, mostly relating to disputes and pre-dispute positions against former Financial Advisors (terminated or expired contracts).

	31.12.2021		
OPERATING RECEIVABLES UNDER DISPUTE	GROSS	WRITE-DOWNS	NET
Receivables related to FA litigation	2,788	984	1,804
Advances to FAs	79	79	-
Write-downs of receivables from FAs	**2,867**	**1,063**	**1,804**
Write-downs of operating receivables	986	983	3
Write-downs of operating receivables	**986**	**983**	**3**
Total write-downs	**3,853**	**2,046**	**1,807**

A.2 Classification of exposures based on internal and external ratings

Banca Generali has always regarded lending as instrumental to its ability to attract and manage its customers' assets. Accordingly, the Bank has not traditionally used an internal rating system to assess its customers' creditworthiness. The Bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by rating classes (gross values)

	EXTERNAL RATING CLASSES							
EXPOSURES	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-	WITHOUT RATING	TOTAL
A. Financial assets measured at amortised cost	**937,992**	**677,473**	**5,988,540**	**34,168**	**-**	**27,824**	**3,201,054**	**10,867,051**
- Stage 1	931,918	677,473	5,988,540	34,168	-	27,824	2,906,681	10,566,604
- Stage 2	6,074	-	-	-	-	-	247,878	253,952
- Stage 3	-	-	-	-	-	-	46,495	46,495
- impaired acquired or originated	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**245,078**	**221,877**	**1,858,179**	**200,381**	**-**	**-**	**-**	**2,525,515**
- Stage 1	245,078	221,877	1,858,179	200,381	-	-	-	2,525,515
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- impaired acquired or originated	-	-	-	-	-	-	-	-
C. Commitments to disburse funds and financial guarantees issued	-	-	-	-	-	-	-	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- impaired acquired or originated	-	-	-	-	-	-	-	-
Total (A + B + C)	**1,183,070**	**899,350**	**7,846,719**	**234,549**	**-**	**27,824**	**3,201,054**	**13,392,566**
D. Impaired acquired or originated								
- Stage 1	-	-	1,094	-	-	-	63,923	65,017
- Stage 2	-	-	-	-	-	-	1,938	1,938
- Stage 3	-	-	-	-	-	-	313	313
- impaired acquired or originated	-	-	-	-	-	-	-	-
Total D	**-**	**-**	**1,094**	**-**	**-**	**-**	**66,174**	**67,268**
Total (A + B + C + D)	**1,183,070**	**899,350**	**7,847,813**	**234,549**	**-**	**27,824**	**3,267,228**	**13,459,834**

Financial assets measured at amortised cost without rating include trade receivables and advances to Financial Advisors totalling 198,666 thousand euros.

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Prudential consolidation - Guaranteed cash and off-balance sheet credit exposures with banks

			COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)									
							CREDIT DERIVATIVES					SIGNATURE LOANS				
								OTHER DERIVATIVES								
	GROSS EXPOSURE	NET EXPOSURE	BUILDINGS – MORTGAGES	BUILDINGS - FINANCE LEASE	SECURITIES	OTHER COLLATERALISED GUARANTEES	CLN	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	PUBLIC ADMINISTRATION BODIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	TOTAL (1) + (2)
1. Guaranteed cash credit exposures	**199,849**	**199,805**	**-**	**-**	**199,805**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**199,805**
1.1 Totally guaranteed	199,849	199,805	-	-	199,805	-	-	-	-	-	-	-	-	-	-	199,805
- of which: non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation - Guaranteed cash and off-balance sheet credit exposures with customers

			COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)									
							CREDIT DERIVATIVES					SIGNATURE LOANS				
								OTHER DERIVATIVES								
	GROSS EXPOSURE	NET EXPOSURE	BUILDINGS – MORTGAGES	BUILDINGS - FINANCE LEASE	SECURITIES	OTHER COLLATERALISED GUARANTEES	CLN	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	PUBLIC ADMINISTRATION BODIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	TOTAL (1) + (2)
1. Guaranteed cash credit exposures	**2,329,124**	**2,316,709**	**355,706**	**-**	**1,536,621**	**292,006**	**-**	**-**	**-**	**-**	**-**	**113,661**	**600**	**159**	**9,333**	**2,308,086**
1.1 Totally guaranteed	2,279,213	2,267,127	352,757	-	1,524,088	281,419	-	-	-	-	-	99,730	-	157	8,973	2,267,124
- of which: non performing	*39,284*	*30,260*	*11,956*	-	*9,408*	*8,620*	-	-	-	-	-	-	-	-	*276*	*30,260*
1.2 Partially guaranteed	49,911	49,582	2,949	-	12,533	10,587	-	-	-	-	-	13,931	600	2	360	40,962
- of which: non performing	*684*	*406*	-	-	*222*	*18*	-	-	-	-	-	-	-	-	*154*	*394*
2. Guaranteed off-balance sheet credit exposures	**764,553**	**764,514**	**107**	**-**	**568,845**	**183,491**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**213**	**456**	**753,112**
2.1 Totally guaranteed	734,213	734,174	4	-	557,785	176,087	-	-	-	-	-	-	-	-	298	734,174
- of which: non performing	*5,954*	*5,954*	-	-	*5,654*	*300*	-	-	-	-	-	-	-	-	-	*5,954*
2.2 Partially guaranteed	30,340	30,340	103	-	11,060	7,404	-	-	-	-	-	-	-	213	158	18,938
- of which: non performing	*15*	*15*	-	-	-	-	-	-	-	-	-	-	-	-	*15*	*15*

All assets held as guarantee (whether financial or non-financial) may only be liquidated in the event of default by the primary debtor, subject to formal notification of the guarantor. Accordingly, the Bank cannot sell or reuse as collateral such assets unless the debtor defaults.

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - Sector breakdown of cash and off-balance sheet credit exposures with customers

EXPOSURES/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
A. Cash exposures		
1. Public administration bodies	**8,801,279**	**1,551**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	-	-
- *of which: forborne exposures*	-	-
A.4 Performing exposures	8,801,279	1,551
- *of which: forborne exposures*	-	-
2. Financial companies	**654,002**	**1,134**
A.1 Bad loans	5,636	79
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	151	35
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	407	177
- *of which: forborne exposures*	-	-
A.4 Performing exposures	647,808	843
- *of which: forborne exposures*	-	-
3. Financial companies (of which insurance companies)	**41,944**	**3**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	3	3
- *of which: forborne exposures*	-	-
A.4 Performing exposures	41,941	-
- *of which: forborne exposures*	-	-
4. Non-financial companies	**506,098**	**12,024**
A.1 Bad loans	11,248	11,454
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	29
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	179	119
- *of which: forborne exposures*	-	-
A.4 Performing exposures	494,671	422
- *of which: forborne exposures*	*3,927*	*8*
5. Households	**1,994,606**	**5,670**
A.1 Bad loans	2,087	788
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	5,606	931
- *of which: forborne exposures*	*2,457*	*237*
A.3 Non-performing past-due exposures	6,513	1,048
- *of which: forborne exposures*	*1,011*	-
A.4 Performing exposures	1,980,400	2,903
- *of which: forborne exposures*	*7,936*	*15*
Total A - Cash exposures	**11,997,929**	**20,382**

EXPOSURES/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
B. Off-balance sheet exposures		
1. Public administration bodies	**-**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	-	-
2. Financial companies	**149,526**	**1**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	149,526	1
3. Financial companies (of which insurance companies)	**2,293**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	2,293	-
4. Non-financial companies	**147,744**	**20**
B.1 Non-performing exposures	313	-
B.2 Performing exposures	147,431	20
5. Households	**783,358**	**22**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	783,358	22
Total B - Off-balance sheet exposures	**1,082,921**	**43**

	NET EXPOSURE	TOTAL ADJUSTMENTS
Public administration bodies	8,801,279	1,551
Financial companies	803,528	1,135
Financial companies (of which insurance companies)	44,237	3
Non-financial companies	653,842	12,044
Households	2,777,964	5,692
Overall total (A + B) at 31.12.2021	**13,080,850**	**20,425**
Overall total (A + B) at 31.12.2020	**11,030,784**	**20,919**

B.2 Prudential consolidation - Geographical breakdown of cash and off-balance-sheet credit exposures with customers

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
EXPOSURES/GEOGRAPHICAL AREA	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	18,970	11,622	-	698	-	-	-	-	-	-
A.2 Unlikely to pay	5,757	994	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	5,353	1,331	1,748	17	1	1	-	-	-	-
A.4 Other performing exposures	8,236,928	4,884	3,405,222	714	75,001	80	65,653	18	183,293	23
Total A	**8,267,008**	**18,831**	**3,406,970**	**1,429**	**75,002**	**81**	**65,653**	**18**	**183,293**	**23**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	313	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,075,528	43	5,685	-	955	-	305	-	137	-
Total B	**1,075,841**	**43**	**5,685**	**-**	**955**	**-**	**305**	**-**	**137**	**-**
Total 31.12.2021	**9,342,849**	**18,874**	**3,412,655**	**1,429**	**75,957**	**81**	**65,958**	**18**	**183,430**	**23**
Total 31.12.2020	**8,567,462**	**19,819**	**2,389,333**	**1,046**	**46,071**	**37**	**14,143**	**12**	**13,774**	**4**

B.3 Prudential consolidation - Geographical breakdown of cash and off-balance-sheet credit exposures with banks

EXPOSURES/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENT	NET EXPOSURE	TOTAL VALUE ADJUST-MENT	NET EXPOSURE	TOTAL VALUE ADJUST-MENT	NET EXPOSURE	TOTAL VALUE ADJUST-MENT	NET EXPOSURE	TOTAL VALUE ADJUST-MENT
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other non-performing exposures	2,129,718	888	784,745	325	29,207	14	5,034	1	38,909	3
Total A	**2,129,718**	**888**	**784,745**	**325**	**29,207**	**14**	**5,034**	**1**	**38,909**	**3**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	11,357	-	1,634	-	-	-	-	-	-	-
Total B	**11,357**	**-**	**1,634**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2021	**2,141,075**	**888**	**786,379**	**325**	**29,207**	**14**	**5,034**	**1**	**38,909**	**3**
Total 31.12.2020	**1,180,452**	**439**	**303,676**	**102**	**35,110**	**14**	**7,555**	**3**	**5,036**	**1**

B.4 Large exposures

Regulation (EU) No. 575/2013 (CRR) and Directive No. 2013/36/EU (CRD IV), published on the Official Journal of the European Union on 27 June 2013, enacted the new rules defined by the Basel Committee on banking supervision. On 17 December 2013, the Bank of Italy applied the above provisions by issuing Circular No. 285 “New Prudential Supervisory Provisions Concerning Banks” — further amended in various years (latest update, No. 37, dated 24 November 2021) — and Circular No. 286 “Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies”.
Also the latter was subject to several amendments during the years (latest update, No. 14, on 23 June 2020). In detail, according to the new rules, exposure values of a bank to a counterparty or to a group of connected counterparties must be defined as a “large exposure” if it is equal to or above 10% of the bank’s Tier 1 capital.
Based on CRR 575/2013, “Tier 1 capital” is defined as the sum of Total Common Equity Tier 1 capital and Additional Tier 1 capital of the entity.

The exposure value of an asset item shall be its accounting value and not its weighted value. Therefore, the positions which fall within the meaning of “Large Exposure” are recognised at both book value and weighted value.

BIG RISKS	31.12.2021	31.12.2020
a) Amount of the exposure	10,575,570	8,843,093
b) Weighted amount	289,072	401,749
c) Number	16	11

C. Securitisation

Qualitative information

In light of the increasing importance of its assets and the current market context of interest rates that remain negative, Banca Generali decided to diversify the investments in its proprietary portfolio by allocating a minimal portion of it (1.74% of the total banking book) to the purchase of complex products represented by securitised instruments. All investments were directed towards the most senior tranches of the securitised structures.

Quantitative information

C.2 Prudential consolidation - Breakdown of exposures resulting from main third-party securitisations by type of securitised assets and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	CASH EXPOSURES						CASH EXPOSURES						CASH EXPOSURES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS
GIM NL LUX 12/06/18	20,131	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRADO VIII FRN 2055	3,564	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRISMA SPV FRN 2039	16,980	109	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CREDIMI 20/07/2026	63,001	425	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LANTERNA M FRN 2065	12,109	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROG QUIN 36 A 1 FR	3,074	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ERIDANO II SPV FRN 3	6,018	56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CARLYLE GMS FRN 16/0	4,416	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORDATUS VIII FRN 34	7,512	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EURO-GAL VII FRN 35	7,510	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AQUEDUCT EUROPEAN CL	6,206	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RRME 2X A1R	6,010	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AURIUM VIII FRN 2034	7,498	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INVESCO VI FRN 2035	7,530	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PENTA 2019 VI FRN 34	5,634	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

D. Transfers

D.1 Prudential consolidation - Transferred financial assets fully recognised and related financial liabilities: book value

	TRANSFERRED FINANCIAL ASSETS FULLY RECOGNISED				RELATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SECURITISED	OF WHICH: REVERSE REPURCHASE AGREEMENTS	OF WHICH: NON-PERFORMING	BOOK VALUE	OF WHICH: SECURITISED	OF WHICH: REVERSE REPURCHASE AGREEMENTS
A. HFT financial assets	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivati	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	12,228	-	12,228	-	11,752	-	11,752
1. Debt securities	12,228	-	12,228	-	11,752	-	11,752
2. Loans	-	-	-	-	-	-	-
Total 31.12.2021	**12,228**	**-**	**12,228**	**-**	**11,752**	**-**	**11,752**
Total 31.12.2020	**147,649**	**-**	**147,649**	**-**	**150,951**	**-**	**150,951**

In the year, the Group transferred securitised senior notes, acquired from customers, to a newly formed Italian fund (AIF), the "Forward Fund", for an amount of 377.7 million euros.
A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 2 "Prudential consolidation risks", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

C. Prudential consolidation - transferred financial assets fully derecognised

Transfers of loans to mutual investment funds

In accordance with the Bank of Italy Communication of 23 December 2019, this section contains information regarding the restructuring of a portfolio of senior notes issued by SPVs in the securitisation of healthcare receivables by Banca Generali in 2021 as it is considered to constitute the transfer of a loan portfolio to a mutual investment fund with concurrent subscription of the units by the transferring intermediary.

The healthcare receivable restructuring operation

In 2021, Banca Generali performed an extensive restructuring of a portfolio of senior notes issued by an SPV securitising healthcare receivables, with a notional amount of 478.5 million euros, held by its professional clients, in order to protect them against a potential loss on the investments concerned. In particular, the restructuring of the portfolio entailed the following:

1. the purchase of the senior securitised notes from the clients for an amount of 457.6 million euros;
2. the simultaneous sale of the notes so purchased to a newly formed Italian fund (AIF), the "Forward Fund", managed by Gardant Investor SGR, for 377.7 million euros, with the Bank recognising a trading loss of 79.9 million euros;

3. the subscription by the Bank of the majority of the shares of the above Fund, with a 98% stake, equal to 490 million euros (A shares), of which 378 million euros already paid at the time of purchase of the notes, whereas the remaining 10 million euros (B shares) were subscribed by Gardant S.p.A., the parent company of the management firm that promoted the formation and assumed full, independent management of the fund.

To carry out the transaction, on 27 July 2021 the Board of Directors of Banca Generali promoted a purchase offer addressed to all interested clients in reference to the full outstanding amount of the senior notes relating to the **Astrea Due, Astrea Tre, Astrea Quattro and Chiron Due** and **Argo** securitisations for consideration of 95% of the principal amount outstanding (97.5% for Argo)[10]. The offer was successfully completed on 30 September 2021 with all clients adhering to the initiative and was settled on 7 October 2021, concurrently with the transfer of the notes to the fund and the subscription of the fund units.

The average price at which those notes were concurrently sold to the Fund was approximately 79% of the principal amount outstanding of the notes, as discussed in the following paragraph.

ISIN:	SECURITISATION	MATURITY DATE	TOTAL OUTSTANDING	JUNIOR & MEZZANINE SECURITIES	SENIOR SECURITIES	REDEMPTION PRICE	FAIR VALUE	REDEMPTION VALUE	REALISABLE VALUE	DELTA
IT0005326902	Astrea 2	14.03.2022	192.02	23.54	168.48	95.0	72.5	160.05	122.18	37.87
IT0005365785	Astrea 3	14.04.2022	84.21	4.21	80.00	95.0	69.6	76.00	55.70	20.30
IT0005377343	Astrea 4	14.07.2022	104.22	5.22	99.00	95.0	80.9	94.05	80.10	13.95
IT0005405805	Argo	14.04.2025	148.47	29.92	118.54	97.5	91.5	115.58	108.47	7.11
IT0005380495	Chiron 2	18.07.2022	13.16	0.66	12.5	95.0	90.0	11.88	11.25	0.63
			542.08	**63.55**	**478.52**			**457.60**	**377.70**	**79.90**

The strategic goal of the restructuring was thus essentially to transfer the aforementioned notes from the Bank's customers to a specialised, independent professional operator with specific expertise in managing illiquid portfolios and the servicing of securitisations, capable of optimising the process of recovering the cash flows generated by the notes by restructuring their maturities and ensuring better management of the repayment of the underlying receivables and concurrent reinvestment of the proceeds of such payments.

The portfolio of transferred receivables

The securitisations subject to transfer do not refer to underlying transactions originated by Banca Generali and were not previously held by the Bank. Rather, the Bank only acquired title to them on an entirely temporary basis at the time of the twofold transfer.

In fact, the Bank has acted only as Placement Agent in these securitisation transactions, however it has nonetheless decided to undertake the restructuring operation to protect its Clients and strengthen its trust-based relationship with them.

The decision was taken in light of certain critical issues in the procedures for the recovery of the healthcare receivables — also partly related to the pandemic situation —, and in light of the outcome of an analysis of the receivables portfolio carried out with the support of a sector specialist that gave a lower-than-expected valuation.

On the basis of the due diligence performed, the healthcare receivables transferred to the securitisations were not found to conform to what was indicated in their prospectuses and were found to include types of receivables with a high risk profile, some of which derived from multiple securitisations. In particular, the underlying assets had an underlying par value of approximately 595.6 million euros, divided as follows:

> cash and a revolving component of 112.6 million euros;
> in-budget healthcare receivables amounting to 50.5 million euros;
> Out-of-budget healthcare receivables amounting to 270.2 million euros;
> receivables referring solely to late payment interest on past-due healthcare receivables amounting to 162.5 million euros, of which 62.0 million euros transferred without the underlying receivables (stripped).

SECURITISATION (€ MILLION)	OUTSTANDING AMOUNT SENIOR NOTES	TOTAL UNDERLYING ASSETS	CASH BALANCE	REVOLVING RECEIVABLES	IN BUDGET AND OUT-OF-BUDGET RECEIVABLES (HIGH YIELD)	RECEIVABLES FOR LATE PAYMENT INTEREST
Astrea 2	168.5	149.2	35.5	20.8	46.7	46.2
Astrea 3	80.0	219.0	5.2	-	154.6	59.3
Astrea 4	99.0	97.2	7.1	3.4	54.6	32.2
Argo	118.5	114.8	17.8	16.5	61.0	19.5
Chiron 2	12.5	15.4	2.9	3.4	3.8	5.3
	478.5	**595.6**	**68.5**	**44.1**	**320.7**	**162.5**

[10] The total outstanding amount of the securitisations amounted to 542 million euros, inclusive of mezzanine notes not distributed to customers of the Bank and junior notes held by the arranger of the transaction, CFE (Compagnie Financiere Europeenne).

The assets underlying the securitisations mostly relate to healthcare receivables from local health authorities, with a residual share consisting of receivables from the Italian Public Administration (e.g., municipalities, regions, ministries, etc.). At the geographical level, exposures mainly consist of receivables from healthcare companies based in Campania and Lazio, which account for 77% of the total outstanding.

In addition, on the basis of the analyses conducted most of the receivables underlying the securitisations are believed to be non-performing as past due or in litigation, with the exception of the liquidity and revolving loans component.

When preparing the Fund's initial business plan, the management company (SGR) concluded that the assets underlying the five securitisations could be recovered over a period of five years (2022-2026), generating net cash flows of approximately 420 million euros.
The consideration for the transfer of the securitisations to the Fund was therefore determined according to a DCF (discounted cash flow) financial model to come to a total of 377.9 million euros, on the basis of the estimated recovery flows for each securitisation and appropriate discount factors formulated according to the different risk level of the types of healthcare receivables indicated above[11] [12].

The Forward Fund
The overall structure of the restructuring transaction is governed by the Framework Agreement of 27 July 2021 entered into by Banca Generali with the nascent Gardant group, formed by spinning off the Italian loan servicing and investment business (debt purchasing) originating with the Credito Fondiario Group. Under those agreements, following the authorisation received on 2 August 2021, Gardant Investor SGR S.p.A. formed a new reserved, closed-end Italian alternative investment fund (AIF) named the "Forward Fund", the Regulation for which was approved by its Board of Directors on 10 September 2021.

The structure and functioning of the transaction are subject to, including in terms of governance, the Fund Regulation, under which the two classes of units that grant their holders different economic and governance prerogatives have been issued:
> class A units, subscribed by Banca Generali, in the total amount of 490 million euros, of which 378 million euros paid in cash upon the purchase of the senior notes by the fund[13],
> class B units, subscribed by Gardant S.p.A., the parent company of the asset management company, in the total amount of 10 million euros.

The fund, which has a duration of 15 years[14], pursues the twofold goal of:
> optimising the process of recovering the cash flows generated by them, through the restructuring of maturities and better management of repayment of the underlying receivables and concurrent reinvestment of the proceeds of those receivables;
> managing a complex portfolio of alternative investments, also including infrastructure and corporate lending investments[15], up to a maximum investment of 550 million euros, in order to achieve an expected total return of between 2% and 3% over the life of the Fund.

The A and B units enjoy the same economic rights, except for the right of the B investor to an increase, by way of incentive, of 15% of the fund's return in excess of 3%, with effect from the fifth year and solely on the investments undertaken directly by the management company.

With reference to the **Governance**, the Fund Rules provide that within the framework of the guidelines established, all powers relating to relevant decisions regarding management of the fund be irrevocably transferred to the management company, which may therefore operate in full autonomy, reserving only rights of a protective nature for the bank, as the A investor.

Gardant Investor SGR is therefore granted full powers and authority in relation to the Fund's affairs and is responsible for the functions of management and control of the Fund's activities, in accordance with the terms and conditions set out in the Rules. In particular, the management company may carry out all acts and enter into and perform all contracts and other undertakings that it deems necessary and has full power and discretion to exercise, in the name and on the account of the Fund, all rights and powers necessary or appropriate to achieving its purpose, including the right to bring civil suits connected to title to the Senior Notes.

[11] In order to determine the fair value of the various notes, both the cash and revolving components were discounted at a rate of 2.25%, whereas the other components were discounted at a rate of 5.5%, based on prices of CLOs (collateralised loan obligations), equal to a weighted average rate of 4.47%.
[12] In relation to the securitisations in question, it was assumed that all flows from collections on the underlying portfolio of receivables would be used to repay the senior notes.
[13] The Fund's units were subscribed on 30 September 2021. On 1 October 2021, the management company then drew down its commitments for the subscription of the first 378 of the 490 units subscribed by Banca Generali with settlement date of 7 October 2021.
[14] The Fund has an overall duration of 15 years, subject to extension by a maximum of two years, with a first investment period with a duration of eight years and a management and collection period of seven years.
[15] In particular, the Fund's investment policy calls for the cash flows from the repayment of the senior notes and the additional share of 120 million euros of the commitments entered into by the subscribers be invested in:
(i) fundamental infrastructure funds and networks; and
(ii) lending activities to:
a) corporate lending with a focus on secured lending to Italian companies with adequate guarantees of cash generation not reclassified as non-performing and, possibly,
b) performing senior real estate lending with adequate guarantees (first-degree mortgage with advance level of up to 60% of the market value of the asset).

The management company's Board of Directors, which does not include any representatives appointed by Banca Generali, is responsible for implementing the investment policy.

An Advisory Committee appointed by the management company and composed of three independent experts is to be formed. However, the Committee is solely responsible for supervising the restriction against the Fund entering into transactions with connected parties and formulating binding opinions on transactions in conflict of interest, without prejudice to the possibility of an advisory opinion on other types of transactions submitted to the management company.

As the A investor, Banca Generali is entitled to:
i) dismiss the management company, but solely for just cause, and express its approval of any replacement of the management company, resolved on by the B investor;
ii) resolve on the early liquidation of the Fund, together with the B investor;
iii) express its rejection of amendments to the fund Rules resolved on by the management company and approved in advance by the B investor, where they relate to the administrative or economic rights of the units, the asset classes subject to investment and the investment guidelines, worsening the risk profile of the fund or entailing an increase in management fees.

In this framework, the position taken by the Bank was essentially that of passive investor in a broader financial instrument, fully compliant with its investment policies.

Accounting treatment

Derecognition

Upon the transfer of the senior notes to the Forward Fund the conditions established by IFRS 9 for derecognition of the assets were verified, including on the basis of a specific accounting opinion by a major international auditing firm, applying the flow chart provided in the Standard[16].

By means of the transfer to the fund, Banca Generali definitively transferred all contractual rights to receive the cash flows from the financial instruments and all risks and benefits associated with owning them.

On the first point, it should be noted that the transfer was undertaken through an unconditional sale, without any warranty as to their performance (including the risk of default), which was assessed autonomously by the management company, nor any undertaking to repurchase them or indemnify the Fund against any losses incurred. With regard to the requirement of the transfer of substantially all risks and benefits of ownership, in view of the specific nature of the transaction, it was nonetheless decided to proceed with further analyses of both a qualitative and quantitative nature (risk and reward test) pursuant to paragraph 3.2.7 of IFRS 9, comparing the transferring entity's exposure to the variability of the amounts and timing of the net cash flows of the transferred asset, before and after transfer.
The subsequent paragraph 3.2.8 requires that a quantitative test be performed to measure the residual exposure to the variability of the present value of future net cash flows after transfer on the basis of a scenario analysis and adequate discounting rates.

Two discount models were developed for such testing:
> an analysis of the relationship between the variability of the future net cash flows from the transferred notes (ex-ante scenario) and the variability of the future net cash flows from the Fund's assets (ex-post scenario), where the latter are determined on the basis of the policies for managing the Fund's collections and reinvestments in the asset classes envisaged in the Rules. This methodological approach takes account of the effect of diversification on flows and collection times, as well as of the returns relating to reinvestments, as the elements characterising the risk profile for the A Unit;
> analysis of the relationship between the variability of future net cash flows from the transferred notes only, determined, in the ex-ante scenario, on the basis of the timescales and cash flows of banking management, and in the post-transfer scenario, on the basis of management of the Fund, while eliminating from both scenarios the policy of reinvesting the amounts collected on the Senior Notes. This methodological approach does not consider the different underlying risk profile, but only the different management, in terms of timing and amounts of the cash flows from collection of senior notes, by the Bank and Fund.

The results of the tests performed using both models support the conclusion that substantially all risks and benefits associated with ownership have been transferred.
In particular, in the former case ex-post variability is significantly higher than ex-ante variability, indicative of the fact that the risks and benefits assumed by the Bank by subscribing the A Units of the Fund are considerably higher than those transferred to the Fund with the senior notes. This leads to the belief that the instrument acquired is substantially different in terms of its risk profile from that transferred.
In the latter case, the ex-post variability ranges between 70% and 80%, indicative that the risks and benefits associated with the senior note flows only, due to the transfer to the Fund, have not been either fully transferred or retained.
In this latter case, derecognition is only allowed if the bank has ceded control of the transferred assets, or the transferee has the practical ability to sell the Senior Notes, if it is able to sell them unilaterally and without conditions to an unrelated third party.
In the case at hand, the control test is also considered passed as the Fund acquired full title as bearer of the senior notes and in respect of the rights, including compensation rights, transferred to it, as cited in the Framework Agreement, and therefore may order their sale unilaterally.

[16] For the purposes of the analysis, reference was also made, to the extent applicable, to the Bank of Italy/Consob/IVASS Document 8 regarding the treatment in the financial statements of the sale of unlikely-to-pay ("UTP") positions in exchange for units of investment funds.

Effects of possible non-derecognition

Finally, even if the Bank had not derecognised the debt securities acquired by customers, the impact on the 2021 financial statements would have been limited.
In view of the strategic objectives and method of implementation of the transaction, through unconditional sale, Banca Generali's aim from the outset was not, in any event, to acquire, including through an SPE, a portfolio of senior notes to collect the contractual cash flows generated by those notes, but to undertake an investment of a different kind. Accordingly, on the basis of the clear tenor of authoritative international theory, it is believed that Banca Generali could have defined the most appropriate policy for the case at hand and thus allocated the financial instruments to a hold-to-sell portfolio, measured at fair value through profit or loss.
The senior notes would therefore have been classified to item 20 c). Financial assets measured at fair value through profit or loss - financial assets mandatorily measured at fair value, as is the case, as will be seen below, for the units of the Forward Fund, without an appreciable change in overall disclosure in the financial statements.

Consolidation of the Forward Fund

With regard to the information provided in "Part A – Accounting policies" regarding the requirements established by the accounting standard IFRS 10 for control of an entity, the test performed upon subscription and then when preparing the financial statements indicated that control did not exist.

As stated above, both parties to the transaction, the Bank and the management company, participated actively in formulating the objectives of the transaction and structuring it according to the Framework Agreement and Fund Rules.

In particular, from the outset Banca Generali's goal was to invest in a newly set up fund managed by a specialised, independent operator with specific expertise in managing illiquid portfolios, capable of optimising, in full autonomy, the process of recovering the cash flows generated by the senior notes transferred and achieving a return objective in the medium/long term through management of other financial asset classes of an illiquid nature. The position voluntarily taken by the Bank was essentially that of passive investor in a broader financial instrument, fully compliant with its investment policies.
The Fund was thus structured, through the Rules, in such a way that the Bank irrevocably transferred, and thus did not merely delegate, all powers of management of the Fund to Gardant Investor SGR S.p.A., reserving for itself only limited rights of a protective nature.

As a result, having concluded that the Bank's rights are protective in nature, and not being able to attribute to the Bank the rights borne by the management Company as irrevocably transferred to the latter and not merely delegated, it is believed that Banca Generali does not have the power and, therefore, in the presence of significant exposure to the fund's variability, does not exercise control over the Fund.

Fair value

As indicated in Part A.4 – Fair value, in the financial statements the units of the Forward Fund have been classified to item of the balance sheet 20 c), "Financial assets measured at fair value through profit or loss - financial assets mandatorily measured at fair value".
Units of the Fund have been measured according to a methodology substantially similar to that used to determine the consideration paid by the Fund to acquire the portfolio of senior notes[17].
The fair value of the Fund was determined using a financial model of the DCF (discounted cash flow) type, where expected cash flows are estimated using the most recent business plan for recoveries envisaged by the management company for each securitisation and applying to such flows discount factors differentiated according to the different risk levels of the types of underlying health receivables. As at 31 December 2021, the update to the Business Plan by the management company estimates the total net cash flows arising from repayment of the underlying in the total amount of approximately 397 million euros, inclusive of cash balances of 86 million euros. The plan's original assumptions were essentially confirmed, except for the interruption of the reinvestment of the cash generated by the collection of the revolving loans.

[17] At the measurement date, the Forward Fund's investments consist exclusively of the five senior notes relating to the securitisations of the senior healthcare receivables transferred. The model used includes — in addition to the sum of the discounted cash flows from those notes (370.2 million euros), without considering reinvestments and any cash commitment — an estimate of the coupons set to accrue, net of the management fees accrued to the management company as at the reporting date. Over the life of the transaction, the model will be revised to take account of the new investment flows associated with the strategy implemented.

The coupons paid on the notes during the period and Fund management costs were also taken into account when determining the Fund's fair value.

	31.12.2021			
(€ MILLION)	GROSS BOOK VALUE	ADJUSTMENTS	RECOVERABLE FLOWS	FAIR VALUE
Cash	86.0	-	86.0	86.0
Revolving receivables	28.2	-3.7	24.5	24.4
In-budget High Yield receivables	50.5	-16.1	34.4	32.4
High Yield Extra Budget receivables	268.0	-108.5	159.5	144.6
Receivables for late payment interest	162.4	-69.8	92.6	82.9
of which "stripped"	*100.4*	*-51.0*	*49.4*	*44.0*
of which "accrued"	*62.0*	*-31.6*	*30.4*	*27.0*
of which from cut-off	-	-	*12.8*	*11.9*
Coupons collected and recovered amounts from parties involved, net of management costs	-	-	-	7.1
Total	**595.1**	**-198.1**	**397.0**	**377.3**

The discount rate used was thus determined as the weighted average of the different rates estimated for each of the underlying asset classes identified, as shown in the following table, and was therefore set at 4.93%.

TYPE OF UNDERLYING RECEIVABLES	TYPE OF DISCOUNT RATE	DISCOUNT RATE	WEIGHTING OF UNDERLYING ASSET CLASSES	DISCOUNT RATE WEIGHTED
Cash and Revolving	Medium-term yields of 5-year BTP	0.42%	9%	0.04%
In budget	Average rate [1M; 6M; 12M] calculated based on four Bloomberg benchmarks and the related high yield/below investment grade indices (see the following table)	3.24%	11%	0.36%
Out-of-budget	Previously described rate plus 200 bps	5.24%	51%	2.68%
Late payment interest	Previously described mean rate plus a further 100 bps	6.24%	30%	1.85%
Weighted discount rate				**4.93%**

CONTENTS	DESCRIPTION	AVG 1M	AVG 6M	AVG 12M
EUOHHYTO Index	Option Adjusted Spread (weighted by market value) of the Euro High Yield All Cash Bonds sector	2.77%	2.55%	2.57%
IBOXXMJA Index	Markit iBoxx EUR Liquid High Yield Index TRI	2.13%	2.13%	2.12%
I11005EU Index	Bloomberg Pan European below investment grade Corporate 2,5% Issuer Constraint Index	3.86%	3.87%	3.83%
LP01TREU Index	Bloomberg Pan European below investment grade Index	4.37%	4.37%	4.33%
	Average [1M; 6M; 12M]	3.28%	3.23%	3.21%
Average			**3.24%**	

Fair value at 31 December 2021 was 377.3 million euros, whereas the initial fair value amounted to the consideration of 378 million euros, with a valuation capital loss of about 0.7 million euros.

In view of the nature of the financial instruments, represented by units of a reserved, closed-ended, unlisted mutual fund (illiquid) and the mark-to-model approach, based on unobservable inputs, used to measure their fair value, a Level 3 fair value was assigned to them.

The Fund's fair value may be influenced to a significant degree by the changes in the unobservable inputs used for measurement, including the change in the discount rates used, and the estimate of the recovery cash flows and their timing.
Accordingly, on the basis of IFRS 13, paragraph 94 h), a sensitivity analysis was performed, assuming a change in the discount rate of +/-100bps and a change in the collection of receivables of +/- 5%.
The analysis indicated values within a range of 372 million euros to 382 million euros in relation to the change in discount rates and within a range of 363 million euros to 391 million euros in relation to the recovery of receivables.

1.2 Market risks

The Bank's exposure to market risk is mainly due to the trading of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a financial instrument or a portfolio of financial instruments associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

The Bank monitors market risks with reference both to the banking book and the trading book. Specifically as regards monitoring this risk the Risk and Capital Adequacy Department applies the regulatory method to the trading book whilst the rate risk on the banking book follows the regulations specified in annex C of Bank of Italy Circular No. 285/2013 and subsequent updates.
With regard to market risk management, the Bank has formally defined a financial portfolio risk management policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority. The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Regulation of limits and escalation process.
Second-tier checks are a responsibility of the Risk and Capital Adequacy Department, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Department conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

The emergency relating to the mutation of Covid-19 continued in 2021, yet with different impacts than in the previous year, due to the impressive vaccination campaign implemented in Italy (and the rest of the world). In any event, the ECB continued its programmes in support of the European economy. Especially in the second half of the year, almost all rates climbed, due to the control of the pandemic crisis (Omicron variant), which, despite the high number of new cases, was contained by vaccines, avoiding the need to shut down the economy (lockdowns). Although 2021 was the year of higher commodities prices (above all for oil) and inflationary pressures, equity markets saw considerable growth across all main markets — growth that also brought considerable volatility to the markets. This year as well, in line with the path undertaken, the Bank reacted by increasing the diversification policy for its portfolio and continuing in the direction of containing the exposure to interest rate risk by adopting a policy of transforming risk through the use of hedging instruments (such as asset swaps). The aforementioned management policy was deemed necessary in light of the rising economic instability, as well as very uncertain forecasts of the future.

The own bond portfolio is mainly invested in European government securities (mainly Italian), securities issued by domestic and international banks and, to a lesser extent, in securities of corporate issuers and ABSs.

In support of its market risk analyses, the Bank increased the frequency of its scenario analyses by both exploiting the macroeconomic forecasts published by institutions and research centres and drawing on internal calculations and management tools.

The portfolio's exposure to the equities market is limited compared to the bond component. Exposure to non-OECD issuers and entities is limited.

The exposure in derivatives is attributable to the inception of interest rate derivatives (asset swaps) to cover the risk of changes in the fair value of the banking book due to the fluctuation of the interest rate curve.

The main objective of exchange rate operations is to contain open positions in foreign currencies. Regarding the rate activity, the main objective is to align balance sheet assets and liabilities.
Banca Generali holds marginal amounts of securities denominated in foreign currencies.

1.2.1 Interest Rate and Price Risk - Regulatory Trading Book

Qualitative information

A. General Aspects

The main activities of the Bank that increase its exposure to interest rate risk relating to its trading book include:
> management of the portfolio of financial and corporate bonds;
> residual transactions in UCITS and equity instruments.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Finance Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:
> supporting the activities of the sales network in relation to placing repurchase agreements for customers;
> supporting secondary market trading for the financial instruments placed with customers, such as structured bonds.

B. Management processes and interest rate and price risk measurement techniques
Market risks are measured for management purposes according to a daily sensitivity analysis, prudentially monitored at the level of the Bank's entire proprietary portfolio with the aim of identifying interest rate and spread risk. These are supplemented by the monitoring of deterministic measurements (level measurements such as the notional and Mark to Market values) defined in the Bank's "Regulation of limits and escalation process".

In detail, the model adopted by the Risk and Capital Adequacy Department to conduct the sensitivity analysis is based on the Fundamental Review of Trading Book rules and has been developed to calculate sensitivity:
> on interest-rate risk: the possibility of calculating sensitivity according to a full-evaluation approach, based on shocks to the base risk-free curve in foreign currency;
> on country risk: the possibility of calculating sensitivity according to a full-evaluation approach, based on shocks to loan/sector curves.

The sensitivities of the two components described above are calculated as a parallel shock of +100 bps on all nodes of the curve, with regard to both the interest-rate risk and country risk portions.

The following table shows the interest-rate risk sensitivity of the entire trading book (HTS portfolio) at 31 December 2021:

(€ THOUSAND)	HTS PORTFOLIO
Interest-rate risk sensitivity	-4.3

Quantitative information

1. Regulatory trading book: breakdown by time-to-maturity (repricing date) of cash financial assets and liabilities and financial derivatives

TYPE/TIME TO MATURITY	ON-DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS UP TO 10 YEARS	OVER 10 YEARSÌ	UNSPECIFIED MATURITY
1. Cash assets	**-**	**2,006**	**-**	**-**	**2**	**-**	**-**	**-**
1.1 Debt securities	-	2,006	-	-	2	-	-	-
- with early repayment	-	-	-	-	-	-	-	-
- other	-	2,006	-	-	2	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**65,172**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	65,172	-	-	-	-	-	-
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	32,586	-	-	-	-	-	-
+ short positions	-	32,586	-	-	-	-	-	-

2. Regulatory trading book: breakdown of exposures in equity securities and stock indices by main countries on the market of listing

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question, or are due to factors that influence all similar financial instruments traded on the market.

"Price risk" arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to UCITS units held in the portfolio.

However, the Group's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

	LISTED				
TYPE OF TRANSACTION/INDEX	ITALY	USA	GERMANY	OTHER	NOT LISTED
A. Equity securities					
- long positions	-	1	8	2	-
- short positions	-	-	-	-	-
B. Equity security purchases/sales to be settled					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
C. Other derivatives on equity securities					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
D. Stock index derivatives					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-

3. Regulatory trading book: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading book.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali Group are interest rate and price risk.
In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.
The next stage involves establishing the potential effects on the profit and loss account both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.
In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of 641.4/-641.4 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

A change in interest rates of +100/-100 basis points would have an overall effect on the fair value of the portfolio of debt securities held for trading (HTS portfolio) of -4.35/+4.34 thousand euros, gross of the tax effect.

(€ THOUSAND)	HTS
FV equity delta (+10%)	641.4
FV equity delta (-10%)	-641.4
FV bonds delta (+1%)	-4.35
FV bonds delta (-1%)	+4.34

1.2.2 Interest Rate and Price Risk – Banking Book

Qualitative information

A. General Aspects, Management Processes and Interest Rate and Price Risk Measurement Techniques

The interest rate risk to which the banking book is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, the value of net equity.

With regard to the management of the interest rate risk of the banking book, the Bank has formally defined a Banking Book Interest Rate Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.
The Risk and Capital Adequacy Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking book is exposed. It is also responsible for updating the models and metrics, including on the basis of analyses of legal requirements, market best practices and the contributions of the business functions involved (and the Finance Department in particular).
The Internal Audit Department is responsible for third-tier controls of loans and net inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking book and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

During the year the Bank incorporated changes in regulations into its regulatory framework for monitoring regulatory interest rate risk, adjusting its method for calculating the capital requirement, which made it possible to better capture some peculiarities relating to a core component of the Bank's business, net inflows, while also extending the monitoring of a potential impact of changes in interest rates to net interest income as well.

Most of the interest rate risk in the Bank's banking book arises from:
- trading on the interbank deposits market;
- customer lending activities; and
- investment operations of the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items of net inflows, with a negative impact on the Group's objectives in terms of net interest income.

B. Fair value and cash flow hedging

The Bank currently uses fair value hedging strategies to contain the interest rate risk on the banking book. These strategies are formulated according to the Bank's Risk Appetite and are designed to keep banking book's duration within the established limits by using hedging derivative instruments such as interest rate swaps. In particular, by establishing hedging relationships, the Bank seeks to stabilise the fair value of the bond in respect of changes in interest rates and to decrease the duration of the hedged bond. All derivative instruments are designated as hedges against the specific risk hedged, as identified for each hedging relationship and pursuant to IFRS 9.

During the year the Group updated its framework for managing interest rate risk on the banking book to the new regulatory requirements established by the guidelines EBA/GL/2018/02 regarding interest rate risk, transposed by the Bank of Italy with the most recent updates to Circular 285.

There are currently no cash flow hedging transactions generated by the Bank's operations.

Quantitative information

1. Banking book: breakdown by time-to-maturity (repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY
1. Cash assets	**2,818,833**	**2,495,741**	**2,886,164**	**1,101,160**	**2,702,889**	**1,123,654**	**262,305**	**-**
1.1 Debt securities	-	2,147,305	2,883,726	1,097,205	2,699,169	1,120,554	262,305	-
- with early repayment option	-	54,015	14,063	10,009	20,604	24,902	21,414	-
- other	-	2,093,290	2,869,663	1,087,196	2,678,565	1,095,652	240,891	-
1.2 Loans to banks	186,742	347,802	-	-	-	-	-	-
1.3 Loans to customers:	2,632,091	634	2,438	3,955	3,720	3,100	-	-
- current accounts	1,564,486	10	194	2,471	16	-	-	-
- other	1,067,605	624	2,244	1,484	3,704	3,100	-	-
- with early repayment option	826,352	572	131	154	1,758	3,100	-	-
- other	241,253	52	2,113	1,330	1,946	-	-	-
2. Cash liabilities	**13,676,405**	**25,312**	**-**	**-**	**690,725**	**-**	**-**	**-**
2.1 Due to customers:	13,560,148	13,560	-	-	-	-	-	-
- current accounts	13,231,340	-	-	-	-	-	-	-
- other	328,808	13,560	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	328,808	13,560	-	-	-	-	-	-
2.2 Due to banks:	116,257	11,752	-	-	690,725	-	-	-
- current accounts	88,470	-	-	-	-	-	-	-
- other	27,787	11,752	-	-	690,725	-	-	-
2.3 Debt securities:	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities:	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**336,000**	**3,228,000**	**321,000**	**375,500**	**583,000**	**243,500**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	336,000	3,228,000	321,000	375,500	583,000	243,500	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	336,000	3,228,000	321,000	375,500	583,000	243,500	-
+ long positions	-	286,000	1,923,000	176,000	158,500	-	-	-
+ short positions	-	50,000	1,305,000	145,000	217,000	583,000	243,500	-
4. Other off-balance sheet transactions	**306**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	153	-	-	-	-	-	-	-
+ short positions	153	-	-	-	-	-	-	-

2. Banking book: internal models and other methods of sensitivity analysis

The sensitivity analysis was conducted only for the interest rate risk component also for the banking book, with regard to the portfolio of financial assets measured at fair value through other comprehensive income, the portfolio of financial assets measured at amortised cost, and the portfolio of loans to customers and banks.

As regards the price risk, a change of +100/-100 basis points would yield a change in the valuation reserves on debt securities in the HTCS category of -15.8/+15.7 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the HTCS portfolio would amount to -14.4/+14.3 million euros as a result of the hypothesised shift in the rate curve, or about 90% of the fair value delta of the entire HTCS bond portfolio.

To provide a complete information, the following table shows the effect of a similar price shock in the fair value of portfolios recognised at amortised cost.

(€ THOUSAND)	HTCS	HTC	LOANS (*)	TOTAL
FV bonds delta (+1%)	-15,816	-135,820	-14,997	-166,663
- *of which: government bonds*	*-14,436*	*-99,421*	-	*-113,857*
FV bonds delta (-1%)	15,729	117,280	15,011	148,020
- *of which: government bonds*	*14,383*	*82,361*	-	*96,743*

(*) Loans to banks and Loans to customers.

The same criteria were also applied to a sensitivity analysis of net interest income of the entire banking book. It resulted in a potential impact on the Profit and Loss Account of +63.3 million euros, gross of the tax effect in case of increase of interest rates by 1%, and -27.1 million euros in case of decrease by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	77,486	-14,218	63,268
Net interest income delta (-1%)	-32,555	5,484	-27,071

1.2.3 Foreign exchange risk

Qualitative information

A. General Aspect, Management Processes and Exchange Rate Risk Measurement Techniques

Exchange-rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.
With regard to exchange risk management, the Group has formally defined a Financial Portfolio Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department performs first-tier controls of exchange-rate risk management.
The Risk and Capital Adequacy Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the exchange rate risk.
The Internal Audit Department is responsible for third-tier controls of loans and net inflows in foreign currency.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the exchange rate risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Most of the exchange-rate risk arises from:
> trading of securities and other financial assets in foreign currency;
> interest to be collected and/or paid, reimbursements, fees or dividends in foreign currency;
> bank transfers in foreign currency to customers (institutional and retail customers);
> currency trading on behalf of customers.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.
Exchange rate risk is mitigated through funding activities in the same currency as that of lending transactions.
The exchange rate risk associated with BG Valeur is due to the fact that most of its revenues are in a different currency than its administrative costs (CHF). The subsidiary's open positions in the Swiss franc account for 0.02% of total consolidated assets, and therefore are not a material exposure at the Group level.

Quantitative information

1. Breakdown by currency of denomination for assets, liabilities, and derivatives

ITEMS	CURRENCIES US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	CANADIAN DOLLAR	AUSTRALIAN DOLLAR	OTHER CURRENCIES
A. Financial assets	**50,943**	**-**	**4,194**	**-**	**-**	**-**	**-**
A.1 Debt securities	27,919	-	-	-	-	-	-
A.2 Equity securities	5,376	-	-	-	-	-	-
A.3 Loans to banks	17,641	-	-	-	-	-	-
A.4 Loans to customers	7	-	4,194	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**86,836**	**858**	**14,470**	**10,895**	**2,344**	**1,371**	**1,723**
C.1 Due to banks	-	-	-	-	-	-	748
C.2 Due to customers	86,836	858	14,470	10,895	2,344	1,371	975
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	-	**-**
E. Financial derivatives	**330**	**14**	**-4**	**-8**	**39**	**103**	**18**
- Options	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
- Other derivatives	330	14	-4	-8	39	103	18
- long positions	4,208	43	60	148	70	138	11,872
- short positions	3,878	29	64	156	31	35	11,854
Total assets	**55,151**	**43**	**4,254**	**148**	**70**	**138**	**11,872**
Total liabilities	**90,714**	**887**	**14,534**	**11,051**	**2,375**	**1,406**	**13,577**
Excess	**-35,563**	**-844**	**-10,280**	**-10,903**	**-2,305**	**-1,268**	**-1,705**

2. Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has been also conducted on assets and liabilities denominated in currencies other than the euro, regardless of the portfolio to which they have been allocated.

A shock of +/- 10% on equity instruments denominated in currencies other than the euro would have an effect on the fair value of approximately +553/-676 thousand euros, whereas a shock of +100/-100 bps in rates would have an effect on the fair value of bonds and securities other than equities in foreign currency of -1.2/+1.4 million euros, gross of the tax effect.

(€ THOUSAND)	ASSETS
FV equity delta (+10%)	553
FV equity delta (-10%)	-676
FV non-equity delta (+1%)	-1,255
FV non-equity delta (-1%)	1,396

By contrast, an interest rate movement of +100/-100 basis points would have an effect of -397/+341 thousand euros on the flow of interest on assets and liabilities denominated in currencies other than the euro.

(€ THOUSAND)	TOTAL ITEMS
Net interest income delta (+1%)	-397
Net interest income delta (-1%)	+341

1.3 Derivatives and hedging policies

1.3.1 Trading derivatives

A. Financial derivatives

A.1 HFT financial derivatives: notional amounts at year-end

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2021				31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**20,758**	**-**	**-**	**-**	**31,676**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	20,758	-	-	-	31,676	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**20,758**	**-**	**-**	**-**	**31,676**	**-**

A.2 HFT financial derivatives: positive and negative gross fair value – breakdown by products

TYPES OF DERIVATIVES	31.12.2021				31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	4,558	-	-	-	1,551	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**4,558**	**-**	**-**	**-**	**1,551**	**-**
1. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	4,551	-	-	-	1,551	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**4,551**	**-**	**-**	**-**	**1,551**	**-**

A.3 OTC HFT financial derivatives: breakdown of notional values, positive and negative gross fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts other than netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	10,384	-	10,374
- positive fair value	X	1,634	-	2,924
- negative fair value	X	2,922	-	1,629
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other values				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts within the scope of netting arrangements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other values				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Time-to-maturity of OTC HFT financial derivatives

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	20,758	-	-	20,758
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2021	**20,758**	**-**	**-**	**20,758**
Total 31.12.2020	**31,676**	**-**	**-**	**31,676**

1.3.2 Hedging instruments

The proprietary portfolio managed by the Bank includes hedging derivatives entered into both through a central counterparty (CCP) clearing house and on a bilateral basis under a CSA, affected by the benchmark interest rate reform introduced by Regulation (EU) 34 of 15 January 2020.
For such contracts, which normally call for the use of Eonia rates, the transition to the new overnight rate, €STR, was therefore completed in 2021.

Specifically, for derivatives cleared via a CCP, the transition was completed between 24-27 July 2020 by replacing the discount curve used to calculate net present value (NPV), previously based on EONIA rates, with the new curve based on €STR rates. This transaction entailed the exchange of cash compensation as the result of the difference between NPVs calculated according to the two different curves.
For bilateral contracts, the transition — which also took place in 2020 — was completed by 31 December 2021, with the negotiation of specific amendment agreements with each counterparty, within which the effective date of transition to the discount curves based on the new market benchmarks was defined.
In this case as well, the value of the cash compensation was defined, as determined by the difference between the NPVs calculated with the two different curves and its settlement date.
The process was handled by the Finance Department, which conducted a prior assessment of the impacts on profit and loss and agreed on the netting values with the counterparties.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: notional amounts at year-end

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2021				31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Debt securities and interest rates	**-**	**2,543,500**	**-**	**-**	**-**	**1,709,000**	**125,000**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	2,543,500	-	-	-	1,709,000	125,000	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**2,543,500**	**-**	**-**	**-**	**1,709,000**	**125,000**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value – breakdown by products

TYPES OF DERIVATIVES	31.12.2021				31.12.2020				CHANGE IN THE VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	
	OVER THE COUNTER				OVER THE COUNTER					
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES				
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	31.12.2021	31.12.2020
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	11,357	-	-	-	2,486	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**11,357**	**-**	**-**	**-**	**2,486**	**-**	**-**	**-**	**-**
1. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	167,320	-	-	-	61,523	6,330	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	2,193	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**167,320**	**-**	**-**	**-**	**63,716**	**6,330**	**-**	**-**	**-**

A.3 OTC financial derivatives: breakdown of notional values, positive and negative gross fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts other than netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts within the scope of netting arrangements				
1) Debt securities and interest rates				
- notional value	-	2,343,500	200,000	-
- positive fair value	-	11,357	-	-
- negative fair value	-	135,104	32,216	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Time-to-maturity of OTC hedging financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	170,000	997,000	1,376,000	2,543,000
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2021	**170,000**	**997,000**	**1,376,000**	**2,543,000**
Total 31.12.2020	**50,000**	**680,000**	**1,104,000**	**1,834,000**

D. Hedged instruments

D.1 Fair value hedging

	SPECIFIC HEDGES: CARRYING AMOUNT	SPECIFIC HEDGES – NET POSITIONS: CARRYING AMOUNT OF ASSETS OR LIABILITIES (BEFORE NETTING)	SPECIFIC HEDGES: CUMULATIVE FAIR VALUE CHANGES OF THE HEDGED INSTRUMENT	SPECIFIC HEDGES: TERMINATION OF HEDGING POSITION: RESIDUAL CUMULATIVE FAIR VALUE CHANGES	SPECIFIC HEDGES: CHANGE IN VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	GENERIC HEDGES: CARRYING AMOUNT
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging of:	322,048	-	87,927	-	-	
1.1 Debt securities and interest rates	322,048	-	87,927	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost – hedging of:	2,395,094	-	3,981	-	-	
1.1 Debt securities and interest rates	2,395,094	-	3,981	-	-	X
1.2 Equity securities - and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
31.12.2021	**2,717,142**	**-**	**91,908**	**-**	**-**	
31.12.2020	**1,915,761**	**-**	**38,768**	**-**	**-**	
B. Liabilities						
1. Financial liabilities measured at amortised cost – hedging of:	-	-	-	-	-	
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31.12.2021	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**

1.3.3 Other information on derivatives (held for trading and for hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: breakdown of net fair value by counterparties

	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
A. Financial derivatives				
1) Debt securities and interest-rates				
- notional value	-	2,343,500	200,000	-
- positive fair value	-	11,357	-	-
- negative fair value	-	135,104	32,216	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	10,384	-	10,374
- positive fair value	-	1,634	-	2,924
- negative fair value	-	2,922	-	1,629
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sale and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

1.4 Liquidity risk

Qualitative information

A. General Aspect, Management Processes and Liquidity Risk Measurement Techniques

Exposure to liquidity risk derives from funding and lending transactions in the course of the Bank's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

The Bank's liquidity risk governance model is based on "centralised" management for all Group companies. As the Parent Company, the Bank:

- is responsible for the liquidity policy;
- manages liquidity risk.

The structure of the liquidity risk management system is intended to ensure sound and prudent management of liquidity and liquidity risk and purses the following goals:
> ensuring that the Bank remains solvent in both the normal course of business and crisis conditions;
> complying with instructions from the supervisory authority and the guidelines on banking supervision issued by the various international authorities, while also taking account of the specificity of the Bank's business;
> maintaining a liquidity profile that is consistent with the risk tolerance statements issued by its governing bodies;
> ensuring liquidity levels capable of allowing the Group to fulfil its contractual commitments at any times, maximising the cost of funding with respect to current and forecast market conditions.

In particular, the liquidity risk management and monitoring policy implemented by the Group at the consolidated level is in turn divided into:
> managing operating liquidity risk, i.e., events that affect the Group's liquidity position on the short-term time horizon, with the primary objective of maintaining the Group's capacity to meet its ordinary and extraordinary payment obligations, while minimising the related costs;
> managing **structural liquidity** risk, i.e., all events that affect the Group's liquidity position, including in the medium/long term, with the primary objective of maintaining an adequate relationship between liabilities and assets on the various time horizons. In particular, the management of structural liquidity allows:
  – pressure on current and prospective sources of liquidity to be avoided;
  – the cost of funding to be optimised.

Both risk profiles are measured on a going concern basis and in stress scenarios and are analysed from a current and a prospective standpoint.

With regard to liquidity risk management, the Bank has formally defined a policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department is responsible for first-tier controls and managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, secondly, where present, through extraordinary measures provided by the ECB. The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.

The Risk and Capital Adequacy Department is responsible for second-tier controls. Liquidity risk is managed within appropriate short-term and structural (beyond one year) limits, monitored by the Department, assuming that financial markets will continue to function normally and in conditions of particular stress, aimed at ensuring that the risk level expressed is consistent with the strategies and risk appetite established by the Board of Directors.

The Internal Audit Department is responsible for third-tier controls of loans and net inflows transactions.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

The Group has also implemented a Contingency Funding Plan that sets out a framework for monitoring and managing unexpected liquidity stress events, which may be systemic or specific to the Bank, in order to ensure protection of the Group's assets in situation of liquidity drain through the preparation of crisis management strategies and procedures for procuring sources of funding in the event of an emergency.

The liquidity risk is monitored using a maturity ladder designed on the basis of the guidelines set out in the prudential supervisory provisions governing the measurement of net financial position. Through the maturity ladder the bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative mismatches, the calculation of the net balance of funding requirement (or surplus) over the holding period considered.

Commission Implementing Regulation (EU) No. 2016/322, which contains the Implementing Technical Standards for the liquidity coverage ratio, was published in the Official Journal of the European Union on 10 March 2016. With effect from 30 September 2016, the Bank is required to report this ratio on a monthly basis according to the new reporting framework.
The Bank's LCR at 31 December 2021 amounted to 378%, far in excess of the current mandatory minimum level, thanks to high quality liquid assets ("HQLAs") of approximately 9.8 billion euros, primarily Italian government bonds, offsetting the estimated net cash outflows in the following 30 days.

During the year, the structural regulatory indicator, the net stable funding ratio, also remained consistently above the established limits, amounting to 222% as at 31 December 2021, due to long-term stable funding in excess of the on-balance sheet assets requiring such long-term stable funding. With regard to the net stable funding ratio, with effect from June 2021 the Bank adopted the modifications relating to the production and monitoring of reports of the NSFR structural indicator in response to the changes introduced by the new provisions of Regulation (EU) No 2019/876 of the European Parliament (CRR2)

As a participant in payment, settlement and netting systems, the Group is exposed to intraday liquidity risk due to a mismatch in the timing of daily payment inflows and outflows, which may in turn give rise to potentially large temporary imbalances than expected at the end of the day.
Intraday liquidity management is the responsibility of the Treasury and Portfolio Management Service and seeks to ensure that available liquidity is constantly sufficient to cover cash outflows. The Risk and Capital Adequacy Department is responsible for ex-post second-tier controls.

Structural liquidity risk is also measured by adopting Additional Liquidity Monitoring Metrics (pursuant to Article 415, paragraph 3(b), of Regulation (EU) No. 575/2013), involving an analysis of the concentration of borrowings by counterparty and product type. These analyses enable a more complete vision of the liquidity risk profile, providing the level of diversification of sources of funding in the wholesale and retail markets in order to emphasise excessive dependency on individual product types, which could be subject to severe outflows during a liquidity crisis.
During the year, faced with the continuing health emergency, the Bank constantly monitored its short- and long-term liquidity profile by applying its control framework.

Quantitative information

1. Breakdown of financial assets and liabilities by time to contractual maturity

ITEMS/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH TO 3 MONTHS	OVER 3 MONTHS TO 6 MONTHS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
A. Cash assets										
A.1 Government securities	93	33,926	28,984	42,286	155,963	612,899	1,486,815	4,719,865	1,602,900	-
A.2 Other debt securities	-	39	199	24,209	55,373	33,497	45,936	729,199	510,893	-
A.3 UCITS units	382,856	-	-	-	-	-	-	-	-	-
A.4 Financing	2,000,068	17,833	9,545	199,940	22,503	45,113	83,623	392,342	287,668	130,138
- to banks	186,895	17,830	-	199,896	-	-	-	-	-	130,138
- to customers	1,813,173	3	9,545	44	22,503	45,113	83,623	392,342	287,668	-
Total	**2,383,017**	**51,798**	**38,728**	**266,435**	**233,839**	**691,509**	**1,616,374**	**5,841,406**	**2,401,461**	**130,138**
B. Cash liabilities										
B.1 Deposits and current accounts	13,327,362	-	-	-	-	-	-	690,725	-	-
- from banks	96,022	-	-	-	-	-	-	690,725	-	-
- from customers	13,231,340	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	380,834	614			11,138	-	-	-	-	-
Total	**13,708,196**	**614**	**-**	**-**	**11,138**	**-**	**-**	**690,725**	**-**	**-**
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap	-	23,656	-	-	41,516	-	-	-	-	-
- long positions	-	11,828	-	-	20,758	-	-	-	-	-
- short positions	-	11,828	-	-	20,758	-	-	-	-	-
C.2 Financial derivatives without capital swap	-	7	-	-	1,729	4,830	7,935	-	-	-
- long positions	-	7	-	-	709	2,668	2,393	-	-	-
- short positions	-	-	-	-	1,020	2,162	5,542	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	76,695	-	5	-	-	25	606	568	412	-
- long positions	37,540	-	5	-	-	25	606	568	412	-
- short positions	39,155	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	8,215	-	-	62	400	537	4,375	11,231	6,208	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
Total	**84,910**	**23,663**	**5**	**62**	**43,645**	**5,392**	**12,916**	**11,799**	**6,620**	**-**

1.5 Operating risks

Qualitative information

A. General Aspect, Management Processes and Operating Risk Measurement Techniques

The exposure to operating risks is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advisors) and the direct involvement of all employees in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, inter alia, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.

With regard to operating risk management, the Bank has formally defined an Operation Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The functions dealing with Organisation, IT Management and Security guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Bank and, if necessary, implements measures to guarantee a higher general level of security.
The Risk and Capital Adequacy Department carries out risk assessment and scoring activities, monitors incidents/operating risk events and the related and loss data collection processes, it monitors the action plans adopted to mitigate material risks, and has defined and controls KRIs (Key Risk Indicators) instrumental to monitoring of the areas of highest risk.
The Internal Auditing function supervises the regular conduct of the Bank's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Moreover, Banca Generali has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

During the year there were no operating discontinuities relating to the health emergency since the Bank succeeded in guaranteeing all services. In confirmation of this, there were no operating losses directly attributable to the impact of Covid-19.

Quantitative information

The impact of operating losses in 2021 is broken down below by event type (€ thousand):

BUSINESS LINE	ET 01 - INTERNAL FRAUD	ET 02 - EXTERNAL FRAUD	ET 03 - EMPLOYMENT AND WORKPLACE SAFETY	ET 04 - CUSTOMERS PRODUCTS AND BUSINESS PRACTICES	ET 05 - DAMAGES DUE TO EXTERNAL EVENTS	ET 06 - INTERRUPTION OF OPERATIONS AND IT SYSTEM MALFUNC-TIONS	ET 07 - PROCESS EXECUTION, DELIVERY AND MANAGEMENT	TOTAL
Asset management	-	-	-	40	-	-	16	**56**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	83,354	-	-	-	**83,354**
Corporate Items	274	97	641	-69	-	98	21	**1,062**
Payment and Settlement	33	13	-	5	-	-	-	**51**
Retail Banking	-12	-	-	-70	-	-	2	**-80**
Retail Brokerage	5,054	-	-	2	-	-	105	**5,162**
Trading and Sales	-120	-	-	-	-	-	112	**-8**
Overall total	**5,229**	**110**	**641**	**83,262**	**-**	**98**	**257**	

Breakdown of frequency ratio by business line and type of event:

BUSINESS LINE	ET 01 - INTERNAL FRAUD	ET 02 - EXTERNAL FRAUD	ET 03 - EMPLOYMENT AND WORKPLACE SAFETY	ET 04 - CUSTOMERS PRODUCTS AND BUSINESS PRACTICES	ET 05 - DAMAGES DUE TO EXTERNAL EVENTS	ET 06 - INTERRUPTION OF OPERATIONS AND IT SYSTEM MALFUNC-TIONS	ET 07 - PROCESS EXECUTION, DELIVERY AND MANAGEMENT	TOTAL
Asset management	-	-	-	1	-	-	4	**5**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	7	-	-	-	**7**
Corporate Items	1	7	4	1	-	2	5	**20**
Payment and Settlement	1	3	-	1	-	-	-	**5**
Retail Banking	2	-	-	-	-	-	4	**6**
Retail Brokerage	10	-	-	1	-	-	14	**25**
Trading and Sales	-	-	-	-	-	-	3	**3**
Overall total	**14**	**10**	**4**	**11**	**-**	**2**	**30**	

The event type on which the greatest impact was seen was “ET 04 - Customers, products and business practices”, specifically attributable to the losses associated with the transaction to repurchase securitised notes with underlying healthcare receivables. In general, this category includes losses associated with breach of professional obligations towards customers by the Bank or its Financial Advisors committed involuntarily or due to negligence.

Significant impact is also attributable to “ET 01 – Internal fraud”, which includes losses due to fraud, misappropriation or evasion of laws, regulations or company directives by internal staff, including Financial Advisors, in the performance of their duties and which also involves the Bank in that it is liable for the actions of its employees. The Bank carefully examines the individual disputes and complaints and, where necessary, makes an appropriate provision for the risk of legal disputes and continually monitors any developments, adjusting the amount set aside as circumstances change.

Event type ET 03 - Employment relationships and workplace safety includes the losses associated with the termination of relationships with former Financial Advisors following litigation relating to liquidation amounts.

Another source of risk is attributable to “ET 07 – Process execution, delivery and management” resulting from deficiencies in completing transactions and managing processes linked to activities carried out by the Bank and from relations with commercial counterparts and suppliers, which showed the highest frequency ratio.

The cases reported under “ET 02 – External fraud” relating to cases of fraud, misappropriation or infringement of laws by persons outside the Bank are mostly attributable to counterfeit of payment instruments and cyber risks (smishing/vishing).

Losses from event type “Interruption of operations and IT system malfunctions” are not material, whereas there are no losses due to damaging or destruction of tangible assets due to natural disasters.

PART F – INFORMATION ON CONSOLIDATED NET EQUITY

Section 1 – Consolidated net equity

A. Qualitative information

The Banca Generali Group's capital management strategy aims to ensure that the capital and ratios of Banca Generali and the banks and financial companies it controls are consistent with its risk profile and regulatory requirements.

The Banca Generali Group and the financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the EU (CRR/CRD IV) and applied by the Bank of Italy. Such rules envisage the concept of "Own Funds", which is separate from the net equity stated in the financial statements. Own funds are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Compliance with minimum capital requirements is monitored by the Risk Management Service, whereas the Regulatory Reporting function is responsible for calculating and disclosing of own funds and capital requirements on a regular basis, as well as safeguarding the related databases (historical regulatory archive).

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items.
Additional analyses and control of the capital adequacy is also carried out upon any extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

Distribution of the 2020 dividend

Last year, in light of the economic uncertainty due to the Covid-19 pandemic, the Bank of Italy, in accordance with the Recommendation issued by the ECB on 15 December 2020, had recommended that less significant Italian banks until 30 September 2021:

i) refrain from deciding on or paying out dividends or limit these dividends to no more than 15% of the accumulated profit for the financial years 2019 and 2020, or no more than 20 basis points in terms of CET1 ratio (in any event, whichever is lower);
ii) refrain from deciding on or paying out provisional dividends in relation to profit for 2021;
iii) exercise extreme prudence in calculating variable remuneration.

Banca Generali had thus temporarily suspended the dividend distribution, subjecting it to the following conditions: (i) the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; (ii) guaranteeing a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively.

In accordance with the applicable 2019-2021 dividend policy, on 22 April 2021 the General Shareholders' Meeting of Banca Generali approved the proposal formulated by the Board of Directors on 5 March 2021 to distribute a dividend of 3.30 euros per share in a total maximum amount of 385.6 million euros, corresponding to a payout ratio of 70.5%, calculated on the total cumulated net profit for the years 2019 and 2020.

On 23 July 2021, the ECB published a press release in which it confirmed its decision not to extend the recommendation to limit dividends beyond 30 September 2021. On 27 July, the Bank of Italy published a press release aligned with the ECB's decision, while clarifying, for less significant banks, that a prudent approach should be taken in deciding share distribution and buy-back policies.

On 29 September 2021, the Board of Directors verified the satisfaction of the conditions and resolved the dividend payment in two tranches, namely on 22 November 2021 and 21 February 2022.
The first tranche was paid in the amount of 283.1 million euros.

Scope of regulatory consolidation

As per agreements with the Bank of Italy, the new company BG Suisse S.A., incorporated in Switzerland on 8 October 2021, has yet to be included in entities belonging to the Banking Group, pursuant to Article 64 of TUB, as it was not yet operational at 31 December 2021. On that date, therefore BG Suisse was not yet subjected to the Basel 3 regulatory framework, was thus excluded from the prudential consolidation scope for COREP and FINREP purposes, and was valued at equity.

B. Quantitative information

At 31 December 2021, consolidated net equity, including net profit for the year, amounted to 1,105.9 million euros compared to 1,184.5 million euros at the end of the previous year.

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	55,866	57,062	-1,196	-2.1%
3. Reserves	624,033	726,471	-102,438	-14.1%
4. (Treasury shares)	-64,822	-45,185	-19,637	43.5%
5. Valuation reserves	522	4,139	-3,617	-87.4%
6. Equity instruments	50,000	50,000	-	-
7. Net equity attributable to minority interests	313	246	67	27.2%
8. Net profit (loss) for the year	323,103	274,919	48,184	17.5%
Total net equity	**1,105,867**	**1,184,504**	**-78,637**	**-6.6%**

The -78.6 million euro reduction in net equity in 2021 was influenced both by the distribution of 2020 dividend, as already mentioned, and by the plan to buy-back treasury shares ended in late September, the negative performance of fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and other reserves included in other comprehensive income, the change in reserves for share-based payments (IFRS 2), and net profit for the year, as shown in the following table.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 248,207 treasury shares, with a value of 6,347 thousand euros, were allotted to employees and Financial Advisors falling within the category of Key Personnel and to network managers.

On 22 April 2021, the General Shareholders' Meeting authorised the buy-back of a maximum of 700,000 treasury shares in service of remuneration plans for Key Personnel for 2021, the fifth cycle of the Loyalty Programme for 2021 and the new Long Term Incentive Plan for the three-year period 2020-2022.
The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 1 July 2021, was launched on 28 July and completed in September.

At 31 December 2021, the Parent Company, Banca Generali, thus held 2,219,469 treasury shares, with a value of 64,822 thousand euros.

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 4.7 million euros, primarily due to the portfolio of government bonds, for which net reserves amounted to +2.0 million euros compared to +5.0 million euros at the end of the previous year.

(€ THOUSAND)	31.12.2021	31.12.2020
Net equity at year-start	**1,184,504**	**917,668**
Dividend paid	-379,550	-
Purchase and sale of treasury shares	-25,984	-12,440
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	8,799	5,631
Matured IFRS 2 reserves on the AG Group's IFRS 2-related plans	176	192
Change in OCI valuation reserves	-3,539	332
Dividends on AT1 equity instruments	-1,631	-1,632
Consolidated net profit	323,107	274,894
Other effects	-15	-141
Net equity at year-end	**1,105,867**	**1,184,504**
Change	**-78,637**	**266,836**

B.1 Consolidated net equity: breakdown by type of company

ITEMS OF NET EQUITY (€ THOUSAND)	SCOPE OF REGULATORY CONSOLIDATION	INSURANCE COMPANIES	OTHER COMPANIES	CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES	TOTAL AT 31.12.2021	TOTAL AT 31.12.2020	CHANGE
1. Share capital	117,127	-	9,264	-9,264	117,127	117,127	-
2. Share premium reserve	55,866	-	-	-	55,866	57,062	-1,196
3. Reserves	623,990	-	-	-	623,990	726,453	-102,463
4. Equity instruments	50,000	-	-	-	50,000	50,000	-
5. (Treasury shares)	-64,822	-	-	-	-64,822	-45,185	-19,637
6. Valuation reserves	255	-	344	-	599	4,153	-3,554
Financial assets designated at fair value through OCI	-837	-	-	-	-837	-510	-327
Equity security hedges designated at fair value through OCI	-	-	-	-	-	-	-
Financial assets (other than equity securities) at fair value through OCI	2,694	-	-	-	2,694	7,030	-4,336
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	-	-	-	-
Hedging instruments	-	-	-	-	-	-	-
Exchange differences	-33	-	383	-	350	-130	480
Non-current assets available for sale and disposal groups	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss: (change in own creditworthiness)	-	-	-	-	-	-	-
Actuarial gains (losses) from defined benefit plans	-1,569	-	-39	-	-1,608	-2,237	629
Share of valuation reserves of equity investments valued at equity	-	-	-	-	-	-	-
Special revaluation laws	-	-	-	-	-	-	-
7. Net profit (loss) for the year (+/-) attributable to the Group and minority interests	323,178	-	-1,254	1,183	323,107	274,894	48,213
Total net equity	**1,105,594**	**-**	**8,354**	**-8,081**	**1,105,867**	**1,184,504**	**-78,637**

B.2 Breakdown of valuation reserves of financial assets at fair value through other comprehensive income

Valuation reserves of financial assets at fair value through other comprehensive income (OCI) measure the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value.
The change in these reserves contributes to determining the overall company performance in relation to OCI, without passing through Profit and Loss.
However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

Fair value valuation reserves of the portfolio of financial assets at fair value through OCI decreased compared to the end of the previous year, primarily due to the reduction in debt securities reserves.

The aggregate had an overall positive balance of 1.9 million euros, down 4.7 million euros compared to year-end 2020.

This reduction was influenced by the portfolio of Italian government bonds, for which net reserves amounted to 2.0 million euros compared to 5.0 million euros at year-end 2020.

ASSETS/VALUES (€ THOUSAND)	SCOPE OF REGULATORY CONSOLIDATION		INSURANCE COMPANIES		OTHER COMPANIES		CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	3,623	-929	-	-	-	-	-	-	3,623	-929
2. Equity securities	415	-1,252	-	-	-	-	-	-	415	-1,252
3. Financing	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2021	**4,038**	**-2,181**	**-**	**-**	**-**	**-**	**-**	**-**	**4,038**	**-2,181**
Total at 31.12.2020	**7,305**	**-785**	**-**	**-**	**-**	**-**	**-**	**-**	**7,305**	**-785**

B.3 Valuation reserves of financial assets at fair value through other comprehensive income: year changes

Valuation reserves on the HTCS portfolio showed a net reduction of 4.7 million euros in 2021, as a result of the following factors:

> a decrease in net valuation capital gains totalling -3.4 million euros, net of approximately 0.1 million euros referring to reversal of collective reserves;

> the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-3.3 million euros);

> a positive net tax effect (+2.0 million euros) associated with the above changes and mainly resulting from a net reduction in DTLs.

(€ THOUSAND)	31.12.2021				
	DEBT SECURITIES				
	CORPORATE	GOVERNMENT	EQUITY SECURITIES	FINANCING	TOTAL
1. Amount at year-start	**2,032**	**4,998**	**-510**	**-**	**6,520**
Adjustment of opening balances	**-5**	**5**	**-**	**-**	**-**
1. Amount at year-start	**2,027**	**5,003**	**-510**	**-**	**6,520**
2. Increases	**805**	**3,156**	**503**	**-**	**4,464**
2.1 Fair value increases	41	1,459	494	-	1,994
2.2 Adjustments for credit risk	-	16	X	-	**16**
2.3 Transfer to Profit and Loss Account of negative reserves: due to disposal	119	247	X	-	366
2.4 Transfer to other net equity components (equity securities)	-	-	-	-	**-**
2.5 Other changes	645	1,434	9	-	2,088
3. Decreases	**2,126**	**6,171**	**830**	**-**	**9,127**
3.1 Fair value decreases	587	3,914	805	-	5,306
3.2 Reversals for credit risk	102	-	-	-	102
3.3 Transfer to Profit and Loss Account of positive reserves: due to disposal	1,417	2,252	X	-	3,669
3.4 Transfer to other net equity components (equity securities)	-	-	-	-	**-**
3.5 Other changes	20	5	25	-	50
4. Amount at year-end	**706**	**1,988**	**-837**	**-**	**1,857**

B.4 Valuation reserves relating to defined benefit plans: year changes

	31.12.2021		
(€ THOUSAND)	RESERVES	DTAS	NET RESERVE
1. Amount at year-start	**-3,067**	**830**	**-2,237**
2. Increases	841	-173	668
Decreases of actuarial losses	841	-173	668
Other increases	-	-	-
3. Decreases	-48	9	-39
Increases of actuarial losses	-48	9	-39
Other decreases	-	-	-
4. Amount at year-end	**-2,274**	**666**	**-1,608**

Section 2 – Own funds and banking capital ratios

In accordance with Circular No. 262 of 22 December 2005, 7th update of 29 October 2021, for the details of Own Funds and regulatory capital ratios, reference is made to the information regarding own funds and capital adequacy provided in the Pillar 3 Disclosure provided at the consolidated level, available from Banca Generali's corporate website at the address www.bancagenerali.com.

PART G – BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.
The results of impairment testing of the Banking Group's goodwill are also stated in the interest of consistency of presentation.

Section 1 – Transactions undertaken during the year

In 2021, two business combination transactions were undertaken:
> on **8 October 2021**, through an initial contribution of CHF 10 million, the Lugano-based **BG Suisse S.A.** was incorporated with a view to obtaining a Swiss banking licence and creating a new cross-border private service hub to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to bring financial statements more in line with the related European regulations;
> on **16 October 2021**, the purchase from **Binck Bank N.V.**, a Danish lending institution owned by the Danish Group SAXO Bank, as described more in detail in the following paragraph.

Acquisition of the Binck Bank business unit

The transaction is part of a more complex reorganisation of the Italian branch of Binck Bank NV, a Dutch bank specialised in online trading acquired by the Danish SAXO Bank A/S group in 2020, within which:
> Banca Generali acquired the retail banking business unit of the Italian branch that includes approximately 6,000 deposit and current account schemes instrumental to the said securities deposits;
> BG SAXO SIM acquired the RTO service business unit.

The clients acquired by Banca Generali will therefore continue to benefit from the services offered by BG SAXO's cutting-edge trading platform.

The acquisition contributed total funding of 528 million euros, of which 109 million euros represented by current account balances and approximately 419 million euros represented by the value of the securities accounts.
The business unit also includes an employee of the branch.
The consideration resulting from the base of the AUM transferred on the closing date amounts to 1.1 million euros, taken entirely to goodwill.

Section 2 – Transactions after the close of the period

No business combination transactions were finalised after 31 December 2021 and until the date of approval of the Consolidated Financial Statements.

However, the sale of an 80.1% equity interest in the subsidiary Nextam Partners SIM to a group of investors, also including some of the Nextam Group's former shareholders, was finalised on **20 January 2022**.
Within the framework of the agreements reached with some of the previous shareholders of the Nextam Group, settlement agreements were also reached to identify any amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to permit the termination of the relationship of employment between Banca Generali and the main key manager of the acquired group, whereas the relationship of employment with the other two key managers will be maintained.

Section 3 – Retrospective Adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2021 pursuant to paragraphs 61 and B7 of IFRS 3.
The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

Consolidated goodwill was generated over time after the following business combinations:
> merger of subsidiaries Prime Consult SIM S.p.A. and INA SIM S.p.A. into Banca Generali carried out in 2002;
> acquisition of Banca del Gottardo Italia S.p.A. in 2008, subsequently merged into BSI Italia, and then into the parent company Banca Generali in 2010;
> acquisition of BG Fiduciaria in 2006, subsequently merged into the parent company Banca Generali with effect from 1 January 2018;

- Bank's acquisition at the end of 2014 of the Italian Affluent and Upper Affluent private banking operations of Credit Suisse Italy S.p.A.;
- acquisition of the Nextam Partners Group on 25 July 2019;
- acquisition of BG Valeur SA on 15 October 2019.

At 31 December 2021, the Banking Group's goodwill totalled 88.1 million euros, broken down as follows:

(€ THOUSAND)	YEAR OF CONSOLI-DATION	31.12.2021	PB CGU	WM CGU	CORPORATE CGU	31.12.2020
Merger of Prime Consult and INA SIM	2002	2,991	2,343	648	-	2,991
Acquisition of BG Fiduciaria SIM S.p.A.	2006	4,289	3,360	929	-	4,289
Acquisition of Banca del Gottardo Italia	2008	31,352	24,558	6,794	-	31,352
Credit Suisse Italy's business unit	2014	27,433	21,488	5,945	-	27,433
Acquisition of Nextam Group	2019	12,202	-	12,202	-	12,202
Acquisition of BG Valeur S.A.	2019	8,706	-	8,706	-	8,706
Binck Bank Italia's business unit	2021	1,100	-	-	1,100	-
Total		**88,073**	**51,749**	**35,224**	**1,100**	**86,973**

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill must be allocated to cash-generating units (CGUs), which may be no larger than the segments identified, pursuant to IFRS 8, for management reporting.

In this regard, it bears recalling that following the extensive reorganisation of the sales networks approved in late 2017, effective as of 1 January 2018, the networks of non-employed Financial Advisors have been revised according to specialisation and reorganised into two macro-divisions on the basis of the total AUM managed by each Financial Advisor:

- the new Wealth Management network, which brings together Financial Advisors in the highest asset bracket (i.e., with AUM of more than 50 million euros);
- the Private Banking network, which includes all other Financial Advisors.

The reorganisation entailed a redistribution of Financial Advisors compared to the previous CGUs, the structure of which reflected the historical stratification of Banca Generali's acquisitions.

Accordingly, the operating segments identified by the company management were also revised for management reporting purposes and the overall goodwill recognised in Banca Generali's Consolidated Financial Statements was reallocated to them on the basis of the relative economic weight of the new CGUs in order to ensure a proper representation as a function of the changes made.

In 2019, following the acquisitions of the equity investments in the Nextam Partners Group and BG Valeur S.A. within the framework of the customary purchase price allocation (PPA) procedures, new goodwill totalling 20.9 million euros was recognised, of which 12.2 million euros for the Nextam Group and 8.7 million euros for BG Valeur, both allocated to the Wealth Management CGU due to the profile of the customers acquired and the synergies that may be achieved with this CGU.
Within the framework of the same business combination transactions, intangible assets (client relationships and trademark) were also recognised with the original value of 13.4 million euros, of which 9.9 million euros for the Nextam Group and 3.5 million euros for BG Valeur.
In 2020, the UCITS unit of Nextam Partners SGR was also sold, but without any significant impacts on the WM CGU.

Finally, in 2021 — as discussed in further detail in the previous section — goodwill of 1.1 million euros was recognised on the acquisition of the Binck Bank business unit. At present, this goodwill has not been allocated to either the WM CGU or PB CGU. The acquisition of this unit was only finalised in the fourth quarter and the process of reorganising it and reassigning the clients acquired to the various financial advisor networks is thus still ongoing. Any allocation of the above goodwill to the various CGUs will therefore take place by the annual deadline for defining the purchase price allocation.
In view of the above, in the 2021 financial statements this goodwill has been provisionally allocated to the Corporate CGU and has not yet been tested for impairment pursuant to IAS 36.

Definition and identification of the CGUs[18]

The **Private Banking CGU ("PB CGU")** comprises the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network with total client assets of less than 50 million euros included in the Private Banker (PB), Financial Planner (FP) and Financial Planner Agent (FPA) networks, within the Financial Advisors Networks Area[19], and the assets attributable to the employed Financial Advisors included in the Private Relationship Manager Area and their clients.

At 31 December 2021, this CGU included 1,800 Financial Advisors managing assets amounting to 54.9 billion euros (+14.0% compared to the previous year), with net banking income exceeding 396 million euros and an estimated net result of 172 million euros. In light of economic-financial forecasts based on the 2022-2024 Economic and Financial Plan, assumptions for the CGU entail a growth of the mean portfolio of assets under management (AUM), at the end of the three-year period (CAGR), by **8.0%** per year, with net banking income up by 1.0% and estimated mean reduction of CGU's net result by -4.8% per annum.

At 31 December 2021, the goodwill allocated to the Private Banking CGU amounted to 51.7 million euros, as defined following the aforementioned reorganisation of operating segments, in addition to intangible assets totalling 3.8 million euros.

The **Wealth Management CGU ("WM CGU")** consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of more than 50 million euros and the respective clients, assigned to the new WM network within the Financial Advisors Networks Area.

At 31 December 2021, this CGU included 374 Wealth Managers managing assets amounting to 29.9 billion euros (+15.7% compared to the previous year), with net banking income of nearly 176 million euros and an estimated net result of 81.4 million euros. In light of economic-financial forecasts based on the 2022-2024 Economic and Financial Plan, assumptions for the CGU entail a growth of the mean portfolio of assets under management (AUM), at the end of the three-year period (CAGR), by **11.3%** per year, with net banking income up by 3.3% and an estimated mean reduction of the CGU's net result by -5.8% per annum.

At 31 December 2021, the goodwill allocated to the Wealth Management CGU amounted to 35.2 million euros, in addition to intangible assets totalling 16.1 million euros.

	31.12.2021				31.12.2020			
	FIGURATIVE CAPITAL	GOODWILL	OTHER INTANGIBLE ASSETS	CARRYING AMOUNT	FIGURATIVE CAPITAL	GOODWILL	OTHER INTANGIBLE ASSETS	CARRYING AMOUNT
PB CGU	167.7	51.7	3.8	223.2	157.2	51.7	4.3	213.2
WM CGU	93.7	35.2	16.1	145.0	80.9	35.2	17.5	133.6
Total	**261.4**	**86.9**	**19.9**	**368.2**	**238.1**	**86.9**	**21.8**	**346.8**

Approach to determining the values of the CGUs

To determine the recoverable amount, both market assessments (to calculate fair value) and basic methodologies (to calculate value in use) were considered.
Value in use was calculated by employing an analytical method (used as the main method), whereas fair value was calculated by employing an empirical method (used as the control method).

In detail, the analytical method employed was the Dividend Discount Model (DDM), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:

a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a payout consistent with ordinary profitability.

The control method employed was the comparable market multiples method.

The earnings and cash flow projections for the CGUs were based on the 2022-2024 Plan's forecast data, approved by the Board of Directors of Banca Generali.

The expected long-term growth rate after the explicit forecasting period employed to calculate the terminal value (perpetual yield) was set at **1,4%**, in line with the International Monetary Fund's last estimates on expected inflation.

18 On this subject, see also Part L "Segment Reporting" of these Notes and Comments and the corresponding chapter of the Annual Integrated Report.
19 The sales networks are under the responsibility of the Deputy General Manager Commercial Network, Alternative and Support Channels, which supervises both the Financial Advisors Networks Area and the Private Relationship Manager Area. This Department also includes the Commercial Development and Network Support Department, which coordinates the networks of Financial Advisors through PB and FP Business Support and WM Business Support services.

The **cost of capital** used to discount cash flows was **7.7%** both for the PB CGU and the WM CGU. This ratio was established applying the Capital Asset Pricing Model (CAPM), on the basis of the following assumptions:

a) risk-free rate of **1.2%,** equivalent to the annual gross return on 10-year BTPs (Italian government bonds), at 31 December 2021;
b) market risk premium of **6.0%,** established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of **1.1** assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The carrying amount of the PB and WM CGUs was calculated on the basis of the figurative capital, equal to **11.84%** of RWAs, in line with the capital ratio required to Banca Generali by the Supervisory Authority following the SREP with a view to reaching the fully loaded ratio.
The foregoing assumptions are substantially in line with the estimates and variables used during the previous financial year[20].

The value analyses of the aforementioned CGUs carried out by the Bank as at 31 December 2021, as part of the impairment test, are supported by a fairness opinion issued by a major consulting firm and submitted for approval to Banca Generali's Board of Directors on 10 February 2022.

Outcome of the impairment tests

Impairment tests carried out on the CGU specified did not indicate goodwill impairment.
The value according to the analytical method exceeds the carrying amounts of the CGUs, inclusive of intangible assets, goodwill and capital allocated.
The analyses performed for each CGU are detailed below.

The WM **CGU**'s carrying amount was 145 million euros, while the value in use obtained by applying the analytical method described above amounted to a minimum of **751** million euros and a maximum of **939** million euros, with an average value of **833** million euros.
Therefore, the tests performed on the CGU did not detect any goodwill impairment.

The **PB CGU**'s carrying amount was **223.2** million euros, while the value in use obtained by applying the analytical method described above amounted to a minimum of **1,617** million euros and a maximum of **2,013** million euros, with an average value of **1,792** million euros.
Therefore, the tests performed on the CGU did not detect any goodwill impairment.

	CGU'S 2021 RECOVERABLE AMOUNT		2021 CARRYING AMOUNT	CGU'S 2020 RECOVERABLE AMOUNT		2020 CARRYING AMOUNT
	MIN	MAX		MIN	MAX	
PB CGU	1,617.4	2,012.6	223.2	1,124.2	1,407.0	4.3
WM CGU	750.6	938.6	145.0	705.2	888.4	17.5

The test performed using the control method based on market multiples also confirmed that the carrying amount remained applicable in both cases.

Per the accounting standard IAS 36, paragraph 134(f), and in order to capture the heightened uncertainty during the current period and respond to needs arising from the regulatory context, sensitivity analyses were conducted as a function of the change in the parameters cost of capital (Ke) and the long-term growth rate and CET1 Ratio.

> ke +/-1.0%;
> g +/-0.5%;
> CET1 +/-2.0%.

In particular, for the sensitivity analysis conducted as a function of the parameters cost of capital (Ke) and the long-term growth rate, the ranges of variation used were 7.2%-8.2% and 1.1%-1.6%, respectively, whereas for the sensitivity at the level of CET1 the range of variation identified was between 10.8% and 12.8%.

Finally, it should be noted that the impairment test conducted at the level of the Consolidated Financial Statements also includes a test of the value of the goodwill and intangible assets recognised in Banca Generali S.p.A.'s Separate Financial Statements.

[20] The cost of capital rose slightly compared to 2020 (7.46%) due to the risk free rate growth (1.12% in 2020), of the market premium (5.6% in 2020), a slight reduction of the beta coefficient, which estimates the specific risk level of the security in the market or reference (1.12 in 2020).

PART H – RELATED PARTY TRANSACTIONS

Procedural aspects

In accordance with Article 2391-*bis* of the Italian Civil Code, the Regulation containing provisions relating to transactions with related partie[21] and the provisions of Part III, Chapter 11, of Bank of Italy Circular No. 285 of 17 December 2013 (33rd update), which resulted in the repeal of Chapter 5, Title V, of Bank of Italy Circular No. 263 of 27 December 2006, Banca Generali's Board of Directors approved its "Procedure for Related Party and Connected Party Transactions", which entered into effect on 1 January 2011 and was last updated on 22 June 2021 with effect from 1 July 2021. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, at the Banking Group level, rules on transactions with related parties and connected parties, governing the related investigation, approval, reporting and disclosure activities.

Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that in certain cases, the said transactions may be subject to prior approval by the Parent Company, where necessary.

The related party perimeter

Based on Consob Regulation, the Provisions issued by the supervisory authority, and the Procedure, the following parties are considered as Banca Generali's related parties:

> subsidiaries of the Banking Group;
> the ultimate parent Assicurazioni Generali S.p.A., its subsidiaries (companies subject to common control), including the direct parent Generali Italia S.p.A., and pension funds established for the benefit of Generali Group employees;
> Managers with Strategic Responsibilities of the Bank and the parent company Assicurazioni Generali (Key Personnel), close relatives of the above personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Banking Group and the Insurance Group Generali Group are also considered related parties.

With specific regard to **Key Managers**, the following persons have been designated as such:

> the Directors and the members of the Board of Statutory Auditors of the Banking Group's companies;
> the members of the Top Management, as defined in the Remuneration Policies of the Banking Group[22], namely the Chief Executive Officer/General Manager and the two Deputy General Managers[23];
> representatives of the parent company Assicurazioni Generali S.p.A. identified as Managers with Strategic Responsibilities in the corresponding procedure regarding transactions with related parties adopted by the Insurance Group.

Significance thresholds of Related Party transactions

The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:

> **Highly Significant Transactions** — that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution No. 17221, reduced to 2.5% for transactions carried out with the parent company that is listed on regulated markets or with undertakings thereto related which are in turn related to the Company — must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
> **Moderately significant RP transactions** — that is transactions with related parties the amount of which falls between the Modest amount transactions and the Highly Significant Transactions — are approved pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
> **Low Value transactions**, whose value, defined pursuant to the Bank of Italy's Provisions, cannot exceed the amount of 250,000 euros for banks with Own Funds below 1 million euros, and are excluded from the scope of application of the regulation on approval and disclosure transparency.

[21] Adopted by Consob by Resolution No. 17221 of 12 March 2010, as subsequently amended by Resolution No. 17389 of 23 June 2010 and most recently by Consob Resolution No. 21624 of 10 December 2020, transposing, at the level of secondary legislation, the contents of Directive (EU) 2017/828 ("Shareholders' Right Directive II") as regards the encouragement of long-term shareholder engagement.
[22] Banking Group's Remuneration and Incentive Policies approved by the General Shareholders' Meeting on 22 April 2021.
[23] Chief Executive Officer/General Manager, Deputy General Manager Wealth Management Markets and Products, Deputy General Manager Commercial Networks, Alternative and Support Channels.

In addition to low value transactions, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

> **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-*bis* of TUF, and related implementing transactions;
> **resolutions on the remuneration of directors** entrusted with specific tasks other than those determined on an overall basis pursuant to Article 2389, third paragraph, of the Italian Civil Code and **resolutions regarding the remuneration of Managers with Strategic Responsibilities**, provided that the Company has adopted a remuneration policy with certain characteristics;
> **ordinary transactions** that are part of the ordinary operations and any and all related financial activities, and effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Highly Significant threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
> **transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any significant interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated Own funds, the threshold of transactions of greater importance currently stands at around **38 million euros**, reduced to **19 million euros** for transactions with the parent company Assicurazioni Generali and the latter's related parties.

Moreover, the provisions issued by the Bank of Italy impose prudential restrictions, based on Own funds, on risk assets in respect of Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk assets carried out with entities qualifying as non-financial related parties. Exposure in respect of the Generali Group's connected parties, on the other hand, is capped at **7.5%** of consolidated Own funds.
Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed **20%** of individual Own Funds.

1. Disclosure of remuneration of Directors and Executives

As required by IAS 24, the total remuneration recorded in the Profit and Loss Account for the year is disclosed below, broken down by personnel category and type.

	31.12.2021					
	DIRECTORS	STATUTORY AUDITORS	OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES	TOTAL	31.12.2020	CHANGE
Short-term benefits (current remuneration and social security charges) (1)	1,236	309	2,029	3,574	3,490	84
Post-employment benefits (2)	-	-	274	274	259	15
Other long-term benefits (3)	-	-	315	315	289	26
Share-based payments (4)	-	-	1,516	1,516	1,271	245
Total	**1,236**	**309**	**4,134**	**5,679**	**5,309**	**370**
Total at 31 December 2020	**1,267**	**295**	**3,747**	**5,309**		

(1) Includes current remuneration and the related social security charges payable by the Company and short-term benefits.
(2) Includes the Company's pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations.
(3) Includes 40% of the bonus with access gate.
(4) Includes the estimated cost for share-based payment plans, determined based on IFRS 2 criteria and recognised in the financial statements.

The table presents the total expenses recognised in the profit and loss account presented in the Consolidated Financial Statements on the basis of the application of international accounting principles (IASs/IFRSs). It therefore also includes the social security charges for which the Company is liable, the allocation to the provision for post-employment benefits, the expenses associated with share-based payment plan determined in accordance with IFRS 2, and the estimate of the variable remuneration accrued during the year on the basis of the Remuneration and Incentivisation Policy for the Key Personnel of the Banking Group. It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the aforementioned Remuneration Policy.
The item "Short-term benefits" includes the fixed remuneration and the 60% share of variable remuneration accrued in the reporting year and payable in the following one.
Beginning in 2015, a 25% portion of the variable remuneration — both current and deferred — is paid in Banca Generali shares.

Therefore, the item "Share-based payments" accounts for the costs associated with IFRS 2 accrued in the year and regarding:
> the three LTI Plans based on Banca Generali S.p.A.'s shares implemented as of 2018 for a total of 1.3 million euros;
> the share-based payments envisaged in the Remuneration Policy for 0.2 million euros.

The plan for payments based on own financial instruments are analysed in further detail in Part I to these Notes and Comments. For detailed information concerning Remuneration Policies, the reader is therefore referred to the specific document concerning Remuneration Policies instituted by Consob Resolution No. 18049 of 23 December 2011.

2. Disclosure of Related Party Transactions

As part of its normal business operations, Banca Generali carries out numerous financial and commercial transactions with related parties included in the scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group's operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali, in compliance with IAS 24.

In the banking area, such relationships include current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.

As regard the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisors network's placement of asset management and insurance products, as well as banking products and services. To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

Finally, as part of its normal operations, the Bank also maintains relationships pertaining to outsourcing of IT and administration services, insurance and leasing relationships, as well as other minor relationships with Generali Group companies.
Transactions with related parties outside the Generali Group are mostly confined to direct and indirect funding activities and loans to Key Management Personnel (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm's length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

2.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in 2021, nor were such transactions undertaken with parties other than related parties such as intra-group entities or third parties.
Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, atypical and unusual transactions are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly Significant Transactions

In 2021, the Banking Group did not undertake any transaction qualifying as "highly significant".

Other significant transactions

In 2021, some transactions were approved qualifying as "low value" transactions, which are subject to the prior non-binding opinion of the Internal Audit and Risk Committee; in this regard, the reader is referred to the dedicated section of the Report on Operations.

2.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties during 2021 are presented in the following sections.

Transactions with Assicurazioni Generali Group

Balance Sheet data

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	31.12.2021	31.12.2020	WEIGHT % 2021
Financial assets at fair value through profit or loss:	1,151	-	1,151	883	0.3%
c) other financial assets mandatorily measured at fair value	1,151	-	1,151	883	0.3%
Financial assets at fair value through other comprehensive income	246	-	246	246	-
Financial assets at amortised cost:	25,831	1,138	26,969	38,045	0.2%
b) loans to customers	25,831	1,138	26,969	38,045	0.3%
Equity investments	-	2,048	2,048	1,717	100.0%
Property, equipment and intangible assets	74,369	-	74,369	68,896	25.2%
Tax assets (AG tax consolidation)	7,908	-	7,908	-	10.9%
Other assets	669	-	669	191	-
Total assets	**110,174**	**3,186**	**113,360**	**109,978**	**0.7%**
Financial liabilities measured at amortised cost:	572,623	10,238	582,861	335,801	4.0%
b) due to customers	572,623	10,238	582,861	335,801	4.3%
Tax liabilities (AG tax consolidation)	-	-	-	5,287	-
Other liabilities	3,781	-	3,781	5,850	1.6%
Equity instruments	50,000	-	50,000	50,000	100.0%
Total liabilities	**626,404**	**10,238**	**636,642**	**396,938**	**3.9%**
Guarantees issued	**2,142**	**-**	**2,142**	**2,300**	**3.7%**

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 110.2 million euros, compared to the 106.6 million euros recognised at the end of 2020, equal to 0.7% of Banca Generali Group's total balance sheet assets. The item "Property and equipment" includes the net value of the rights of use (ROUs) of 74.4 million euros (relating primarily to the lease payments for the Milan and Trieste administrative offices and the commercial network offices), following the introduction of IFRS 16 with effect from 1 January 2019.
By contrast, the total debt position reached 626.4 million euros, accounting for 3.9% of liabilities, up by 232.1 million euros (58.9%) compared to the end of the previous year.
Following the introduction of IFRS 16 with effect from 1 January 2019, amounts due to customers include 77.8 million euros due to the recognition of the corresponding lease liabilities.

As part of assets, **financial assets mandatorily measured at fair value through other comprehensive income (FV OCI)** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolio of Banca Generali. As part of the **financial assets measured at fair value through other comprehensive income (HTCS)** portfolio, shareholdings in subsidiaries of the Generali Insurance Group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions).

The item "Associates subject to joint control or significant influence" includes the share of interest that the Banking Group acquired in 2015 in IOCA Entertainment Ltd., a company under the UK law, fully written off in 2020, in addition to the equity investment in BG SAXO SIM S.p.A., acquired on 31 October 2019, for a 19.9% interest in the company's share capital.
The value of the equity investment in BG SAXO SIM S.p.A. changed during the first half of 2021 as a result of the company's capital increase authorised in May and subscribed by Banca Generali S.p.A. for the relevant share equal to 597 thousand euros.

Exposures to Generali Group companies recognised as **loans to customers** amounted to 25.8 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	31.12.2021 AMOUNT	31.12.2021 REVENUES	31.12.2020 AMOUNT	31.12.2020 REVENUES
Genertellife	Subsidiaries of the AG Group	Operating loans	22,182	-	31,949	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Operating loans	2,832	-	3,520	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Medium/Short-term loans	801	18	933	19
Other exposures with Group companies	Subsidiaries of the AG Group	Temporary current account exposures	16	1,166	11	1,178
			25,831	**1,184**	**36,413**	**1,197**

Operating receivables are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies.

Amounts due to customers attributable to Generali Group's related parties amounted to 572.6 million euros compared to 333.1 million euros for the previous year and included current account payables due to the parent company Assicurazioni Generali S.p.A. for 38.8 million euros, and amounts due to Generali Italia S.p.A. for 89.9 million euros (of which 44.8 million euros relating to lease liabilities arising from the lease contracts for the administrative offices and the commercial network offices).

Amounts receivable from the Parent Company and classified as **tax assets** consisted of Banca Generali S.p.A.'s net tax assets resulting from the balance between tax prepayments, withholdings and credits and the IRES tax calculated at the end of the year.

It should also be noted that on 23 December Banca Generali finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros, which under IAS 32 is considered an **equity instrument** and meets the requirements under regulatory capital rules for being included among Additional Tier 1 instruments in the Issuer's financial statements. The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer's sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent Supervisory Authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years. In 2021, the third and fourth instalments for an overall amount of 1,631 thousand euros were paid, following the two payments already made in 2020.

Finally, a total of 2.1 million euros in personal guarantees was issued for Generali Group companies, of which 1.1 million euros on behalf of Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 31 December 2021, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 257.4 million euros, or 65.5% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2021	2020	WEIGHT % 2021
Interest income	1,184	9	1,193	1,197	1.3%
Interest expense	-1,691	-	-1,691	-1,587	19.0%
Net interest income	**-507**	**9**	**-498**	**-390**	**-0.6%**
Fee income	277,903	2,766	280,669	257,339	24.1%
Fee expense	-1,602	-280	-1,882	-2,212	0.4%
Net fees	**276,301**	**2,486**	**278,787**	**255,127**	**40.5%**
Dividends	91	-	91	31	8.4%
Operating income	**275,885**	**2,495**	**278,380**	**254,768**	**38.7%**
Staff expenses	408	41	449	310	-0.4%
General and administrative expenses	-11,947	-	-11,947	-13,887	5.9%
Net adjustments/reversals of property and equipment	-7,014	-	-7,014	-7,654	19.7%
Other net operating income	73	31	104	74	0.1%
Net operating expenses	**-18,480**	**72**	**-18,408**	**-21,157**	**7.1%**
Operating result	**257,405**	**2,567**	**259,972**	**233,611**	**56.2%**
Operating profit	**257,405**	**2,567**	**259,972**	**233,611**	**66.2%**
Net profit for the year	**257,405**	**2,567**	**259,972**	**233,611**	**80.5%**
Net profit (loss) for the year attributable to the Parent Company	**257,405**	**2,567**	**259,972**	**233,611**	**80.5%**

Overall **net interest income** accrued in dealings with members of the Insurance Group was negative at 0.5 million euros overall. By convention, interest income also includes the negative interest expense applied to the deposits of Generali Group companies starting in June 2016, calculated according to the average one-month Euribor for the month prior to the month of calculation.
Interest expense amounted to 1.7 million euros, equal to 19.0% of the total amount recognised in the Profit and Loss Account and chiefly refers to the interest accrued on the IFRS 16-related liability, whereas the interest income from other companies of the Generali Group was absolutely negligible due to the persistence of negative short-term interest rates.
Fee income paid back by companies of the Insurance Group amounted to 277.9 million euros, equal to 23.9% of the aggregate amount and was broken down as follows:

	2021	2020	CHANGE ABSOLUTE	CHANGE %
Fees for the placement of UCITS	3,100	1,667	1,433	86.0%
Fees for distribution of insurance products	266,309	246,708	19,601	7.9%
Distribution of discretionary mandates	1,096	926	170	18.4%
Advisory fees	7,173	6,183	990	16.0%
Other banking fees	225	226	-1	-0.4%
Total	**277,903**	**255,710**	**22,193**	**8.7%**

The most significant component consists of fees for the **distribution of insurance products** paid back by **Genertellife**, reaching 266.3 million euros, up by 7.9% compared to the same period of the previous year.

Fees for the placement of units of UCITS of the Insurance Group were largely related to the fee income on the distribution of GI Focus funds, promoted by Generali Insurance Asset Management S.p.A. SGR.

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2021 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 7.2 million euros.
Other bank fees refer both to SDD collection activity on behalf of Group companies and current account keeping fees.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the Banking and Insurance Group. Such fees are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.

To hedge obligations towards the insured, the insurance wrappers of the Insurance Group companies (BG Stile Libero, Valore futuro) also invest a portion of the reserves in UCITS units managed by the Banking Group's management company (BGFML), which receives the related management fees.

The Bank also directly collects from customers — through the correspondent bank — underwriting fees for the Sicavs promoted by the Group (LUX IM Sicav, BG Selection Sicav, Generali Investments Sicav).

			CHANGE	
	2021	2020	ABSOLUTE	%
Sicav underwriting fees	67	16	51	n.a.
Trading fees on funds and Sicavs	1,025	1,146	-121	-10.6%
Total	**1,092**	**1,162**	**-70**	**-6.0%**

The **net operating expenses** reported by the Banca Generali Group in relation to transactions with related parties of the Generali Group amounted to 18.5 million euros and refer for 7.1% to outsourced services in the insurance, leasing, administrative and IT areas.

			CHANGE	
	2021	2020	ABSOLUTE	%
Insurance services	2,636	2,710	-74	-2.7%
Property services	588	1,040	-452	-43.5%
Administration, IT and logistics services	8,650	10,064	-1,414	-14.1%
Staff services	-408	-310	-98	31.6%
Depreciation of ROUs (IFRS 16)	7,014	7,654	-640	-8.4%
Total administrative expenses	**18,480**	**21,158**	**-2,678**	-12.7%

As a result of the change in the accounting treatment of lease and rental payments following the introduction of IFRS 16, property services relate solely to additional costs of leases and rentals of motor vehicles and ATMs (former condominium fees, VAT and sundry additional expenses).
Administrative expenses incurred in relation to Generali Italia S.p.A. amounted to 2.6 million euros and refer almost exclusively to insurance services.

Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

The 7.0 million euro value adjustments of property and equipment refers to the amortisation of the IFRS 16-related right of use.

Transactions with other related parties

Exposures in respect of **Key Managers** of the Bank and its parent company Assicurazioni Generali mainly referred to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other Executives of the Banking and Insurance Group.
Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the Banking and Insurance Group.

(€ THOUSAND)	MANAGERS WITH STRATEGIC RESPONSIBILITIES
Loans to customers	4,337
Amounts due to customers	8,198
Other liabilities	41
Interest income	12
Interest expense	-3
Guarantees issued	45

Direction and Coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.
A summary of the main items of this company's latest Financial Statements is reported hereunder.

2020 highlights of Assicurazioni Generali

The highlights of the Parent Company Assicurazioni Generali S.p.A shown above were taken from the company's Financial Statements for the year ended 31 December 2020. These are available together with the Independent Auditors' Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm engaged by Banca Generali.

(€ MILLION)	2020
Net profit	**2,969.9**
Aggregate dividend	2,315.0
Increase	53.01%
Total net premiums	2,058.9
Total gross premiums	3,203.0
Total gross premiums from direct business	661.4
Increase on equivalent terms [(a)]	
Total gross premiums from indirect business	2,541.6
Increase on equivalent terms [(a)]	
Acquisition and administration costs	390.9
Expense ratio [(b)]	19.00%
Life business	
Life net premiums	1,099.7
Life gross premiums	1,518.7
Increase on equivalent terms [(a)]	
Life gross premiums from direct business	179.3
Increase on equivalent terms [(a)]	
Life gross premiums from indirect business	1,339.4
Increase on equivalent terms [(a)]	
Life acquisition and administration costs	175.9
Expense ratio [(b)]	16.00%
Non-life business	
Non-life net premiums	959.2
Non-life gross premiums	1,684.2
Increase on equivalent terms [(a)]	
Non-life gross premiums from direct business	482.1
Increase on equivalent terms [(a)]	
Non-life gross premiums from indirect business	1,202.2
Increase on equivalent terms [(a)]	
Non-life acquisition and administration costs	215.0
Expense ratio [(b)]	22.40%
Loss ratio [(c)]	69.7%
Combined ratio [(d)]	92.1%
Current financial result	**4,107.8**
Technical provisions	6,414.7
Life segment technical provisions	4,613.5
Non-life segment technical provisions	1,801.3
Investments	43,795.3
Capital and reserves	14,221.3

(a) At constant exchange rates.
(b) Ratio of administration cost to total premiums.
(c) Ratio of accrued claims to accrued premiums.
(d) Total (b) + (c).

PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

At 31 December 2021, Banca Generali activated the following payment agreements based on own equity instruments:

- the plans launched with respect to the *Banca Generali Group's Remuneration and Incentivisation Policy*, in effect from time to time, which calls for a part of the variable remuneration of Key Personnel to be paid by assigning Banca Generali's own financial instruments;
- the plans launched in service of the Framework Loyalty Programme 2017-2026, approved by the General Shareholders' Meeting on 20 April 2017 and now in its fifth annual cycle (2021-2026), which calls for a maximum of 50% of the indemnity accrued to be paid using own financial instruments;
- the new LTI (Long-Term Incentive) plans for the Banking Group's top management, based on Banca Generali shares, launched in 2018.

Qualitative Information

1. Share-based payment plans linked to the variable portion of remuneration based on performance objectives

The Remuneration and Incentivisation Policy for the Key Personnel of the Banca Generali Group — adopted in compliance with the Supervisory Provisions[24] currently in force — requires a portion of the variable component of remuneration, both current and deferred, to be paid by assigning Banca Generali's own financial instruments, based on the rules annually submitted for approval to the General Shareholders' Meeting.

In detail, for Key Personnel, including the main Network Managers, 25% of the variable remuneration linked to short-term objectives will be paid in Banca Generali shares, according to a retention mechanism until the end of the year of assignment[25].

If the bonus accrued falls above the threshold of 75 thousand euros, the following assignment and retention mechanism applies:

- 60% of the bonus is paid up-front during the year after that of reference, 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period until the end of the year of assignment;
- 20% paid up-front, deferred for one year: 75% in cash, and 25% in Banca Generali shares, subject to a retention period until the end of the year of assignment;
- the remaining 20% is deferred by two years: 75% in cash, and 25% in Banca Generali shares, subject to a retention period until the end of the year of assignment.

In calculating the number of shares to be assigned, a method is applied where:

- the numerator is the portion of variable remuneration subject to payment in shares accrued in relation to the achievement of objectives set for the year in question; and
- the denominator is equal to the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that in which the cycle in question begins.

The payment in shares is executed after the Board of Directors verifies the earnings results for the year in question and is conditional not only upon the achievement of the pre-set objectives[26], but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio, LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and, where appropriate, for the following two-year period of deferral.

The Banking Group's Remuneration Policies for the reference year together with the authorisation to buy back treasury shares to be used to service them are submitted annually to the General Shareholders' Meeting that approves the previous year's financial statements. The resolution authorising the buy-back of treasury shares is also subject to authorisation by the Bank of Italy.

These plan categories also include any other compensation paid in the form of shares related to:

- ordinary sales incentives and recruitment plan for Financial Advisors other than the main network managers and employed sales personnel;
- agreements entered into in view or upon the early termination of the employment or agency relationship, with regard to the beneficiaries falling within the category of Key Personnel.

[24] Bank of Italy Circular No. 285/2013, "Supervisory Provisions for Banks", Part I, Title IV, Chapter 2, Remuneration and Incentivisation Policies and Procedures.
[25] During the retention period, voting and dividend rights are unrestricted; however, plans referring to years prior to 2019 did not envisage any dividend rights.
[26] Provided for by the Management by Objectives (MBO) mechanism or by specific incentive/recruitment plans.

1.1 Measurement of fair value and accounting treatment

The mechanisms to recognise variable remuneration — discussed in the previous section — are considered as equity-settled share-based payment transactions, falling within the scope of application of IFRS 2 – *Share-based Payments*.

The accounting treatment set forth for these transactions requires an entity to reflect in its accounts, under the most appropriate items (staff expenses, fee expense), the estimated expense associated with services received, determined on the basis of the fair value of the rights grated (stock options/stock grants), as an offsetting-entry to an increase in equity through allocation to a specific equity reserve.

As the agreements relating to share-based payments based on the above-mentioned plans do not call for an exercise price, they can be considered similar to a stock grant and recognised in compliance with the rules set forth for this category of transactions. The overall expense regarding said agreements is therefore determined based on the number of shares expected to be assigned, multiplied by the fair value of the Banca Generali stock at the date of assignment.

The fair value of Banca Generali stock at the assignment date is measured based on the market price reported at the date of the General Shareholders' Meeting that is called annually to approve the Remuneration Policy for the year of reference, adjusted to account for the estimate of expected dividends, that will not be received by the beneficiaries during the deferral period.

The recognition through the equity reserve of the value of the plans — determined as described above — is measured *pro-rata temporis*, based on the vesting conditions, i.e., the period between assignment and final maturity of the right to receive the shares, likewise taking into account the probability that exercise conditions will not be realised for all recipients.
Since the plans are generally organised into different tranches with differentiated vesting periods, each plan is valued separately. In detail, if the share assignment is effected in three tranches, with a first tranche (60%) paid up-front after the approval of the Financial Statements for the year of reference, and two annual tranches (40%) to be deferred and subject to both the continuation of service and the satisfaction of access gates established on an annual basis the vesting period for the tranche paid up-front lasts from 1 January to 31 December of the year of reference of the remuneration (12 months), whereas for the two deferred tranches the vesting period is extended up to 31 December of the first subsequent year (24 months) and of the second subsequent year (36 months)[27].

However, the number of shares actually granted to beneficiaries may change based on the assessment of satisfaction of the individual objectives.

The IFRS 2 expense relating to any beneficiaries belonging to the Banking Group's companies other than the Banca Generali parent company is recognised directly by those companies. However, when the treasury shares bought back are actually assigned to them, the Bank charges back to the companies involved an amount corresponding to the fair value of the relevant plans[28].

1.2 Information on the share-based payment plans in connection to the Remuneration Policies

At 31 December 2021, there are three active cycles of share-based plans in connection to the Remuneration Policies relating to 2019, 2020 and 2021, whereas the 2018 cycle ended in the year, with the payment of the second deferred tranche. Moreover, a limited number of non-standardised entry plans envisaging a longer, multi-year deferment are active.

The main features of the share-based plan, linked to **2018** Remuneration Polices and approved by the General Shareholders' Meeting on **12 April 2018**, are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 28 December 2017 to 1 March 2018, was determined to be **28.57 euros**;
- the fair value of Banca Generali stock at the assignment date was equal to the market price (approximately **27.00 euros**) reported on 12 April 2018, subsequently adjusted to account for the loss of dividends expected in the deferral period.

At the end of that cycle, the shares definitively assigned to Key Personnel totalled **133,844**, of which **116,247** were awarded to Network Managers and to ordinary incentives and entry bonuses for Financial Advisors falling within Key Personnel on the basis of the fee volume accrued, **16,180** to employees, and **1,417** to the subsidiary BGFML, for a total fair value amounting to approximately **3.2 million euros**.

[27] Since 2018, IFRS 2-related charges regarding ordinary incentives accrued by Financial Advisors and linked to objectives of net inflows or acquisition of new customers, where paid in shares, are expensed over the longer time period of 5 years. In addition, share grants relating to various recruitment plans for Financial Advisors who are included among Key Personnel only after the plan is concluded may be covered by previous provisions for risks and charges.

[28] They include, in particular, the bonuses paid in shares to Key Personnel and some managers of the subsidiary BGFML and the Key Personnel of BG Valeur.

This aggregate also includes a settlement agreement was also reached with a former Employee which, based on the current Remuneration Policy, provided for the granting of a portion of the indemnity, amounting to 2,975 Banca Generali shares, the third and last tranche of which was paid in late 2020.

The main features of the share-based plan, linked to **2019** Remuneration Polices and approved by the General Shareholders' Meeting on **18 April 2019**, are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 10 December 2018 to 8 March 2019, was determined to be approximately **20.25 euros**;
- the fair value of Banca Generali stock at the assignment date was equal to the market price (approximately **24.23 euros**) reported on 18 April 2019, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the shares to be assigned to Key Personnel totalled **215,254**, of which **186,100** were awarded to Network Managers and to ordinary incentives and entry bonuses paid to Financial Advisors falling within the category of Key Personnel on the basis of the fee volume accrued, **24,057** to employees, and **5,097** referred to the subsidiary BGFML, for a total fair value amounting to approximately **4.7 million euros**.

The main features of the share-based plan, linked to **2020** Remuneration Polices and approved by the General Shareholders' Meeting on **23 April 2020**, are as follows:
for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 9 December 2019 to 9 March 2020, was determined to be **29.71 euros**;
the fair value of Banca Generali stock at the assignment date was equal to the market price (approximately **20.76 euros**) reported on 23 April 2020, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the shares to be assigned to Key Personnel totalled **155,631**, of which **129,713** were awarded to Network Managers and to ordinary incentives and entry bonuses paid to Financial Advisors falling within Key Personnel on the basis of the fee volume accrued, **19,765** to employees, and **6,153** referred to the subsidiary BGFML and BG Valeur, for a total fair value amounting to approximately **3.1 million euros**.

The main features of the share-based plan, linked to 2021 Remuneration Polices and approved by the General Shareholders' Meeting on **22 April 2021**, are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 7 December 2020 to 5 March 2021, was determined to be **27.58 euros**;
- the fair value of Banca Generali stock at the assignment date was equal to the market price (approximately **30.69 euros**) reported on 22 April 2021, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In respect of the assessment of the achievement by Key Personnel of the objectives set for 2021, it was estimated that the portion of variable remuneration subject to share-based payment amounted to approximately **153 thousand** shares, for a total plan fair value of **4.0 million euros**.

Other plans

In addition, two shared-based plans were launched as part of the Remuneration Policies in force from time to time, in which the shares assigned are subject to a longer long-term deferral period:

- a recruitment plan launched in 2016 that envisages the assignment of ten annual variable instalments to be paid from 2016 to 2025, also conditional upon deferral and payment in shares according to the Remuneration Policy in force from time to time. Accordingly, the plan's last instalment shall be paid in 2028;
- a recruitment plan launched in 2020 that envisages the assignment of twelve annual variable instalments to be paid from 2020 to 2031, also conditional upon deferral and payment in shares according to the Remuneration Policy in force from time to time. Accordingly, the plan's last instalment shall be paid in 2033.

In both cases, the granting of the bonus is also subject to the maintenance of the net inflow targets initially achieved, in addition to the continuation of service.

In 2017, a settlement agreement was also reached with a former Area Manager who, based on the current Remuneration Policy, provided for the granting of a portion of the indemnity in Banca Generali shares. In 2020, the assignment of shares envisaged in the plan was suspended.

Quantitative information

In the reporting period, on the basis of the achievement of the performance objectives set out in the 2018, 2019 and 2020 Remuneration Policy, **165,523** treasury shares were awarded to company managers and network managers, of which **137,845** shares to Area Managers and Financial Advisors, **20,701** shares to employees, and **5,155** shares to other beneficiaries of Banking Group's companies.

In particular, the shares assigned for 2018 and 2019 related, respectively, to the first and second tranches deferred by one year (20%), whereas the shares assigned for 2020 related to the upfront amount (60%); a residual amount of shares were granted under previous years' plans with different deferral mechanisms (plans for former employees and Financial Advisors).

(THOUSANDS OF SHARES)	DATE OF SHARE-HOLDERS' MEETING	BANK OF ITALY'S AUTHORISATION	ASSIGNMENT PRICE	WEIGHTED AVERAGE	OVERALL SHARES FV (/000)	SHARES ALREADY ASSIGNED (/000)	OF WHICH ASSIGNED 2021	SHARES TO BE ASSIGNED (/000)	OF WHICH VESTED SHARES	PLAN'S FAIR VALUE (€ MILLION)
Year 2018	12.04.2018	11.06.2018	28.57	23.54	133.8	133.8	25.2	-	-	3.2
Year 2019	18.04.2019	21.06.2019	20.25	21.80	215.3	187.5	41.5	27.7	27.7	4.7
Year 2020	23.04.2020	16.07.2020	29.71	18.06	155.6	108.6	96.3	47.0	22.2	3.1
Year 2021	22.04.2021	01.07.2021	27.58	26.43	152.9	-	-	152.9	92.6	4.0
Other long-term plans				15.36	47.1	23.2	2.5	23.9	2.8	0.7
Total					**704.8**	**453.2**	**165.5**	**251.6**	**145.3**	**15.7**

2. Framework Loyalty Programme for the Sales Network 2017-2026

The *Framework Loyalty Programme for the Sales Network 2017-2026* was approved by the Board of Directors on 21 March 2017 and ratified by the General Shareholders' Meeting on 20 April 2017.

The Framework Loyalty Programme is divided into eight annual individual plans, all set to expire on 31 December 2026 and of decreasing lengths, to be activated following prior authorisation by the General Shareholders' Meeting of Banca Generali.
The indemnities accrued over the term of the Programme will be, in any event, paid out in one tranche, within 60 days from the General Shareholders' Meeting called to approve the 2026 Financial Statements.

For each plan, a portion of the accrued indemnity may be paid out in Banca Generali shares (up to a maximum of 50%), following an assessment of the potential effects at the level of capital ratios and floating capital by the Corporate Bodies (Board of Directors and General Shareholders' Meeting).

Participation in each of the plans envisaged by the Programme is reserved for Financial Advisors and Relationship Managers who have at least five years of company seniority by 31 December of the financial year before the reference year for each plan.

To be eligible to access the benefits of the plans activated it is necessary:
> to achieve at the end of the reference year a minimum volume of total AUM and qualified AUM increasing over time and with non-negative net inflows (vesting condition);
> to be regularly employed and not in a notice period on the disbursement date, except when the termination of employment is caused by death or permanent incapacity, retirement or withdrawal from the relationship by Banca Generali not for cause (condition of service).

In the event of death, the indemnities accrued are understood to be permanently acquired but are payable to the heirs under the same conditions specified for the other beneficiaries.

Finally, the accrued indemnity is commensurate for each individual plan with a rate for verified AUM and is differentiated according to the type of person (Financial Advisor/RM) and service seniority until a cap is reached.
Recognition of the indemnities on the disbursement date is also subject to the Banking Group's access gates being exceeded as defined in the Remuneration Policies applicable from time to time and the rules of propriety.

The number of Banca Generali shares due is determined in the same way as for the share-based payment plans connected with the Remuneration Policies, namely based on the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that in which the annual plan of reference begins.

2.1 Measurement of fair value and accounting treatment

Without prejudice to the accounting framework already analysed in point 1.1 above, set out below are the specific details of the share-based payment plans that can be activated as part of the Loyalty Programme.

The fair value of the Banca Generali share for plan valuation purposes is determined starting from the market stock price reported on the date of the General Shareholders' Meeting that approves their activation, adjusted to take account of the estimate of expected dividends that the Bank will distribute along all the time horizon, decreasing for each successive plan, running up to the date the shares are actually assigned.

The plans' impact on the profit and loss account is measured pro-rata temporis based on the vesting period, which decreases for each successive plan, i.e., the period between the year of reference and final maturity of the right to receive the shares, taking into account the probability that the vesting conditions for the year will not be realised for all beneficiaries.

2.2 Information on the share-based payment plans linked to the Framework Loyalty Programme

For all the annual plans launched up to the reporting date, 50% of the indemnity accrued can be paid out in shares.
The accrued indemnity value was determined based on the AUM of the plan's potential beneficiaries at end of the year of reference, whilst the number of financial instruments to be assigned was determined based on the same reference value as the Banca Generali stock applied for the Remuneration Policies in force in the respective years.

Overall, the total number of shares, either assigned or in the process of accruing, in service of the five plans amounted to about 1,444 thousand (1,345 thousand net of the estimated turnover), for a total value of 20.7 million euros, of which 5.4 already recognised through profit and loss.

	MAXIMUM NO. OF SHARES	NO. OF SHARES NET OF THE ESTIMATED TURNOVER	PLAN'S FAIR VALUE	IFRS 2 RESERVE
	THOUSANDS OF SHARES		€ MILLION	
2017-2026 Plan	208	194	2.5	1.1
2018-2026 Plan	164	153	2.3	0.9
2019-2026 Plan	338	315	4.5	1.5
2020-2026 Plan	282	262	2.7	0.7
2021-2026 Plan	452	421	8.7	1.2
Total	**1,444**	**1,345**	**20.7**	**5.4**

3. Long Term Incentive (LTI) plans

Since 2018, Banca Generali has been launching, each year, long-term incentive plans for the Banking Group's top management based exclusively on Banca Generali S.p.A. shares.

The new plans have features similar to those of the plans that the parent company Assicurazioni Generali activates yearly and are based on the assignment of its shares. However, these plans are mainly aimed at increasing the value of Banca Generali shares, by strengthening the link between the remuneration of beneficiaries and performance of the Banking Group, without prejudice to the consistency required with the expected results set forth in the Insurance Group's strategic plan.

In light of the above, the new incentivisation plans call for:
1. assignment of Banca Generali shares acquired on the market to the beneficiaries instead of Assicurazioni Generali shares directly assigned by the latter;
2. increased weight of the Banking Group's objectives, equal to 80%.

The key characteristics of the plan are as follows[29]:
- the maximum number of the shares to be granted is determined at the beginning of the period of reference using a multiplier of the beneficiary's current remuneration[30] and is divided into three notional instalments, respectively referring to each of the three years of the plan;
- each year, once it has been determined that the access gate conditions of the Banking Group and of the Insurance Group have been met, Banca Generali's Board of Directors assesses the attainment of the targets set at the beginning of the three-year period and determines the exact number of shares that can potentially be allotted for the instalment in question;
- at the end of the three-year period, after having assessed that the access gates have been achieved and provided that the beneficiary's work relationship with one of the Banking Group companies is still in force (service condition), the total number of shares accrued are paid through the free granting to the beneficiaries of own ordinary shares, repurchased on the market (stock granting), as follows:
  - for the 2018 and 2019 plans, in one tranche, with 50% of shares not vesting for 2 years;
  - starting from the 2020 plan, 50% of the shares is assigned immediately, whereas the remaining 50% do not vest for an additional two years, without prejudice, for both tranches, to a retention period of one year;
- 50% of the shares assigned vest immediately upon assignment, whereas the remaining 50% do not vest for an additional two years;
- the plan does not include dividend equivalent mechanisms, in accordance with the law and common practice in the banking sector;
- the plans envisage the customary malus and claw-back clauses.

The level of achievement of objectives, expressed in percent terms, is determined separately for each basket, consisting in an indicator and the weight assigned to it, using the linear interpolation method on the basis of the reference levels set at the outset of the plan (minimum, target and maximum)[31].

[29] Further information on the LTI plans' terms and conditions are included in the Remuneration Policy, approved annually by the Shareholders' Meeting of Banca Generali (Section 2 – Banking Group's Remuneration and Incentive Policies).
[30] The potential maximum bonus to be paid in shares corresponds to 175% of the gross annual remuneration of the plan participants for top managers and to 87.5% for other beneficiaries.
[31] In particular, the maximum performance level is associated with a percentage of 175%.

Here below is a presentation of the performance indicators defined for the plans activated up to now.

3.1 Measurement of fair value and accounting treatment

Without prejudice to the accounting framework already analysed in point 1.1 above, set out below are the specific details of the share-based payment plans that can be activated as part of the LTI plans launched by Banca Generali.

The number of shares due shall be valued separately for each plan year and for each of the weighted baskets linked to the objectives of the Banking Group and the Insurance Group.

In particular, baskets tied to the performance indicator formed by the Insurance Group's *rTSR* contain a market condition, whereas the other baskets are based on achievement of performance conditions.

	WEIGHT OF BANKING/ INSURANCE GROUPS' KPIS	ACCESS GATES		OBJECTIVES	
		BANKING GROUP	INSURANCE GROUP	BANKING GROUP	INSURANCE GROUP
2018 LTI	80%-20%	Total Capital Ratio (TCR) Liquidity Coverage Ratio (LCR) [*]	Regulatory Solvency ratio	1. tROE, 2. EVA	1. Operating ROE, 2. rTSR
2019 LTI	80%-20%			1. tROE, 2. Recurring net profit [b], 3. Adjusted EVA	1. Average net ROE, 2. EPS growth, 3. rTSR
2020 LTI	80%-20%			1. tROE, 2. adjusted EVA	1. Net Holding cash flow, 2. rTSR
LTI 2021	80%-20%			1. tROE, 2. adjusted EVA, 3. AUM ESG [g]	1. Net Holding cash flow, 2. 2. rTSR 3. Sustainability indicators (MSCI ESG rating and S&P Global Corporate Sustainability Assessment Percentile)

(a) tROE (tangible – Return on equity): the ratio of net profit and average net equity, net of net profit for the year, intangible assets and, for the 2018 Plan, the OCI component.
(b) Recurring income: net profit less the following one-off components: gains/losses on the securities portfolio, performance fees, one-off component of the contributions to the FITD/BRRD bank rescue funds and the income and costs related to the extraordinary transactions completed during that period.
(c) EVA – Embedded value added: an indicator that expresses the value creation as the difference between recurring net profit (as defined above) and the cost of capital (ke x average absorbed capital).
(d) Net ROE (return on equity): ratio of consolidated net result and IFRS consolidated net equity of the Generali Group (excluding item "Other Comprehensive Income").
(e) Earnings Per Share Growth: the percentage change (compound average) of the EPS of Generali stock with reference to the net result normalised by gains/losses on disposal.
(f) rTSR: relative Total Shareholder Return, compared to a peer group of competitors included in the STOXX Euro Insurance index.
(g) Assets Under Management (AUM) of retail funds and insurance and financial underlying with ESG (Environmental, Social e Governance) rating by an external provider. The parameter is applied as a multiplier from 0.8 to 1.2 based on the period-end volume of the ESG component of AUM (in a range of 8%-13% of the AUM of reference.
(*) In detail, the 2021 banking access gates are: TCR >=13% and LCR >=130%, the insurance access gate is TRR >150%.

Market conditions are assessed solely at the assignment date on the basis of a statistical model that estimates the probable future positioning of the rTSR for Generali shares compared to a peer group identified by the STOXX Euro Insurance Index for each plan year. The fair value of the rights associated with this plan component is thus determined by multiplying the fair value of a Banca Generali share at the assignment date by the level of achievement of the objective associated with the resulting positioning.

Baskets associated with the achievement of performance conditions are assessed on the basis of the fair value of a Banca Generali share and the number of shares potentially assignable.

In this case as well, the fair value of the Banca Generali share used for evaluating the plans is determined starting from the market stock price reported on the date of the General Shareholders' Meeting that approves their activation, adjusted to take account of the estimate of expected dividends that the Bank will distribute along all the time horizon, running up to the date the shares are actually assigned.

The total cost of the LTI plans is therefore equal to the sum of the cost calculated for each basket on the basis of the fair value of rights assigned, determined according to the above methods, multiplied by the number of shares that may potentially be granted in respect of the level of achievement of the performance condition, the market condition, the likelihood that the service condition will be met and the achievement of the minimum eligibility threshold.
That cost is allocated over a three-year vesting period starting from the year in which the plan is approved and until the end of the last year of the reference three-year period, with a balancing entry to a specific equity reserve.

3.2 Information on the share-based payment plans linked to the BG LTI plans

In 2021, the shares relating to the first 2018 -2020 LTI Plan were assigned. In detail, based on the objectives reached, a total of 82,684 shares were assigned out of a maximum number of shares that could be assigned of 90,185.
The overall Plan value for the LTI 2018 was 1.8 million euros, entirely recognised in the profit and loss account in the three-year vesting period.

Overall, the total number of shares, either assigned or in the process of accruing, for the three plans amounted to about 343 thousand, for a total value of 6.1 million euros, of which 3.7 million euros already recognised through profit or loss (3.6 million euros for 2020).

	MAX NO. OF SHARES (THOUSANDS OF SHARES)	PLAN'S FAIR VALUE (€ MILLION)	IFRS 2 RESERVE (€ MILLION)
Plans ended			
2018-2020 Plan	82.7	1.8	1.8
Vesting plans			
2018-2020 Plan	129.7	2.3	2.3
2019-2021 Plan	90.4	1.2	0.6
2020-2022 Plan	123.4	2.6	0.7
Total plans underway	**343.5**	**6.1**	**3.7**

Quantitative Information

The value of treasury shares assigned during the year was 6.3 million euros, against IFRS 2 reserves totalling 5.1 million euros, with a negative net effect on the share premium reserve of about 1.2 million euros.
New provisions have also been made to the reserve totalling 8.8 million euros.

At 31 December 2021, total IFRS 2 reserves allocated therefore amounted to 14.3 million euros, of which:
> 5.0 million euros in relation to the Remuneration Policies;
> 5.4 million euros in relation to the Loyalty Programme;
> 3.7 million euros in relation to the BG LTI Plan;
> 0.2 million euros in relation to foreign subsidiaries.

PART L – SEGMENT REPORTING

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions (so-called "management approach").

Following the reorganisation of the sales networks approved by the Board of Directors of 8 November 2017, the corporate management identified the relevant operating segments for purposes of management reporting. In particular, effective as of 1 January 2018, the networks of non-employed Financial Advisors have been revised according to specialisation and reorganised into two macro-divisions on the basis of the total AUM managed by each Financial Advisor, with the introduction of the new Wealth Management network, which brings together Financial Advisors in the highest asset bracket (i.e., with AUM of more than 50 million euros).

The **Wealth Management CGU ("WM CGU")** consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of more than 50 million euros and the related clients. In addition, the assets of BG Valeur S.A., operating in the private banking and investment banking segment, were fully allocated to the Wealth Management CGU.

The **Private Banking CGU ("PB CGU")** consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of less than 50 million euros, as well as the assets attributable to Relationship Managers and the related clients.

The periodical reports analysed by the management requires the Group to assess the performance of its operating segments on the basis of the performance of the net banking income attributable to such segments. The financial aggregates presented for each segment therefore consist of net interest, net fees and the result of trading activity including dividends. They include both components arising from transactions with third parties external to the Group ("external revenues"), and those deriving from transactions with other segments ("internal revenues").

It should be noted in this regard that internal revenues can be identified solely with reference to net interest income; in fact, since net fees are generated directly by volumes of gross inflows and assets under management relating to the individual segments, they are generated in full as external revenues.

The interest expense incurred by the segments mentioned below was determined on the basis of the actual interest paid on each segment's direct inflows. Interest income for the segments includes the actual interest accrued on the loans issued to customers in each segment. Both components are recognised net of the share of the "notional interest" calculated on the basis of the TIT (Internal Transfer Rate) and attributed to the Corporate Center segment.

Performance fees have been directly allocated to the business areas which place the products. All the revenue components presented are measured using the same accounting principles adopted to prepare the Group's Consolidated Financial Statements so that segment data can be reconciled more easily with consolidated data.

The following table shows the consolidated profit and loss results of each of the three operating segments, stated net of intra-segment eliminations.

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT	2021 PB CGU	2021 WM CGU	2021 CORPORATE CENTER	2021 TOTAL	2020 PB CGU	2020 WM CGU	2020 CORPORATE CENTER	2020 TOTAL
Net interest income	**14,987**	**8,363**	**59,984**	**83,334**	**9,317**	**5,206**	**75,121**	**89,644**
Fee income	699,721	325,701	137,781	1,163,203	565,734	259,433	98,950	924,117
of which:								
- *underwriting*	*32,192*	*7,720*	*2,812*	*42,725*	*24,018*	*7,357*	*1,000*	*32,375*
- *management*	*511,772*	*248,313*	*44,239*	*804,323*	*429,350*	*206,569*	*39,486*	*675,406*
- *performance*	*104,218*	*44,736*	*71,596*	*220,550*	*68,888*	*27,510*	*45,367*	*141,765*
- *other*	*51,539*	*24,933*	*19,134*	*95,606*	*43,477*	*17,997*	*13,097*	*74,571*
Fee expense	-318,374	-158,355	-19,165	-495,894	-263,666	-133,463	-18,958	-416,087
of which:								
- *incentives*	*-13,901*	*-7,547*	*-*	*-21,447*	*-8,958*	*-5,823*	*-*	*-14,781*
Net fees	**381,347**	**167,345**	**118,616**	**667,309**	**302,067**	**125,970**	**79,992**	**508,030**
Net income (loss) from trading activities and dividends	-	-	-51,955	-51,955	-	-81	20,019	19,939
Net banking income	**396,334**	**175,708**	**126,645**	**698,687**	**311,384**	**131,095**	**175,133**	**617,613**
Staff expenses	-	-	-	-107,844	-	-	-	-104,272
Other general and administrative expenses	-	-	-	-203,790	-	-	-	-176,237
Adjustments of property, equipment and intangible assets	-	-	-	-35,654	-	-	-	-32,958
Other operating expenses/income	-	-	-	89,542	-	-	-	74,965
Net operating expenses	**-**	**-**	**-**	**-257,747**	**-**	**-**	**-**	**-238,503**
Operating result	**-**	**-**	**-**	**440,941**	**-**	**-**	**-**	**379,110**
Adjustments of other assets	-	-	-	-2,524	-	-	-	-661
Net provisions	-	-	-	-45,383	-	-	-	-30,828
Gains (losses) from equity investments	-	-	-	-289	-	-	-	-331
Operating profit before taxation	**-**	**-**	**-**	**392,745**	**-**	**-**	**-**	**347,290**
Income taxes – operating activities	-	-	-	-69,638	-	-	-	-72,396
Profit (loss) from HFS assets	-	-	-	-	-	-	-	-
Profit (loss) for the year attributable to minority interests	-	-	-	4	-	-	-	-25
Net profit	**-**	**-**	**-**	**323,103**	**-**	**-**	**-**	**274,919**
(€ million)								
Assets Under Management	54,917	29,897	6,549	91,363	48,172	25,830	5,333	79,335
Net Inflows	4,856	2,829	n.a.	7,685	3,905	1,961	n.a.	5,866
No. of FAs/RMs	**1,800**	**374**	**n.a.**	**2,174**	**1,745**	**354**	**n.a.**	**2,099**

(1) Interest income includes negative interest income classified under Item 20 of the Profit and Loss Account (Interest expense).
(2) Interest expense includes negative interest expense classified under Item 10 of the Profit and Loss Account (Interest income).
(3) The financial data in segment reporting are stated in accordance with Top management's view, reclassifying fee provisions to the item Fee expense.

With respect to the information about assets and liabilities required by IFRS 8, it should be noted that the Group's management does not present or analyse the data in question in a format that differs from that as approved in the consolidated and separate financial statements.

Accordingly, for comments on the Group's balance sheet figures, the reader is referred to the other sections of these Notes and Comments.

The following table allocates the balance of consolidated intangible assets, showing separately goodwill, between the two segments.

(€ THOUSAND)	31.12.2021			
	PB CGU	WM CGU	CORPORATE CGU	TOTAL
Goodwill	51,748	35,225	1,100	88,073
Intangible assets (client relationships e trademarks)	3,790	16,082	-	19,872

In accordance with the requirements of IFRS 8.33, it bears recalling that the Group's business is substantially evenly distributed throughout Italy. Management does not receive any reports on performance by geographical area.

In accordance with the requirements indicated in IFRS 8.34, it is specified that the Group has no customers that allow revenues of more than 10% of consolidated revenues to be obtained, the only exception being the product insurance distribution activity of the subsidiary Genertellife for which reference is made to Part H of these Notes and Comments.

PART M – INFORMATION ON LEASES

Section 1 – Lessee

Qualitative information

With regard to qualitative information required pursuant to paragraphs 59 and 60 of IFRS 16, reference should be made to Part A, namely Part A.1 – General, Section 5 – Other Aspects and Part A.2 – Main Financial Statements Aggregates, Point 15 – Other information of these Notes and Comments.

Quantitative information

As regards quantitative information, reference should be made to the details given in these Notes and Comments, and in particular:

> **Rights of use acquired through leases** in Part B, Section 9 – Property and equipment – Item 90, Table 9.1 Breakdown of operating property and equipment: assets valued at cost;

> **Lease debts** in Part B, Section 1 – Financial liabilities measured at amortised cost – Item 10, Table 1.6 Lease debts;

> **Interest expense on lease liabilities/debts** in Part C, Section 1 – Interests – Items 10 and 20, Table 1.3 Breakdown of interest expense and similar charges;

> **Other costs associated with rights of use acquired through leases** in Part C, Section 12 – General and administrative expenses – Item 190, Table 12.5 Breakdown of other general and administrative expenses;

> **Depreciation of rights of use acquired through leases** in Part C, Section 14 – Net adjustments/reversals of property and equipment – Item 210, Table 14.1 Breakdown of net adjustments of property and equipment.

Trieste, 9 March 2022

The Board of Directors

Independent Auditors' Report on the Consolidated Financial Statements

KPMG S.p.A.
Revisione e organizzazione contabile
Via Pierluigi da Palestrina, 12
34133 TRIESTE TS
Telefono +39 040 3480285
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying translated consolidated financial statements of the Banca Generali Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Banca Generali S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Banca Generali Group (the "group"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Banca Generali Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Banca Generali S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Banca Generali Group
Independent auditors' report
31 December 2021

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of financial assets and liabilities at fair value

Notes to the consolidated financial statements "Part A – Accounting policies": paragraphs A.2.1 "Financial assets measured at fair value through profit or loss (FVTPL)", A.2.2 "Financial assets at fair value through other comprehensive income (FVOCI)", A.2.4 "Hedging transactions", A.2.12 "Financial liabilities held for trading" and A.4 "Information on fair value"

Notes to the consolidated financial statements "Part B - Information on the statement of financial position - Assets": sections 2 "Financial assets measured at fair value through profit or loss ", 3 "Financial assets at fair value through other comprehensive income" and 5 "Hedging derivatives"

Notes to the consolidated financial statements "Part B - Information on the statement of financial position - Liabilities": sections 2 "Financial liabilities held for trading" and 4 "Hedging derivatives"

Notes to the consolidated financial statements "Part C - Information on the income statement": sections 4 "Net trading income (loss)", 5 "Net hedging income (loss)" and 7 "Net gains (losses) on other financial assets and liabilities measured at fair value through profit or loss"

Notes to the consolidated financial statements "Part E - Information on risks and risk hedging policies": paragraphs 1.1 "Credit risk - subsection D "Transfers" - paragraphs C "Prudential consolidation: Transferred financial assets fully derecognised", 1.2 "Market risks" and 1.3 "Derivatives and hedging policies"

Key audit matter	Audit procedures addressing the key audit matter
Trading in and holding financial instruments are one of the group's core activities. The consolidated financial statements at 31 December 2021 include financial assets and financial liabilities at fair value totalling €2,970.0 million and €171.9 million, respectively. These financial assets and liabilities comprise assets and liabilities measured at fair value of €452.5 million and €171.9 million, respectively, for which there is no quoted price on an active market and which the directors have classified at levels 2 and 3 of the fair value hierarchy. Classifying and, especially, measuring fair value levels 2 and 3 financial instruments require a high level of judgement in relation to the complexity of the models and parameters used.	Our audit procedures included: — gaining an understanding of the parent's and group companies' processes and IT environments in relation to the trading, classification and measurement of financial instruments; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3. We carried out these procedures with the assistance of experts of the KPMG network; — checking, on a sample basis, that the financial instruments had been correctly

Banca Generali Group
Independent auditors' report
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For the above reasons, we believe that the classification and measurement of financial assets and liabilities at fair value are a key audit matter.	classified on the basis of their fair value level; — for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the main parameters used by the directors for their measurement. We carried out this procedure with the assistance of experts of the KPMG network; — analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about financial instruments and related fair value levels.

Measurement of provisions for liabilities and contingencies

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph 2.10 "Provisions for liabilities and contingencies"

Notes to the consolidated financial statements "Part B - Information on the statement of financial position - Liabilities": section 10 "Provisions for liabilities and contingencies"

Notes to the consolidated financial statements "Part C - Information on the income statement": section 13 "Net provisions for liabilities and contingencies"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2021 include provisions for liabilities and contingencies of €223.5 million. These include €24.1 million relating to pending legal and tax disputes and €178.3 million relating to financial advisors' termination indemnities and incentive schemes. Measuring provisions for pending legal and tax disputes is a complex activity, with a high degree of uncertainty, and entails directors' estimates about the outcome of the dispute, the risk of losing and the timing for its settlement. Measuring provisions for the financial advisors' termination indemnities and incentive schemes is a complex activity, with a high degree of uncertainty, and entails directors' actuarial-based estimates about the probability of payments, the expected payment timing and other historical and statistical parameters relating to the financial advisors.	Our audit procedures included: — understanding the process for the measurement of the provisions for liabilities and contingencies, assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — analysing the discrepancies between past years' estimates of the provisions for liabilities and contingencies and actual figures resulting from the subsequent settlement of legal disputes, in order to check the accuracy of the estimation process; — sending written requests for information to the legal advisors assisting the group companies about the assessment of the risk of losing pending legal disputes and the quantification of the related liability and checking the consistency of the information obtained with the elements considered by the directors to measure

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For the above reasons, we believe that measuring provisions for liabilities and contingencies is a key audit matter.	the provisions for liabilities and contingencies; — analysing the reasonableness of the assumptions used to measure the provisions for liabilities and contingencies relating to the main legal disputes through discussions with the relevant internal departments and analysis of the supporting documentation; — analysing the reasonableness of the assumptions, actuarial assumptions and methods used by the directors to estimate the liability for personal financial advisors' termination indemnities and incentive schemes. We carried out these procedures with the assistance of experts of the KPMG network; — assessing the appropriateness of the disclosures about the provisions for liabilities and contingencies.

Other matters – Comparative figures

The group's 2020 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 29 March 2021.

Other matters – Management and coordination

The parent disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own consolidated financial statements. Our opinion on the consolidated financial statements of the Banca Generali Group does not extend to such data.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

Banca Generali Group
Independent auditors' report
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The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 22 April 2021, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's reports on operations and on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

Banca Generali Group
Independent auditors' report
31 December 2021

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Banca Generali S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Trieste, 29 March 2022

KPMG S.p.A.

(signed on the original)

Pietro Dalle Vedove
Director of Audit

Independent Auditors' Report on the Consolidated Non-Financial Statement

KPMG S.p.A.
Revisione e organizzazione contabile
Via Pierluigi da Palestrina, 12
34133 TRIESTE TS
Telefono +39 040 3480285
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Banca Generali S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2021 consolidated non-financial statement of the Banca Generali Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 9 March 2022 (the "NFS").

Our procedures did not cover the information set out in the "Regulation (EU) 2020/852 for assets admissible to the Taxonomy" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Banca Generali S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which have been identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

Banca Generali Group
Independent auditors' report
31 December 2021

3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
   - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
   - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
   - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

   Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).
5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

   Furthermore, with respect to significant information, considering the group's business and characteristics, at parent and subsidiaries level:
   a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
   b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
   c) we obtained documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2021 consolidated non-financial statement of the Banca Generali Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.
Our conclusion does not extend to the information set out in the "Regulation (EU) 2020/852 for assets admissible to the Taxonomy" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Banca Generali Group
Independent auditors' report
31 December 2021

Other matters

Other auditors performed a limited assurance engagement on the group's 2020 and 2019 consolidated non-financial statements and expressed an unqualified conclusion thereon on 29 March 2021 and 26 March 2020, respectively.

Trieste, 29 March 2022

KPMG S.p.A.

(signed on the original)

Pietro Dalle Vedove
Director of Audit

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03

FINANCIAL STATEMENTS OF BANCA GENERALI S.P.A. AT 31.12.2021

Economic and Financial Highlights

ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	31.12.2021	31.12.2020	CHANGE %
Net interest income	84.0	90.1	-6.7
Net financial income	112.8	110.1	2.5
Net fees	280.7	234.5	19.7
Net banking income	393.5	344.6	14.2
Net operating expenses [c]	-221.8	-207.9	6.7
of which:			
- *staff expenses*	*-94.5*	*-90.1*	*4.9*
Operating result	171.7	136.7	25.6
Provisions and charges related to the banking system [c]	-60.9	-42.1	44.5
Adjustments to non-performing loans	-2.0	-0.3	n.a.
Profit before taxation	361.8	331.3	9.2
Net profit	342.2	289.2	18.3

PERFORMANCE INDICATORS

	31.12.2021	31.12.2020	CHANGE %
Cost/Income ratio [c]	47.8%	51.2%	-6.7
EBTDA [c]	205.6	168.2	22.2
ROE [a]	32.9%	31.0%	5.9
ROA [b]	0.4%	0.4%	2.5
EPS - Earnings per share (euros)	2.98	2.51	18.7

NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.12.2021	31.12.2020	CHANGE %
Mutual Funds and Sicavs	2,922	2,169	34.7
Financial wrappers	938	119	n.a.
Insurance wrappers	1,443	894	61.4
Asset management	**5,303**	**3,182**	**66.7**
Insurance/Pension funds	-487	203	n.a.
Securities/Current accounts	2,869	2,481	15.6
Total	**7,685**	**5,866**	**31.0**

(a) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the year and at the end of the previous year.
(b) Ratio of net result for the year to Assoreti's year-end exact AUM, annualised.
(c) For a greater understanding of operating performance, mandatory contributions (of both an ordinary and extraordinary nature) paid to the Italian Interbank Deposit Protection Fund, the European Single Resolution Fund and Italian National Resolution Fund have been reclassified from the administrative expenses aggregate to a separate item. The restatement better represents the evolution of the costs linked to the Bank's operating structure by separating them from the systemic charges incurred.

ASSET UNDER MANAGEMENT & CUSTODY (AUM/C)

(€ BILLION) (ASSORETI DATA)	31.12.2021	31.12.2020	CHANGE %
Mutual Funds and Sicavs	23.4	19.3	21.1
Financial wrappers	8.5	7.3	17.3
Insurance wrappers	11.2	9.5	18.6
Asset management	43.2	36.1	19.7
Traditional life insurance policies	16.3	16.6	-1.9
AUC	25.2	20.7	22.1
Total	**84.6**	**73.3**	**15.5**

NET EQUITY

(€ MILLION)	31.12.2021	31.12.2020	CHANGE %
Net equity	1,011.2	1,071.6	-5.6
Own funds	676.1	575.5	17.5
Excess capital	274.0	234.3	16.9
Total Capital Ratio	**17.7%**	**17.7%**	**-0.3**

Financial Statements

BALANCE SHEET

ASSETS

(EURO)		31.12.2021	31.12.2020 RIESPOSTO
10.	Cash and deposits	1,598,983,333	642,941,927
20.	Financial assets measured at fair value through profit or loss:	415,557,653	48,455,012
	a) HFT financial assets	6,577,727	3,619,452
	c) other financial assets mandatorily measured at fair value	408,979,926	44,835,560
30.	Financial assets measured at fair value through other comprehensive income	2,543,065,225	2,730,097,911
40.	Financial assets measured at amortised cost:	10,783,958,445	8,958,771,127
	a) loans to banks	1,210,269,248	595,579,795
	b) loans to customers	9,573,689,197	8,363,191,332
50.	Hedging derivatives	11,357,179	2,486,444
70.	Equity investments	25,572,466	16,827,362
80.	Property and equipment	154,130,339	147,052,581
90.	Intangible assets	124,265,293	123,578,888
	of which:		
	- *goodwill*	*79,366,416*	*78,266,416*
100.	Tax receivables:	71,106,572	48,107,498
	a) current	9,438,094	486,073
	b) prepaid	61,668,478	47,621,425
110.	Non-current assets available for sale and disposal groups	1,115,444	-
120.	Other assets	374,516,822	372,229,845
	Total assets	**16,103,628,771**	**13,090,548,595**

NET EQUITY AND LIABILITIES

(EURO)		31.12.2021	31.12.2020
10.	Financial liabilities measured at amortised cost:	14,449,421,638	11,563,118,207
	a) due to banks	818,733,750	598,129,295
	b) due to customers	13,630,687,888	10,964,988,912
20.	HFT financial liabilities	4,550,668	1,551,247
40.	Hedging derivatives	167,319,867	67,853,205
60.	Tax liabilities:	7,972,142	21,859,005
	a) current	2,715,627	9,165,983
	b) deferred	5,256,515	12,693,022
80.	Other liabilities	235,464,915	176,261,489
90.	Employee termination indemnities	4,314,162	4,870,388
100.	Provisions for liabilities and contingencies:	223,375,610	183,448,313
	a) commitments and guarantees issued	42,916	124,441
	c) other provisions	223,332,694	183,323,872
110.	Valuation reserves	-383,561	4,158,152
130.	Equity instruments	50,000,000	50,000,000
140.	Reserves	511,450,667	599,493,200
150.	Share premium reserve	55,866,035	57,061,655
160.	Share capital	116,851,637	116,851,637
170.	Treasury shares (-)	-64,822,379	-45,185,140
180.	Net profit for the year	342,247,370	289,207,237
	Total net equity and liabilities	**16,103,628,771**	**13,090,548,595**

PROFIT AND LOSS ACCOUNT

ITEMS

(EURO)		2021	2020
10.	Interest income and similar revenues	92,539,288	96,075,578
20.	Interest expense and similar charges	-8,508,482	-5,995,768
30.	**Net interest income**	**84,030,806**	**90,079,811**
40.	Fee income	740,506,121	620,305,363
50.	Fee expense	-438,405,574	-371,024,816
60.	**Net fees**	**302,100,547**	**249,280,547**
70.	Dividends and similar income	334,634,183	240,645,123
80.	Net income (loss) from trading activities	-73,304,097	6,127,161
90.	Net income (loss) from hedging	2,088,119	-906,245
100.	Gain (loss) on disposal or repurchase of:	18,153,058	15,292,850
	a) financial assets measured at amortised cost	15,673,521	17,450,210
	b) financial assets measured at fair value through other comprehensive income	2,479,537	-2,157,361
110.	Net income (loss) from financial assets and liabilities measured at fair value through profit and loss:	144,820	-2,819,339
	b) other financial assets mandatorily measured at fair value	144,820	-2,819,339
120.	**Net banking income**	**667,847,435**	**597,699,907**
130.	Net adjustments/reversals due to credit risk:	-1,958,802	-263,695
	a) financial assets measured at amortised cost	-1,700,451	-381,086
	b) financial assets measured at fair value through other comprehensive income	-258,351	117,391
150.	**Net income (loss) from trading activities**	**665,888,633**	**597,436,211**
160.	General and administrative expenses:	-293,972,008	-262,190,588
	a) staff expenses	-94,508,876	-90,065,916
	b) other general and administrative expense	-199,463,132	-172,124,672
170.	Net provisions for liabilities and contingencies:	-66,828,592	-45,601,045
	a) commitments and guarantees issued	81,525	-16,739
	b) other net provisions	-66,910,116	-45,584,307
180.	Net adjustments/reversals of property and equipment	-20,632,832	-20,425,702
190.	Net adjustments/reversals of intangible assets	-13,207,212	-11,076,304
200.	Other operating expenses/income	90,577,188	74,542,318
210.	**Operating expenses**	**-304,063,456**	**-264,751,321**
220.	Gains (losses) from equity investments	-	-1,370,482
250.	Gains (losses) on disposal of investments	-19,819	6,834
260.	**Profit from operating activities before income taxes**	**361,805,358**	**331,321,242**
270.	Income taxes for the year on operating activities	-19,557,987	-42,114,005
280.	**Net profit from operating activities after income taxes**	**342,247,370**	**289,207,237**
300.	**Net profit for the year**	**342,247,370**	**289,207,237**

STATEMENT OF OTHER COMPREHENSIVE INCOME

ITEMS

(EURO)		2021	2020
10.	**Net profit for the year**	**342,247,370**	**289,207,237**
	Other income net of income taxes, without transfer to Profit and Loss Account		
20.	Equity securities designated at fair value through other comprehensive income	-327,231	-210,160
70.	Defined benefit plans	121,537	-362,247
	Other income net of income taxes, with transfer to Profit and Loss Account		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	-4,336,017	860,474
170.	**Total other income net of income taxes**	**-4,541,711**	**288,067**
180.	**Comprehensive income (Items 10 + 170)**	**337,705,659**	**289,495,304**

STATEMENT OF CHANGES IN EQUITY

ITEMS

	SHARE CAPITAL			RESERVES						
(EURO)	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVES	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
Net equity at 31.12.2020	**116,851,637**	**-**	**57,061,655**	**574,138,428**	**25,354,772**	**4,158,152**	**50,000,000**	**-45,185,140**	**289,207,237**	**1,071,586,741**
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2021	116,851,637	-	57,061,655	574,138,428	25,354,772	4,158,152	50,000,000	-45,185,140	289,207,237	1,071,586,741
Allocation of net profit for the previous year:	-	-	-	4,429,617	-	-	-	-	-289,207,237	-284,777,620
- Reserves	-	-	-	6,060,867	-	-	-	-	-6,060,867	-
- Dividends and other allocations	-	-	-	-1,631,250	-	-	-	-	-283,146,370	-284,777,620
Change in reserves	-	-	-	-	170,862	-	-	-	-	170,862
Transactions on net equity:	-	-	-1,195,620	-96,403,165	3,760,153	-	-	-19,637,239	-	-113,475,871
- Issue of new shares	-	-	-1,195,620	-	-4,954,712	-	-	6,347,093	-	196,761
- Purchase of treasury shares	-	-	-	-	-	-	-	-25,984,332	-	-25,984,332
- Extraordinary distribution dividends	-	-	-	-96,403,165	-	-	-	-	-	-96,403,165
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock option	-	-	-	-	8,714,865	-	-	-	-	8,714,865
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**-4,541,713**	**-**	**-**	**342,247,370**	**337,705,657**
Net equity at 31.12.2021	**116,851,637**	**-**	**55,866,035**	**482,164,880**	**29,285,787**	**-383,561**	**50,000,000**	**-64,822,379**	**342,247,370**	**1,011,209,769**

	SHARE CAPITAL			RESERVES						
(EURO)	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVE	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVE	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
Net equity at 31.12.2019	**116,851,637**	**-**	**57,728,952**	**328,214,470**	**23,800,957**	**3,998,890**	**50,000,000**	**-37,356,083**	**248,357,895**	**791,596,718**
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2020	116,851,637	-	57,728,952	328,214,470	23,800,957	3,998,890	50,000,000	-37,356,083	248,357,895	791,596,718
Allocation of net profit for the previous year:	-	-	-	246,726,645	-	-	-	-	-248,357,895	-1,631,250
- Reserves	-	-	-	248,357,895	-	-	-	-	-248,357,895	-
- Dividends and other allocations	-	-	-	-1,631,250	-	-	-	-	-	-1,631,250
Change in reserves	-	-	-	-802,687	191,703	-128,805	-	-	-	-739,789
Transactions on net equity:	-	-	-667,297	-	1,362,112	-	-	-7,829,057	-	-7,134,242
- Issue of new shares	-	-	-667,297	-	-4,191,819	-	-	4,859,117	-	1
- Purchase of treasury shares	-	-	-	-	-	-	-	-12,688,174	-	-12,688,174
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock option	-	-	-	-	5,553,931	-	-	-	-	5,553,931
Comprehensive income	-	-	-	-	-	288,067	-	-	289,207,237	289,495,304
Net equity at 31.12.2020	**116,851,637**	**-**	**57,061,655**	**574,138,428**	**25,354,772**	**4,158,152**	**50,000,000**	**-45,185,140**	**289,207,237**	**1,071,586,741**

CASH FLOW STATEMENT

INDIRECT METHOD

(EURO)	2021	2020 RESTATED
A. OPERATING ACTIVITIES		
1. Operations	**31,257,378**	**78,109,779**
Net profit (loss) for the year	342,247,370	289,207,237
Gain/loss on HFT financial assets and other assets and liabilities at fair value through profit or loss	-3,304,637	4,090,631
Gain/loss on hedging assets	-415,609	143,818
Net adjustments/reversals due to credit risk	1,958,802	263,695
Net adjustments/reversals of property, equipment and intangible assets	33,840,045	31,502,006
Net provisions for liabilities and contingencies and other costs/revenues	39,927,297	18,288,726
Taxes, duties and tax credits not paid	-34,311,145	11,549,504
Net adjustments/reversals of discontinued operations	-	-
Other adjustments	-348,684,745	-276,935,838
2. Liquidity generated by/used for financial assets (+/-)	**-1,906,157,329**	**-1,307,564,264**
HFT financial assets	1,584,355	15,743,102
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-360,847,058	-853,973
Financial assets Financial assets at fair value through other comprehensive income	174,820,431	50,435,000
Financial assets measured at amortised cost:	-1,744,969,489	-1,338,481,038
Loans to banks	-608,525,327	-60,991,569
Loans to customers	-1,136,444,162	-1,277,489,470
Other assets	23,254,433	-34,407,355
3. Liquidity generated by/used for financial liabilities (+/-)	**2,724,339,164**	**1,056,979,048**
Financial liabilities measured at amortised cost:	2,730,480,030	997,004,837
Due to banks	225,760,943	505,780,727
Due to customers	2,504,719,087	491,224,109
Securities issued	-	-
HFT financial liabilities	-1,551,247	-1,203,977
Financial liabilities designated at fair value	-	-
Other liabilities	-4,589,619	61,178,189
Net liquidity generated by/used for operating activities	**849,439,213**	**-172,475,437**

(EURO)	2021	2020 RESTATED
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**333,550,000**	**238,026,325**
Disposal of equity investments	-	-
Dividends received	333,550,000	238,320,000
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	-293,675
2. Liquidity used for	**84,236,134**	**-17,886,241**
Purchase of equity investments	-9,860,548	-3,168,004
Purchase of property and equipment	-2,033,986	-1,087,521
Purchase of intangible assets	-12,793,617	-13,630,716
Disposal of business units	108,924,286	-
Net liquidity generated by/used for investing activities	**417,786,134**	**220,140,084**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-25,787,571	-12,688,173
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-285,396,370	-2,250,000
Net liquidity generated by/used for funding activities	**-311,183,941**	**-14,938,173**
NET LIQUIDITY GENERATED/USED IN THE YEAR	**956,041,406**	**32,726,473**
Reconciliation		
Cash and cash equivalents at year-start	**642,941,927**	**610,215,454**
Total liquidity generated/used in the year	956,041,406	32,726,473
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**1,598,983,333**	**642,941,927**

Legend:
(+) Liquidity generated
(-) Liquidity used

NOTES AND COMMENTS

PART A – ACCOUNTING POLICIES

Part A.1 – General

Section 1 – Declaration of Compliance with International Accounting Standards

These financial statements have been drawn up in compliance with Italian Legislative Decree 38 of 28 February 2005, based on the International Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretation of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

In preparing the annual Financial Statements, Banca Generali adopted the IASs/IFRSs in force at 31 December 2021 (including SIC and IFRIC interpretations), as endorsed by the European Commission.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2021, several amendments to the IASs/IFRSs, and IFRIC documents were adopted and new IFRICs were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2021

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 4 – Insurance Contracts – deferral of IFRS 19 (issued on 25 June 2020)	2020/297	16.12.2020	01.01.2021

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2021 AND EFFECTIVE AS OF 2021

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	2021/25	14.01.2021	01.01.2021
Amendments to IFRS 16 — Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021	2021/1421	31.08.2021	01.04.2021

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BUT NOT EFFECTIVE YET

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 3 - Business Combinations; IAS 16 - Property, Plant and Equipment; IAS 37 - Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (all issued on 14 May 2020)	2021/1080	02.07.2021	01.01.2022
IFRS 17 - Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	2021/2036	23.11.2021	01.01.2023

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards.

The other standards and interpretations that entered into force in 2021 did not have a significant impact on the Bank's balance sheet and profit and loss account.

Section 2 – Preparation Criteria

The Financial Statements consists of the following documents:
> Balance Sheet;
> Profit and Loss Account;
> Statement of Other Comprehensive Income;
> Statement of Changes in Net equity;
> Cash Flow Statement;
> Notes and Comments.

The accounts are accompanied by a Directors' report on the Bank's operations, financial situation, profit and loss and balance sheet results.

According to the provisions of Article 41, paragraph 5-bis, of Legislative Decree No. 136/2015 of 18 August 2015, implementing Directive No. 2013/34/EU, the Consolidated Report on Operations and the Separate Report on Operations of the company may be presented as a single document, in which additional attention is dedicated to issues relevant to the entirety of the companies within the scope of consolidation, as appropriate.
Banca Generali elected to exercise this option by presenting a single document. Consequently, the Consolidated Report on Operations also includes the information required for the Separate Report on Operations.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Financial Statements were prepared in euros. All amounts in the Accounting Statements are expressed in euro units, while the figures in the Notes and Comments and Directors' Report on Operations, unless otherwise specified, are expressed in thousands of euros.

The Financial Statements and Notes and Comments include figures for the period under review, as well as comparative data at 31 December 2020.

The Financial Statements are prepared by applying the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part A.2 of these Notes and Comments.
International accounting standards have been applied in compliance with the Framework for the Preparation and Presentation of Financial Statements drafted by the IAS B.
There were no derogations of the application of IASs/IFRSs.

The Directors' Report on Operations and the Notes and Comments include the information required by international accounting standards, the law, the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (Consob), as well as other non-compulsory information that was deemed necessary to provide an accurate and fair picture of the Bank's situation.

The measurement criteria have been adopted on a going-concern basis and are shaped by the principles of accrual-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.
In further detail, the Directors are reasonably certain that the Bank will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Content of the Financial Statements and the Notes and Comments

The Financial Statements at 31 December 2021 were prepared based on the "Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups," which were issued by the Bank of Italy with order dated 22 December 2005 in the exercise of the powers established in Article 43 of Legislative Decree No. 36/2015. Such instructions were issued in Circular No. 262/05, as further updated.
These Instructions set forth binding rules governing the presentation and preparation of financial statements and the minimum content of the Notes and Comments.
In detail, Circular No. 262/2005 has reached its 7th update, published on 2 November 2021, and entered into force as of the financial statements ended 31 December 2021.

The Instructions were supplemented by the Communication published by the Bank of Italy on 22 December 2021, which governs market disclosure in financial statements for the year ended 31 December 2021 regarding the effects that Covid-19 and the economic support measures have had on risk management strategies, goals and policies, as well as on the financial performance and capital position situations of intermediaries.
The Communication also refers to the disclosure required by the amendment to IFRS 16 governing rent concessions granted due to Covid-19 and that required by IFRS 7 regarding the interest rate benchmark reform.

The Communication also refers to the numerous interpretative and supporting documents on the application of accounting standards in relation to the impacts of Covid-19 issued by European regulatory and supervisory authorities and standard-setters, including:

- the EBA statement of 25 March 2020, "*Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures*";
- the ESMA statement of 25 March 2020, "Public Statement. *Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9*";
- the IFRS Foundation document of 27 March 2020 "*IFRS 9 and Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic*";
- the ECB letter of 1 April 2020 *"IFRS 9 in the context of the coronavirus (Covid-19) pandemic*" addressed to all significant institutions;
- the EBA Guidelines of 2 April 2020 "*Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis*";
- the ESMA communication of 20 May 2020 "*Implications of the Covid-19 outbreak on the half-yearly financial reports*";

- the EBA guidelines of 2 June 2020 "*Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis*";
- the ESMA communication of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports";
- the EBA guidelines of 2 December 2020 "*Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis*";
- the ECB letter of 4 December 2020 "*Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic*" addressed to all significant institutions;
- the ESMS communication of 29 October 2021 "*European common enforcement priorities for 2021 annual financial reports*".

The specific provisions set out in the Bank of Italy Communication of 23 December 2019 were considered. In particular, the provisions regarded the disclosure of multi-originator loan sale transactions to mutual funds with the attribution of shares to the selling intermediaries, on which reference should be made to the specific section of Part E – Information on Risks and Risk Hedging Policies, Section 1 "Credit risk", Subsection E "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

Accounts that do not include items pertaining to the year under review or the previous year are not stated in the balance sheet and profit and loss account. Likewise, sections or tables which include no values are not included in the Notes and Comments.

The Statement of Comprehensive Income begins with the net profit (loss) for the year and then presents components of profit and loss recognised through valuation reserves, net of the related tax effect, in accordance with international accounting standards.
Comprehensive income is presented by providing a separate account of components of profit and loss that will not be reversed to the profit and loss account in the future, and components that may subsequently be reclassified to net profit (loss) for the year under certain conditions.
As for the balance sheet and profit and loss account, items with nil amounts in both the reporting year and previous year are not presented.

The Statement of Changes in Net Equity is presented by inverting the rows and columns with respect to the presentation suggested by the Bank of Italy's Circular No. 262/2005.

The statement presents the composition of and changes in net equity accounts during the reporting year and the previous year, broken down into share capital, capital reserves, earnings reserves, asset and liability valuation reserves, and net profit. Treasury shares are recorded as a reduction to net equity.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:
- cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
- cash flows generated by (used for) investing activities involving fixed assets;
- cash flows generated by (used for) funding activities linked to the acquisition of own funds and their remuneration.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.
Accordingly, these sections do not include items such as changes in value (adjustments, reversals, amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected fees; these items have been disclosed separately and classified under operating activities.
Moreover, these cash flows also do not include changes in operating assets and liabilities, but include those relating to financing activities, such as changes in operating loans and amounts payable to Financial Advisors and employees and any related advance payments.

Restatement of sight deposits with credit institutions

With the entry into force of the 7th update to Circular 262/2005, with effect from 31 December 2021 sight deposits with credit institutions have been reclassified from item 40 a) Financial assets measured at amortised cost – Loans to banks to item 10) Cash and cash equivalents, in order to align the presentation with the harmonised supervisory statistical reporting (Finrep).
In the interest of ease of comparison, also the corresponding balance sheet asset items at 31 December 2020 and the Cash Flow Statement of the previous year have been restated.

Section 3 – Events occurred after the Balance Sheet date

The draft Financial Statements of Banca Generali were approved by the Board of Directors on 9 March 2022, when the Board also authorised its disclosure pursuant to IAS 10.

No events occurred after 31 December 2021 and until 9 March 2022 that would significantly impact the Bank's capital, financial and operating performance reported in these Financial Statements.

However, the sale of an 80.1% equity interest in the subsidiary Nextam Partners SIM to a group of investors, also including some of the Nextam Group's former shareholders, was finalised on 20 January 2022.
On that date, settlement agreements became effective that aim to identify any amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to permit the termination of the relationship of employment between Banca Generali and the main key manager of the acquired group, whereas the relationship of employment with the other two key managers will be maintained.

Ukrainian conflict

On 24 February 2022, the tensions that had been mounting for some time between the Russian Federation and Ukraine exploded into open conflict, with the invasion of Ukraine.
Immediately, the United States, the European Union and other allied countries, including Great Britain, Australia, Canada and Japan, announced the imposition of heavy sanctions that first hit individuals (government officials, the so-called "oligarchs") and the banking sector, and then extended to important sectors of the economy, to which Russia responded with its own restrictive measures The Russian financial market has been heavily affected and the default of the country's sovereign debt now also seems likely.
The world's financial markets reacted to all this by showing great uncertainty about the conflict's developments and the macroeconomic consequences, which resulted in increased volatility and generalised price falls, particularly on equity asset classes. However, bond markets have also seen a temporary easing of interest rate tensions reflecting expectations for upcoming monetary policy decisions, which now see a rate hike as less likely despite a macroeconomic backdrop of runaway inflation, driven by energy prices. In this regard, it should be noted that Banca Generali is not exposed to the countries affected by the crisis either with its own securities portfolio, or with the customer loans portfolio.
Preliminary estimates also show that the exposure of the Bank's customers is also very low.

Section 4 – Other Aspects

Accounting standards that have been endorsed and will enter into effect this year

No new international accounting standards, amendments to existing standards or related interpretations with a material impact on the Bank's operations entered into effect in financial year 2021.

Accounting standards endorsed that will enter into effect after 31 December 2021

There are no international accounting standards and related interpretations endorsed but not effective yet as of 31 December 2021 that could have a material impact on the Bank's operations.

Use of estimates and assumptions in the preparation of the Financial Statements

The preparation of the Financial Statements requires the use of estimates and assumptions that could influence the amounts reported in the balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.
The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.
Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:
> determining the amount of provisions for liabilities and contingencies;
> determining the expenses of personnel productivity bonuses;
> determining the amount of incentive fees to be paid to the sales network as an annual incentive and of incentives related to recruitment plans;
> determining the deferred incentives granted to the sales network, when linked to defined net inflow targets;
> determining the fair value of cash financial instruments and derivatives;
> determining the analytical and collective impairment of financial instruments;
> determining the value adjustments and reversals of non-performing loans and the collective provision for performing loans;
> preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
> preparing estimates and assumptions on the recoverability of deferred tax assets;
> evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Restructuring transaction involving a portfolio of senior notes arising from the securitisation of healthcare receivables

The transactions subject to estimates and assumptions also include the restructuring of the portfolio of senior securities deriving from securitisations undertaken in the fourth quarter, which involved the simultaneous performance of the following transactions:
> the purchase of the aforesaid notes from the clients for an amount of 457.6 million euros;
> the simultaneous sale of the notes so purchased to a newly formed Italian fund (AIF), the "Forward Fund" for 377.7 million euros, with the Bank recognising a trading loss of about 80 million euros;

> the Bank's subscription of most of the units of the aforementioned Fund, for a total amount of 378 million euros, equal to an interest of 98% in the net equity of the Fund.

A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 1 "Credit risk", Subsection E "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

Additional information regarding the estimation procedures used for specific cases is provided in Part A, Section 2, of the Notes and Comments on the Accounting Standards adopted by Banca Generali.

Risks, uncertainties and impacts of the Covid-19 epidemic.
In 2021 the Bank did not make any changes to accounting estimates tied to the Covid-19 emergency entailing a material impact on the current or future years, except for the effects due to the incorporation of the worsening macroeconomic forecasts in the international economic framework.
There were no particular significant increases in the risk levels of financial assets resulting in deterioration of the risk level assigned to them and the associated adjustments to the values of financial assets (IFRS 9) tied to the Covid-19 emergency.

Covid-19 contract modifications

Contract modifications and derecognition (IFRS 9)
In 2020, at the request of its customers, Banca Generali granted a number of legal moratoria, in application of Articles 54 and 56 of the "Cure Italy Decree", and non-legal moratoria.
The suspension of loan payments, including both principal and interest amounts, resulted in an extension of the amortisation schedule, which at the end of the suspension period resumes with the same frequency as before the suspension, and in a recalculation of the amount of interest accrued during the suspension period, redistributed over the residual payments that have not yet come due.
No changes are made to the economic terms applied and applying a moratorium does not result in losses or impairment charges.
Accordingly, the application of the moratoria did not result in any case in derecognition of the modified loan, or in significant changes in the carrying amounts of the exposures.

Amendment to IFRS 16

With regard to the amendment to IFRS 16, pursuant to Regulation (EU) No. 1434/2020 relating to Covid-19 rent concessions, the Bank, in the exclusive capacity of lessee, did not benefit from any suspensions of payments due for the operating lease contracts in force.

Measurement of goodwill

To prepare these Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate.

Non-recurring significant events and transactions

During the year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account, with the exception of the following:
> **the restructuring transaction involving a portfolio of senior notes** arising from the above-mentioned securitisation of healthcare receivables, in the paragraph on the Use of estimates and assumptions in the preparation of the Financial Statements;
> **the realignment** of the goodwill, trademarks and intangible assets carried out in accordance with both Article 110 of Legislative Decree 104/2020 (so-called "August Decree") and Article 176, paragraph 2-ter of TUIR and the special regime pursuant to Article 15, paragraph 10 of Legislative Decree 185/2008, as presented in detail in Part A.2 on Accounting Standards.

Moreover, the following extraordinary transactions are reported:
> on **8 October 2021**, through an initial contribution of CHF 10 million, the Lugano-based **BG Suisse S.A.** was incorporated with a view to obtaining a Swiss banking licence and creating a new cross-border private service hub to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services;
> on **16 October 2021**, a transaction was finalised to acquire from **Binck Bank N.V.,** a Danish lending institution owned by the Danish SAXO Bank Group, the retail banking business unit of the Italian branch that includes approximately 6,000 deposit and current account schemes instrumental to the said securities deposits. The acquisition falls within a more structured transaction, where the subsidiary BG SAXO SIM acquired the RTO service business unit. The clients acquired by Banca Generali will therefore continue to benefit from the services offered by BG SAXO's cutting-edge trading platform.

In addition, no atypical and unusual transactions were undertaken, i.e., all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and/or timing of occurrence (near the end of the reporting period) may give rise to doubts as to the accuracy/

completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders (Consob Communication No. DEM/6064293 of 28 July 2006).

National Tax Consolidation option

In 2004, the Parent Company, Assicurazioni Generali, and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.
Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the parent company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or a single tax loss) for the Group as the sum of the profits and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Formation of the Assicurazioni Generali VAT Group

On 23 September 2019, as Representative of the Group's Italian subsidiaries, Assicurazioni Generali exercised the option to adopt the Group's VAT rules (set out in Articles 70-bis et seqq. of Presidential Decree No. 633/72) with effect from 1 January 2020. Accordingly, with effect from that date all companies included in the VAT Group will use only the VAT registration number assigned by the Italian Agency of Revenue to the Group: 01333550323.

Relations between the individual participants and the Group's Representative (Assicurazioni Generali S.p.A.) are governed by a specific contract. In particular, obligations to document and register VAT input and/or output transactions will continue to be discharged by the individual participants, whereas the additional obligations relating to "management" of the tax will be discharged solely by the Group Representative, in its capacity as single VAT-liable entity.
By express provision of law, the Group VAT Representative will be required to file periodic VAT returns and make the related payments, submit the periodic VAT filings (LIPE), file the annual VAT return and submit the other information required by the relevant legislation (e.g., Esterometro and Intrastat statistics).

Other information

Information on government grants pursuant to Article 1, paragraph 125, of Law No. 124 of 4 August 2017 ("Annual market and competition law")

In compliance with Article 1, paragraph 125-*bis*, of Law No. 124/2017 (Annual market and competition law), as most recently amended by Article 35 of Decree-Law No. 34/2019 (Growth Decree), companies are required to disclose annually, in the notes to their financial statements, the amount of government grants received, where grants are understood to refer to subventions, subsidies, benefits, grants or aid, in cash or in kind, not of a general nature and not of the nature of consideration, remuneration or compensation, actually disbursed to them by public administrations.
The obligation applies solely to grants in excess of the threshold of 10,000 euros per disbursing authority, whether of a monetary nature, on a cash basis, or of a non-monetary nature.

Paragraph 125-quinquies of the statute also establishes that in the case of State aid and de minimis aid included in the National State Aid Registry the registration and publication of the individual aid in the transparency section must take account of the publication obligations incumbent on the beneficiary companies, provided that the existence of aid subject to mandatory publication in the National State Aid Registry is disclosed in the notes to the financial statements.
For further details of the grants received, refer to the website of the National State Aid Registry for companies, which may be consulted at the link www.rna.gov.it/sites/PortaleRNA/it_IT/home.

In light of the foregoing, it should be noted that in 2021 Banca Generali received the following grants:

BENEFICIARY	TYPE OF GRANT	GRANTOR AUTHORITY	AMOUNTS RECEIVED
Banca Generali	Personnel training (*)	FBA Banks and Insurers' Fund (*)	75
Banca Generali	Tax credit sanitisation and PPE (**)		34
Banca Generali	Tax credit capital expenses (***)		20

(*) This sum refers to aid for personnel training applied for 2019 and paid in December 2021. It should be noted that the grants listed in the National State Aid Registry, available for free consultation on the relevant website, refer to grants with a grant date in or after January 2020, for which no disbursements were made in 2021.
(**) This refers to the tax credit pursuant to Article 125 of Law Decree 34/2020, amounting to 60% of the expenses incurred in 2020 to sanitise working environments and the tools used in working activity, as well as to acquire protective equipment designed to safeguard the health of workers and users, along with the tax credit governed by Article 32 of Law Decree 73/2021, set at 30%, for the same expenses incurred in June, July and August 2021; it should be noted that the tax credits in question had not been used as at 31 December 2021.
(***) This refers to the tax credits pursuant to Article 1, paragraph 188, of Law 160/2019 and Article 1, paragraph 1054, of Law 178/2020, due in respect of investments in new property, plant and equipment made in 2020 and 2021, respectively. The aforementioned tax credits apply at a rate of 6% of the cost, for investments made in 2020, and of 10% of the cost, for investments made in 2021, up to the maximum limit of eligible costs of 2 million euros; the tax credits in question had not been used as at 31 December 2021.

Audit

The Financial Statements are subject to auditing by the firm KPMG S.p.A. in execution of the resolution passed by the Shareholders' Meeting on 22 April 2021.

Part A.2 – Main Financial Statements Aggregates

Accounting Standards

This section sets out the accounting policies adopted for the preparation of the Financial Statements as of 31 December 2021, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.
With reference to the foregoing, it should be noted that during the reporting year, the accounting policies adopted by the Bank underwent no significant amendments and supplementations.
In light of the above, the accounting policies of Banca Generali are reported here below with an analysis of the main financial statements items.

1. Financial assets measured at fair value through profit or loss (FVTPL)

Classification

This category includes all financial assets other than those recognised among Financial assets mesured at fair value through other comprehensive income and Financial asset measured at amortised cost.
In particular, the item includes:
> financial assets held for trading, essentially consisting of debt and equity securities and the positive value of derivative contracts held for trading; such assets are included in the regulatory trading book (the "trading book" pursuant to IFRS 9) and are also known as "hold-to-sell" or "HTS" assets;
> financial assets mandatorily measured at fair value, i.e., financial assets that do not meet the requirements for measurement at amortised cost or fair value through other comprehensive income. These are financial assets the contractual terms of which do not provide solely for payments of principal and interest ("SPPI test" not passed) or that are not held within a business model whose objective is to hold the assets to collect the contractual cash flows (a "hold-to-collect" business model) or whose objective is achieved by both collecting the contractual cash flows and selling the financial assets (a "hold-to-collect-and-sell" business model);
> financial assets designated at fair value, i.e., financial assets identified as such upon initial recognition, where the requirements have been met. In cases of this kind, upon recognition an entity may irrevocably measure a financial asset as at fair value through profit or loss if, and only if, so doing eliminates or significantly reduces a measurement or recognition inconsistency.

Accordingly, the following are included in this item:
> debt securities and loans that are held within an Other/Trading business model (i.e., not a hold-to-collect or hold-to-collect-and-sell business model) or that do not pass the SPPI test;
> equity securities — not qualifying as controlling interests in subsidiaries, associates and joint ventures — that are held for trading or that were not designated at fair value through other comprehensive income upon initial recognition;
> UCITS units.

The item also includes derivatives accounted for among financial assets held for trading, classified as assets if fair value is positive, and as liabilities if fair value is negative.
It is possible to set off current positive and negative values deriving from outstanding transactions with the same counterparty only if there is currently a legal right to set off the recognised amounts and the entity intends to settle the positions subject to offsetting on a net basis.

Derivatives also include those embedded in hybrid financial contracts, in which the host contract is a financial liability, and which have been separately recognised inasmuch as:
> their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
> the embedded instruments considered separately meet the definition of a derivative;
> the hybrid instruments in which they are embedded are not measured at fair value and changes in fair value are recognised in profit or loss.

According to the general rules for the reclassification of financial assets (with the exception of equity securities, which cannot be reclassified) laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be quite rare, financial assets may be reclassified from fair value through profit or loss to one of the two other categories provided for in IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. In such cases, the effective interest rate of the reclassified financial asset is determined on the basis of its reclassification date fair value, and the reclassification date is taken as the date of initial recognition for allocation to the various credit risk stages (stage assessment) for impairment purposes.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised on the disbursement date, while derivative contracts on the date the contract is entered into.
Financial assets measured at fair value through profit and loss are initially recognised at fair value, less transaction costs or income directly related to the instrument itself.

Measurement

Subsequent to initial recognition, financial assets held for trading are recognised at fair value. The effects of the application of this measurement consideration are recognised in profit and loss.
The fair value of financial instruments traded in active markets is determined by referring to the appropriate quoted market price of such instruments.
A financial instrument is regarded as listed in an active market if quoted prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period and those prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity.
In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where similar instruments are traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, quotes from info providers specialised in specific sectors, and values drawn from recent comparable transactions.
The cost criterion is used for equity securities and derivative instruments that have as their underlying equity securities, not listed on an active market, as an estimate of fair value solely to a residual degree and limited to a few cases, such as cases in which all previously discussed measurement methods are not applicable, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.
Further information on the criteria used for determining fair value is given in Section "A.4 Information on fair value" of Part A of these Notes and Comments, to which reference is made as no material changes have been made following the application of IFRS 9.

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.
Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.

In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
Lastly, financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification

This category includes financial assets that satisfy both of the following conditions:
> the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets (a "hold-to-collect-and-sell" business model); and
> the contractual terms of the financial asset give rise, on specific dates, to cash flows consisting solely of payments of principal and interest ("SPPI test" passed).

The item also includes equity instruments not held for trading electively designated at fair value through other comprehensive income upon initial recognition.

Specifically, it includes:
> debt securities and loans held within a hold-to-collect-and-sell business model that have passed the SPPI test;
> equity interests, equity investments and capital contributions of various kinds not qualifying as controlling interests in subsidiaries, associates and joint ventures, not held for trading purposes, designated at fair value through other comprehensive income.

According to the general rules for the reclassification of financial assets (with the exception of equity securities, which cannot be reclassified) laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets.

In such cases, which are expected to be quite rare, financial assets may be reclassified from fair value through other comprehensive income to one of the two other categories provided for in IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to that at amortised cost, the cumulative gain (loss) recognised in the valuation reserve is taken as an adjustment of the financial asset's fair value at the reclassification date. In the event of reclassification to fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from net equity to net profit (loss) for the year.

Recognition

Debt and equity securities are initially recognised on the settlement date. Loans are initially recognised at the disbursement date. Assets are initially recognised at fair value, including transaction costs or income directly related to the instrument.

Measurement

After initial recognition, assets designated at fair value through other comprehensive income other than equity securities are measured at fair value and the impact of the application of amortised cost, the effects of impairment and any foreign exchange effect are taken to profit or loss, whereas other gains or losses due to changes in fair value are entered to a specific equity reserve until the financial asset is derecognised. Upon total or partial derecognition, cumulative gains and losses in the valuation reserve are recognised, fully or partially, through profit or loss.

Equity securities that have been classified to this category on an elective basis are measured at fair value through other comprehensive income (net equity) and cannot be transferred to profit and loss thereafter, even in the event of disposal. The only component attributable to the equity instruments in question that may be recognised in profit or loss is the related dividends.
Fair value is determined on the basis of the criteria set out above for financial assets measured at fair value through profit or loss. In the case of equity securities included in this category not listed on an active market, the cost criterion is only used to estimate fair value on a residual basis, limited to a few circumstances, i.e., where all previously discussed measurement methods do not apply, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.
Further information on the criteria used for determining fair value is given in Section "A.4 Information on fair value" of Part A of these Notes and Comments, to which reference is made as no material changes have been made following the application of IFRS 9.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
Lastly, financial assets are also derecognised from the financial statements if contractual rights to receive the asset's cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

3. Financial assets measured at amortised cost

Classification

This category includes financial assets (and in particular loans and debt securities) that satisfy both of the following conditions:
- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows (a "hold-to-collect" business model); and
- the contractual terms of the financial asset give rise, on specific dates, to cash flows consisting solely of payments of principal and interest ("SPPI test" passed).

In further detail, the following are classified to this item:
- loans to banks in various forms that meet the requirements set out in the foregoing paragraph;
- loans to customers in various forms that meet the requirements set out in the foregoing paragraph;
- debt securities that meet the requirements set out in the foregoing paragraph.

This category also includes operating loans associated with the provision of financial assets and services, as defined in the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF) (for example, the distribution of financial products and servicing activities). This latter category also includes receivables from management companies and receivables from the Financial Advisor network for advances on fees paid.

According to the general rules for the reclassification of financial assets laid down by IFRS 9, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be quite rare, financial assets may be reclassified from the category measured at amortised cost to one of the two other categories provided for in IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets at measured fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification apply prospectively from the reclassification date. Gains or losses resulting from the difference between the amortised cost and fair value of a financial asset are taken to profit or loss in the event of reclassification to financial assets measured at fair value through profit or loss, and to a specific valuation reserve in net equity in the event of reclassification to financial assets measured at fair value through other comprehensive income.

Eligibility of the sale of financial instruments classified to the HTC portfolio

The accounting standard IFRS 9 recognises the eligibility of the sale of financial instruments classified to the HTC portfolio, assets in which are normally held to collect their contractual cash flows until maturity, as a condition for the ordinary management of such portfolios, without calling the goal of the business model into question.

In particular, sales are deemed fully consistent with the model in the event of a significant increase in credit risk, other negative changes of a regulatory or tax nature, proximity to maturity or, in the absence of such reasons, where the sales are:

- infrequent, even if significant in value;
- not significant in value (whether separately or collectively), even if frequent.

Within this framework, in the new business conditions in which Banca Generali finds itself to operate, characterised by a more severe stress situation and a more volatile context, a suitability assessment of the size of current and prospective financial investment portfolios provided for in the business plan and a comparison with the most common management practices on the market identified the need to proceed with a revision of the thresholds for the admissibility of sales on the following terms:

- extension of the materiality limits for sales considered non-significant to 10% of the total portfolio and to 5% of the individual ISIN (previously, 2% and 5%, respectively) and infrequent sales to 25% of the total portfolio (previously 20% or 15% of the ISIN);
- adoption of a method for determining limits based not only on historical sales, but also current and future sales;
- identification of specific grounds for eligibility of sales in rare, unexpected and unforeseeable conditions;
- adjustment of the period of eligibility of sales near maturity to 12 months prior to the maturity of the financial instrument.

Recognition

Financial assets are initially recognised on the settlement date. Loans are initially recognised on the disbursement date. Assets are initially recognised at fair value, including transaction costs or income directly related to the instrument.
In the case of loans, in particular, the date of disbursement normally coincides with the date of execution of the contract. If the two dates do not coincide, a commitment to disburse funds terminating on the date of disbursement of the loan is added when the contract is executed. A loan is initially recognised on the basis of the fair value of the same, which is equal to the amount disbursed or the subscription price, including costs/income directly attributable to the individual loan that may be determined at the inception of the transaction, even if settled at a later time. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expenses.

Measurement

After initial recognition, these financial assets are measured at amortised cost using the effective interest-rate method. Accordingly, such assets are measured at an amount equal to their initial recognition value, minus redemptions, plus or minus cumulative amortisation (calculated according to the aforementioned effective interest-rate method) of the difference between that initial amount and its value at maturity (typically derived from the costs/income directly attributable to the individual asset) and adjusted by loss allowance, if any. The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the said financial asset. This method of recognition allows, by applying a financial logic, the financial effect of the costs and income directly attributable to a financial asset to be distributed across its expected remaining life.

The amortised cost method is not used for assets measured at historical cost whose short durations suggest that the effects of discounting would be negligible, nor is it applied to assets without fixed maturities or revocable lines of credit.

The measurement criteria are closely connected to the inclusion of the instruments in question in one of the three stages (credit risk stages) provided for in IFRS 9, the last of which (stage 3) includes non-performing financial assets, and the remainder (stages 1 and 2) performing financial assets.

In terms of the accounting treatment of the above measurement effects, adjustments attributable to this type of asset are taken to profit or loss:

- upon initial recognition, in an amount equal to the expected loss at twelve months;
- upon subsequent measurement of the asset, where credit risk has not increased significantly compared with initial recognition, in respect of changes in the amount of adjustments for expected losses in the following twelve months;
- upon subsequent measurement of the asset, where the credit risk has increased significantly with respect to initial recognition, in respect of the recognition of adjustments for expected credit losses attributable to the asset's entire expected residual contractual life;

> upon subsequent measurement of the asset, where, after a significant increase in credit risk with respect to initial recognition, this increase has ceased to be significant in respect of the adjustment of cumulative impairment losses to account for the transition from an expected loss over the entire residual lifetime of the instrument to the expected loss over a twelve-month period.

Where performing, the financial assets in question are measured with the aim of determining the impairment losses to be recognised at the level of each individual credit relationship (or "tranche" of a security) on the basis of the risk parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset — classified as "non-performing" along with all other relationships with the counterparty in question — and the present value of the estimated future cash flows, discounted at the original effective interest rate.
The amount of the loss, to be recognised in profit or loss, is determined on the basis of a measurement process performed for individual assets or uniform categories of assets, and then allocated to each position.

Non-performing loans include financial instruments classified as follows:
1) bad loans: this category refers to formally non-performing loans, consisting of exposures to customers who are in a state of insolvency, regardless of whether confirmed by a court, or in similar situations;
2) unlikely to pay: these are on- and off-balance sheet exposures for which the conditions have not been met for classification as bad loans and for which it is deemed unlikely that the borrower will be capable of fulfilling all of its debt obligations (in terms of principal and/or interest) in the absence of actions such as the enforcement of guarantees. This assessment is conducted regardless of the presence of any past due and unpaid amounts or instalments.
   Classification as unlikely to pay is not necessarily tied to the explicit presence of anomalies (non-payment), but rather is linked to the existence of elements indicative of a situation of risk of default of the borrower;
3) non-performing past-due exposures: these are on-balance sheet exposures other than those classified as bad debts or unlikely to pay loans that are past due by more than 90 days at the reporting date. Non performing past-due exposures may be identified in reference to either the individual borrower or individual transaction.

Expected cash flows take account of expected collection times and the presumed realisable value of any underlying guarantees. The original effective interest rate of each asset remains unchanged over time, even if a renegotiation of the terms results in a change of the contractual rate, including if the contract becomes non-interest-bearing.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss. The reversal may not exceed the amortised cost that would have been attributable to the asset had the impairment not been recognised. Reversals due to the passage of time are taken in net interest income.
In some cases, over the lifetimes of the financial assets in question, and in particular over those of loans, the original contractual conditions are modified at the will of the parties to the contract.
When contractual terms are modified in the course of an instrument's life, it must be verified whether the original asset is to continue to be recognised in the financial statements or the original instrument is instead to be derecognised and a new financial instrument recognised.
When the modifications of financial assets are "substantial", the original asset is generally derecognised and a new asset is instead recognised. A modification is determined to be "substantial" on the basis of both qualitative and qualitative elements. In some cases, in fact, it may be clear, without the need for complex analysis, that the changes made substantially modify an asset's contractual characteristics and/or cash flows, whereas in other cases additional analyses (including of a quantitative nature) must be conducted to measure the effects of such modifications and verify whether the asset should be derecognised and a new financial instrument recognised.

Accordingly, the qualitative and quantitative analyses, aimed at determining whether contractual modifications of a financial asset are substantial, must be based on:
> the purposes of the modifications: for example, renegotiations for commercial reasons and forbearance measures due to financial difficulties by the counterparty;
   1. the former, aimed at "retaining" the customer, involve a debtor not in a situation of financial difficulty. This category also encompasses all renegotiation transactions aimed at adjusting the cost of debt to market conditions. Such transactions entail a modification of the original terms of the contract, typically at the debtor's request, relating to aspects affecting the cost of the debt, with the resulting economic benefit for the debtor. It is generally held that, whenever the bank renegotiates in order to avoid losing a customer, such renegotiation must be considered substantial inasmuch as, had it not occurred, the customer could have obtained financing from another intermediary and the bank would have incurred a loss of expected future revenues;
   2. the latter, undertaken for "reasons of credit risk" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows from the original loan. Substantially all the underlying risks and rewards are typically not transferred as a result of such modifications. Accordingly, the accounting treatment that provides the most relevant information for the readers of the financial statements (without prejudice to the remarks presented below regarding objective elements) is that based on "modification accounting", which entails the recognition in profit or loss of the difference between the carrying amount and the present value of the modified cash flows, discounted at the original interest rate, and not through derecognition;

> the presence of specific objective elements (“triggers”) that affect the contractual characteristics and/or cash flows of the financial instrument (including, but not limited to, a change of currency or modification of the type of risk exposure, where correlated with equity and commodity parameters) that are believed to entail derecognition by virtue of their impact (expected to be significant) on the original contractual cash flows.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. Conversely, if a significant share of the risks and rewards relating to the transferred financial assets is retained, these assets will continue to be carried in the financial statements, even though the ownership of said assets has been effectively transferred in legal terms.
In cases where the transfer of substantially all risks and rewards cannot be assessed, derecognition occurs when no control has been retained over such assets. Conversely, if even partial control is retained, the asset continues to be recognised in the financial statements to the extent of residual control, which is measured by the exposure to changes in the value of the transferred assets and related cash flows.
Lastly, financial assets are also derecognised from the financial statements if contractual rights to receive the asset’s cash flows are retained, but a contractual obligation to pay, without a significant delay, those (and only those) cash flows to a third party is assumed.

4. Hedging transactions

Types of hedging transactions

The objective of hedging is to eliminate possible losses on a specific item or group of items that could be incurred as a result of a certain risk with gains on another item or group of items in cases where that specific risk actually occurs.

Possible types of hedges include:
> fair-value hedges, intended to hedge exposure to changes in the fair value of a financial statement item attributable to a particular risk;
> cash-flow hedge, intended to hedge exposure to changes in future cash flows of financial statement items attributable to particular risks;
> hedges of a net investment in a foreign operation, intended to hedge the foreign currency exposure of an investment in a foreign enterprise.

Measurement

Hedging derivatives are measured at fair value. Specifically:
> in the case of a fair-value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. Both the change in value of the hedged item attributable to the hedged risk (with reference to changes due to the underlying risk factor) and the change in value of the hedging instrument are recognised in profit or loss. Any difference between the two represents an element of ineffectiveness of the hedge and determines the net effect on net profit or loss;
> in the case of cash-flow hedges, the effective portion of changes in the fair value of the derivative is recognised immediately in net equity and recognised in profit or loss only when there are changes in the cash flows of the hedged item;
> hedges of a foreign currency investment are accounted for similarly to cash-flow hedges.

Derivatives qualify as hedging instruments when the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and is expected to be effective on an ongoing basis over the term of the hedge.

The effectiveness of the hedge depends on the degree to which changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument. Effectiveness is thus assessed by comparing these changes in light of the intentions expressed by the enterprise at the hedge’s inception.

The Bank must verify whether the relationship meets the hedge effectiveness requirements at inception and then on an ongoing basis.
The assessment must be performed, at least, at each reporting date or, where earlier, when a material change in the circumstances that influence the hedge effectiveness requirements occurs.
The assessment is based on expectations regarding hedge effectiveness. It is thus merely indicative of expected developments and is based on an exclusively forward-looking analysis. The method adopted may consist of a qualitative or quantitative assessment.

If these tests do not confirm the effectiveness of a hedge, the hedge accounting procedures described above are discontinued and the derivative instrument is reclassified as a trading instrument.

5. Equity investments

This item includes equity investments in associates and joint ventures.

Entities subject to significant influence (associates) are those entities in which the Bank holds at least 20% or more of the voting rights (including "potential" rights), or in which — although holding a lower voting power, in light of specific legal ties, such as Shareholders' agreements — it has the power to participate in the financial and management policy-making process or can exercise governance rights that are not limited to capital interests.
Companies subject to joint control (joint ventures) are entities over which control is shared, on a contractual basis, by the Bank and another entity or other entities external to the Group, or for which decisions regarding important activities require the unanimous consent of all parties that share control.

Recognition

Equity investments are recognised at the transaction settlement date, i.e., the date the acquisition becomes effective. Equity investments are initially recognised at cost, including costs or income directly attributable to the transaction.

Measurement

In the consolidated financial statements, equity investments in joint ventures and associates are valued using the equity method. When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the equity investment.
If the recoverable amount is less than the carrying amount, the difference is recognised through profit or loss.

If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised in profit or loss.

Derecognition

Equity investments are derecognised when the contractual rights to receive the cash flows from the financial asset expire or when the financial asset, together with substantially all related risks and rewards, is transferred.

6. Property and equipment

Classification

Property and equipment include technical systems, furniture, furnishings and equipment of any type.
They also include assets held exclusively for operating purposes, to be used in the production or provision of goods and services to be leased to third parties or for administrative purposes and that are expected to be used for more than one year.
Property and equipment also include rights of use ("ROUs") acquired in lease transactions within the scope of application of IFRS 16 and relating to the use, as lessee, of assets in this category (real estate, motor vehicles, equipment, etc.). For a more detailed analysis of the accounting criteria adopted by the Bank in respect of IFRS 16, see the dedicated paragraph below in Section 15 "Other information".

Recognition

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related ancillary costs necessary to purchase the asset and bring it into working condition.
Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised through profit or loss.

Measurement

Property and equipment, including those not used in production, are measured at cost less depreciation and impairment losses. They are systematically depreciated over their estimated useful life using the straight-line method.

At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.

Derecognition

Property and equipment are removed from the balance sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

7. Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
In order to be identifiable, an asset must be separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, or must arise from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.
An entity controls an asset if the entity has the power to obtain the future benefits flowing from the underlying resource and simultaneously restrict the access of others to those benefits.
The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law.

The application of IFRS 3 in accounting for acquisition transactions may entail the recognition, in the purchase price allocation (PPA) process, of new intangible assets and goodwill.
Goodwill represents the positive difference between the purchase cost and the fair value of the acquiree's assets and liabilities.
Intangible assets with an indefinite useful life also include the value of the trademarks recognised following the acquisition of the Nextam Partners Group.
The other intangible assets also include the value of the contractual relationships with customers identified within the framework of the acquisitions of Banca del Gottardo Italia (2008), the Credit Suisse Italy business line (2014) and the Nextam Partners Group.
Customer relationships are intangible assets within the scope of application of IAS 38, from which it is probable that future economic benefits will flow to the acquirer. The value of such relationships has been determined, as at the acquisition date, on the basis of an estimate of the profitability of assets under management (AUM) associated with the customers acquired, measured separately for each asset class.

The useful lives of such assets, determined on the basis of the expected turnover rates for assets under management (AUM), have been estimated as follows:
> Banca del Gottardo Italia: 10 years;
> Credit Suisse Italy: 15 years;
> Nextam Partners Group: 16 years.

The remaining intangible assets are application software intended for long-term use, including the expenses of modifying the legacy system and the intangible assets in progress at the end of the year.

Software costs recorded as intangible assets refer to application software developed by third parties for company use (software development contracts) or purchased with a multi-year licence for use.
Software costs recognised among intangible assets include, at set conditions, also charges for the development of the IT system used by the Bank based on the outsourcing contract with CSE (legacy, front-end financial advisors and front-end customers, etc.).
Such charges are capitalised when they refer to the development of innovative components of the system, which are not part of consortium projects, for which it is possible to identify a control situation, and from which future economic rewards are expected.

Expenses related to corrective and evolution maintenance of IT procedures and the website already in use are usually recognised through profit and loss in the year in which they are borne.

Recognition

Goodwill

An intangible asset can be classified as goodwill when the positive difference between the fair value of the assets and liabilities acquired and the cost of the investment (including ancillary expenses) is representative of the investee company's ability to generate future income (goodwill).
In case of badwill, or if the goodwill is not representative of the investee company's ability to generate future income, the difference is recognised directly through profit and loss.

Other intangible assets

Other intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.

Measurement

Intangible assets are amortised on a straight-line basis over their useful lives. Software costs are typically amortised over a three-year period.
Other capitalised costs associated with legacy systems are amortised over a three-year period.
With reference to contractual relations with customers, acquired as a result of the above-mentioned business combinations, the useful lives have been estimated at 10 years for Banca del Gottardo Italia, at 15 years for Credit Suisse Italy and at 16 years for the Nextam Partners Group.

Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.

Impairment

Goodwill

In accordance with IAS 36, goodwill is no longer amortised, but is tested for impairment at least annually.
For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), which may be no larger than the segments identified for management reporting.
To determine the amount of impairment, the carrying amount of the CGU is compared with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
The impairment test for goodwill is presented in Section "Retrospective adjustments" in Part G of these Notes and Comments.

Other intangible assets

At each reporting date, if impairment is indicated, the recoverable amount of the asset is estimated. The amount of impairment, which is recognised in the profit and loss account, is the amount by which the asset's carrying amount exceeds its recoverable amount.

Derecognition

Intangible assets are removed from the Balance Sheet on disposal or when no future economic benefits are expected from their use.

8. Non-current assets held for sale or disposal groups

The asset item "Non-current assets held for sale or disposal groups" and liability item "Liabilities associated with assets held for sale or disposal groups" include non-current assets or groups of assets/liabilities for which a disposal process has been initiated and the sale of which is deemed highly likely. Such assets/liabilities are measured at the lesser of their carrying value and fair value less costs to sell.
The net balance of income and expenses (net of the tax effect) attributable to a group of assets held for sale or a group of assets recognised as held for sale during the year is taken through profit and loss under a specific separate item, "Income (Loss) of disposal groups, net of taxes."

9. Current and deferred taxes

Income taxes are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a prudential estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.

Specifically, deferred tax assets and liabilities are calculated based on the temporary differences — without time limits — between the carrying amount of assets and liabilities and their corresponding values for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is determined based on the ability of the company in question or the Parent Company, Assicurazioni Generali — as a result of its exercise of the option provided by the Italian tax consolidation scheme — to generate ongoing taxable income.

Deferred tax liabilities are recognised in the financial statements, except for the main assets pending taxation, represented by equity investments.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "Tax assets" and deferred tax liabilities are recorded under "Tax liabilities".

Deferred taxes resulting from consolidation are recognised where it is probable that they will give rise to a tax charge for one of the consolidated enterprises. Such taxes mainly arise when positive differences resulting from consolidation are allocated to the assets of the subsidiary in question.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in tax legislation or rates, as well as changes to the specific situations.
Provisions for taxes also include allocations made to cover charges that could arise from audits or litigation underway with revenue authorities.

Accounting effects of the redemption of goodwill and other intangible assets pursuant to Italy's tax laws

In recent years, the tax regime applicable to corporate reorganisation transactions has undergone considerable changes aimed at allowing surplus amounts (e.g., goodwill) recognised following an extraordinary transaction involving contribution, merger or de-merger to be recognised for income-tax purposes, as well as through the payment of a substitute tax.

Law No. 244 of 24 December 2007 (the 2008 Consolidated Finance Law) introduced the paragraph 2-*ter* into Article 176 of the Consolidated Income Tax Law (hereinafter TUIR) that allows entities to recognise for income-tax purposes greater amounts recognised in the accounts following a corporate reorganisation transaction in relation to intangible assets, including goodwill, and property and equipment (so-called "Ordinary redemption"). That provision requires that the entity pay a substitute tax, determined according to three income brackets, on the basis of the realigned amounts (12% up to 5 million euros, 14% up to 10 million euros and 16% for amounts in excess of the latter bracket, respectively) in lieu of the ordinary rates of IRES and IRAP.
The substitute tax is to be paid in three annual instalments beginning on the term of payment of the balance of income taxes for the year in which the extraordinary transaction is undertaken, whereas the greater amounts are recognised for the purposes of the tax-deductibility of depreciation and amortisation charges beginning in the tax period in progress when the option for payment of substitute tax is exercised on the tax return, that is to say in the year in which the first instalment is paid.

Legislative Decree No. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law No. 2 of 28 January 2009 and then further amended, subsequently introduced a new system of optional realignment of tax and carrying values (so-called "special regime"). The provision, set forth in Article 15, paragraph 10, of the cited Decree, states that, in derogation of the substitute-tax regime introduced by the 2008 Finance Law, taxpayers may obtain recognition for tax purposes of the greater amounts attributed to goodwill, trademarks and other intangible assets with finite useful lives in the financial statements by paying a substitute tax in lieu of IRES and IRAP at the fixed rate of 16%, that is to say without any reference to income brackets and the possibility of paying in instalments.
However, the greater amounts attributed to goodwill and trademarks could have been recovered through the off-balance procedure for amortising goodwill in ten annual instalments instead of the 18 ordinary required under Article 103 of TUIR, beginning in the tax period after that in which the tax is paid.
Article 17 of Law Decree No. 83/2015 then precluded the possibility of converting the DTAs referring to the value of goodwill and other intangible assets, recognised for the first time in the financial statements for the year ended 27 June 2015, reducing the off-balance amortisation period from ten to five years.

For the special redemption option as well, that statute also requires that the option be exercised by paying the substitute tax by the term of payment for income taxes for the year in which the extraordinary transactions in question are finalised.

Paragraphs 12 to 14 of Article 23 of Legislative Decree 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-bis and 10-*ter* to Article 10 of Legislative Decree 185/2008, thus allowing an extension of the "special redemption" procedure to goodwill recognised at the consolidated level only due to not being presented in the carrying amount of the equity investment.

As originally formulated, the statute provided that, for the purposes of redemption of transactions carried out before 31 December 2010, the 16% substitute tax was to be paid by 30 November 2011, whereas the off-balance deduction of goodwill, in ten equal instalments, was to occur starting in financial year 2013, a date that was then postponed by Article 1, paragraph 502, of Law No. 228 of 24 December 2012 (2013 Finance Law) to the year after that in progress as at 31 December 2017[1].

Banca Generali has undertaken the following transactions in connection with the aforementioned options afforded by the tax code:

1) redemption of the mismatch between the carrying amounts and book values of goodwill arising from the merger of Banca del Gottardo Italia into Banca BSI S.p.A. (subsequently merged into Banca Generali effective 1 January 2010), closed in 2010 on the basis of the provisions of Article 15, paragraph 10, of Legislative Decree No. 185/2008;
2) redemption of other intangible assets (client relationships) arising from the above transaction undertaken in 2010 on the basis of the amounts carried in the financial statements of Banca BSI Italia at 31 December 2009 according to the ordinary procedure outlined in Article 176, paragraph 2-*ter*, of the TUIR;
3) redemption of goodwill recognised on a consolidated basis in connection with the full equity investment in the subsidiary BG Fiduciaria SIM S.p.A. undertaken in 2011[2].

1 The following additional legislation was recently passed on this subject:
Article 1, paragraph 1079, of Law No. 145/2018 (2019 Budget Law) introduced a change to the amortisation rates of goodwill and other intangible assets that gave rise to the recognition of deferred tax assets subject to the paragraphs 55, 56-*bis*, 56-*bis*.1 and 56-*ter* of Article 2 of Law Decree No. 225 of 29 December 2010 not yet deducted until the tax period in progress at 31 December 2017 in ten variable annual instalments from 31 December 2019, from 2019 (5%) to 2020 (3%) and until 31 December 2029 (10%), without prejudice to previously applicable amortisation, where of a lesser amount.
Article 23 of Law Decree No. 98/2011 (paragraphs 12-14) had introduced the possibility of proceeding with "special" redemption (new paragraph 10-*ter* of Article 15 of Law Decree No. 185/2008) of goodwill and other intangible assets recognised solely at the consolidated level before 31 December 2010, by paying a substitute tax of 16% and deducting the related amortisation in ten annual instalments starting on 1 January 2013. However, **Article 1, paragraph 502 of Law no. 228 of 24 December 2012** (2013 Financial Law) then deferred the deductibility of amortisation charges from the tax period after that in progress at 31 December 2017, with a suspension of amortisation of five years, followed by a further change in 2018 (previous note).
Article 1, paragraph 714 of Law No. 160/2019 (2020 Stability Law) then provided for the deferral of the deduction of the 5% share of the portion of negative components referring to amortisation charges relating to the value of goodwill and other intangible assets, originally provided for 2019, to the tax period in progress at 31 December 2025 and the four following periods.

2 The goodwill of BG Fiduciaria was redeemed on 30 November 2011, but effectively became deductible only in financial year 2020, at the rate of 3% rather than the original 10%.

Most recently, Article 110 of Law Decree no. 104 of 14 August 2020 (the "August Decree"), as amended by the 2021 Budget Law (Article 1, paragraph 83, of Law no. 178 of 30 December 2020), with the aim of facilitating stronger capital positions and mitigating the consequences on financial statements of the economic crisis caused by the Covid-19 pandemic, introduced — including for entities that adopt IASs/IFRSs — the possibility of realigning the accounting and tax values of goodwill and other intangible assets recognised in the financial statements for the year in progress at 31 December 2019 (Article 110, paragraph 8-bis), to the extent still present at the closing of the 2020 financial statements.

The option was to be exercised through:
> the payment of a 3% substitute tax, in a maximum of three instalments of equal amounts, by the due date for payment of the balance of the 2020 income tax return and the reporting in the income tax return of incomes relating to financial year 2020;
> the application of a restriction on balance-sheet reserves in an amount corresponding to the greater values subject to realignment, net of the substitute tax, to which the provisions for tax-suspended reserves envisaged for revaluation balances applies.

The effects of the realignment of goodwill and other intangible assets are recognised for tax purposes with effect from financial year 2021 and the off-balance amortisation of goodwill should have been therefore deducted in 18 years (paragraph 3-bis).

However, Article 1, paragraphs 622 to 624, of the 2022 Budget Law retroactively amended, in derogation from the taxpayers' statute, the emergency redemption provisions set out in Article 110 of Law Decree No. 104 of 14 August 2020 ("August Decree"), essentially providing for three options:
a) extension of the amortisation period from 18 to 50 years;
b) "repeat redemption" of goodwill redeemed at 3% by applying an increase on the basis of the rate brackets governed by the ordinary provisions of Article 176 of TUIR;
c) revocation of the redemption transaction, according to the methods to be established by order of the Italian Revenue Agency, applying for a refund for or offsetting the sums already paid.

In 2021, Banca Generali also proceeded to exercise the option to carry out the following realignments of the carrying and tax values of goodwill, trademarks and other intangible assets:
> realignment of misalignments resulting from previous years' goodwill stated in the financial statements at 31 December 2019, pursuant to Article 110 of Decree Law No. 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law through payment of a 3% substitute tax, and subsequent right to benefit from the ensuing off-balance sheet amortisation in the ordinary period of 50 years;
> realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the merger — effective 1 January 2020 for accounting and tax purposes — of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  – Article 15 of Decree Law No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
  – Article 176, paragraph 2-ter, of TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset.

The accounting treatment of the payment of substitute tax on goodwill is susceptible to varying interpretations, given that there is no specific provision of IAS 12 regarding the taxable element of goodwill after initial recognition.
IAS 12 merely prohibits the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not relevant for tax purposes.

The analyses conducted by the OIC — the Italian Accounting Standard Setter — summarised in application document No. 1 of 27 February 2009 entitled "*Accounting treatment of substitute tax on the redemption of goodwill in accordance with Article 15, paragraph 10, of Legislative Decree No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements in accordance with IAS/IFRS*", which can however be extended to other special redemption cases envisaged by tax laws, have led to three different accounting treatments being considered compatible with IFRS:
1. recognition through profit and loss of substitute tax only, without recognising deferred tax assets;
2. immediate recognition through profit and loss of both substitute tax and the deferred tax assets representing the future tax benefit; and
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over the years to coincide with the off-balance deduction of the redeemed amortised amounts.

In this regard, it should be noted that the accounting policy adopted by Banca Generali is based on the second method, which allows the attribution of the entire tax benefit, equal to the difference between the substitute tax paid and the deferred tax assets recognised (IRES and IRAP) during the year to which the redemption transaction refers.

During the years in which the redeemed goodwill is deducted on a straight-line basis, the entity releases the previously recognised deferred tax assets to profit and loss on a straight-line basis, in accordance with the specific system adopted (ten or eighteen amortisation instalments), thereby neutralising the decrease in current taxes. Any impairment losses to the goodwill are not relevant to measuring the recognised deferred tax asset, provided that the value of that asset continues to be believed to be recoverable on the basis of future taxable income.
With regard to the realignment performed pursuant to Article 110 of Law Decree No. 104/2020, DTAs that may be recovered over a longer time horizon than the ordinary off-balance amortisation of 18 years have not been recognised in the financial statements.

10. Provisions for liabilities and contingencies

Provisions for commitments and guarantees issued

The sub-item of provisions for liabilities and contingencies in question includes provisions for credit risk recognised on the basis of loan commitments and guarantees issued that come within the scope of application of impairment rules pursuant to IFRS 9.
Such cases are generally subject to the same methods of allocation to the three credit risk stages and calculation of expected losses presented in regard to financial assets measured at amortised cost or at fair value through other comprehensive income.

Other provisions

Other provisions for liabilities and contingencies include allocations relating to provisions for legal contractual or non-contractual obligations or legal disputes, including tax disputes, arising from a past event where fulfilment of such obligation is likely to require an outflow of financial resources, provided that the amount of the outflow can be reliably estimated.

Therefore, a provision is recognised only when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount relating to the fulfilment of the obligation.

The amount recognised as provision corresponds to the best estimate of the expenditure required to settle the present obligation at the balance sheet date and accounts for all the risks and uncertainties that inevitably are entailed in certain events and circumstances.
Where the effect of the time-value of money is material, provisions are discounted using current market rates. Provisions and increases due to the time value of money are recognised in the profit and loss account.

Provisions are periodically reviewed and, where necessary, adjusted to reflect the best current estimate. If, upon review, it is determined that it is unlikely that a cost will be incurred, the provision is reversed.

Other provisions for liabilities and contingencies include, in particular:

- provisions for contractual indemnities for the network of Financial Advisors (end-of-service, portfolio development indemnity, managerial development indemnity, and other similar indemnities), measured according to the actuarial of financial method;
- provisions for Financial Advisors and Relationship Managers serving the obligations assumed in relation to the *2017-2026 Framework Loyalty Programme for the sales network*;
- several types of provisions for incentive or recruitment bonuses (recruitment plans) for Financial Advisors;
- provisions for long-term employee benefits;
- provisions for restructuring plans.

In some circumstances, provisions for liabilities and contingencies (for example, charges relating to staff expenses) have been presented in a separate item of the profit and loss account to best reflect their nature.

Termination indemnity for Financial Advisors

The provision covering the cost of termination indemnities for Financial Advisors is assessed in compliance with IAS 37 according to an actuarial approach, pursuant to the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria set by the Bank.

In detail, the indemnity to be paid to a Financial Advisor is calculated on the basis of the annual average direct and indirect fees paid to the Financial Advisor during his or her final five years of service (Article 1751 of the Italian Civil Code), net of:

a) the total amount paid to Enasarco each year by the Bank until the date of termination;
b) the contractual lump-sum reduction which gradually declines with the length of service at the date of retirement or termination (with the exception of cases of death and permanent disability).

In cases of withdrawal for cause with service, the indemnity may be further reduced as a function of the decline in AUM during the post-termination observation period.

The assessment is then conducted according to actuarial methods on the basis of demographic parameters, expected turnover rates, with and without the right to service, assumptions regarding the age of entry into the compulsory general insurance (AGO) system and the retirement age.

The procedure also takes account of:

a) the percent fee reduction expected as a function of the estimated period of past service at the date of termination;
b) the prospective termination indemnity fund, i.e., the payments that the Bank is to make each year directly to the Enasarco Foundation by way of termination indemnity contributions for the Financial Advisor's entire period of service and that, in the end, are to be deducted from the gross indemnity owed.

Portfolio development indemnity

The portfolio development scheme calls for Financial Advisors with at least five years of service who leave service permanently due to retirement, serious disability, death or voluntary removal from the register to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed.
The indemnity, which is governed by an appendix to the Agency agreement, is only due on the condition that the outgoing Financial Advisor formally undertakes to conduct a hand-over to an incoming Financial Advisor identified by the Company and discharges the obligation for removal from the register. Conversely, the incoming Financial Advisor undertakes to pay the Company an indemnity commensurate to that obtained from the outgoing Financial Advisor.
In relation to recent market practices in the area, a thorough contractual revision of the scheme entered into effect on 1 January 2012 was carried out.
The system introduces a rule, namely that the indemnity collected by the outgoing Financial Advisor is to correspond exactly to the indemnities paid by the recipients of the hand-over, thus limiting the principal's role to the service represented by handling the cash flows between the parties.
Therefore, on the basis of the new rules, the outgoing Financial Advisor may only collect the agreed indemnity provided that it has actually been paid to the Bank by the incoming Financial Advisor, thereby fostering greater involvement of the interested parties in the successful completion of the transaction and an appropriate hand-over of customer relationships.

However, the Bank's guarantee is maintained in cases of the reassignment of customer relationships due to the death or permanent disability of the Financial Advisor to whom they had been assigned. In such cases, the Bank will immediately pay out the entire indemnity to the outgoing Financial Advisor's beneficiary or heirs and then recover the amount from the incoming Financial Advisors under an instalment plan, in the reduced amount of 75% in consideration of the increased expense associated with the impossibility of conducting an appropriate hand-over.

The specific provision covering the obligations associated with the scheme is determined through an assessment conducted according to statistical and actuarial methods on the basis of an estimate, carried out through IT procedures, of the development coefficient for the assets managed by the Financial Advisors at the reference date, the historical percentages of indemnity payouts, network turnover rates and other demographic, welfare-related and financial variables.

According to IAS 1, paragraph 234 b), accruals are presented net of contractually established reimbursements to be provided by incoming Financial Advisors.

Framework Loyalty Programme for the Sales Network

The provisions for long-term contractual indemnities also included the provision for the 2017-2026 Framework Loyalty Programme for the sales network, approved by the Board of Directors on 21 March 2017 and ratified by the General Shareholders' Meeting on 20 March 2017. Said programme is aimed at improving the retention of the network and the customers acquired over time and creating value for the Group by attracting stable, high-quality net inflows.

The Framework Programme provides for the possibility to activate during the 2017-2026 period eight individual annual plans set to expire on 31 December 2026 and of decreasing lengths, from a maximum of eight years to a minimum of one year, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.
This indemnity is paid to Financial Advisors and Relationship Managers with a minimum level of seniority of service who meet certain AUM and net inflow requirements at the end of the year of activation of the plan in which they have participated. The indemnities thus accrued in respect of the individual plans will then be disbursed cumulatively to the beneficiaries, in accordance with the Banking Group's current remuneration policies, within 60 days of the approval of the 2026 Financial Statements.
Departure from the Banking Group's scope entails the loss of entitlement to disbursement of the bonuses accrued, except in the event of death, permanent disability or eligibility to receive a pension. Even in the above circumstances, the indemnity will still be paid at the end of the Programme.

A part of the bonus, up to 50% of its value, for each of the individual plans in the Framework Network Loyalty Programme may be paid in Banca Generali shares. In accordance with the Banking Group's Remuneration Policy, the number of shares will be determined according to the average price of Banca Generali shares during the 90 days prior to the date of the meeting of the Board of Directors called to approve the draft financial statements for the year prior to that of activation of the individual plan.
The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator and cumulatively assigned to beneficiaries.

The fifth plan under the Programme, covering the period 2021-2026, was activated in 2021. All five plans call for 50% of the bonus to be paid in Banca Generali shares.

The amount of the provision for the portion of the indemnity to be paid in cash is measured on the basis of the indemnity accrued as at the reporting date, taking account of the time value of money for the period until the date of disbursement and the forecast rate of turnover, without entitlement to benefits, for the beneficiary population.

11. Financial liabilities measured at amortised cost

Classification

Due to banks, Due to customers and Securities issued include the various forms of interbank funding and direct customer inflows, as well as funding through certificates of deposit and the issue of other debt securities, net of any amounts repurchased. Due to banks and Due to customers also include operating debts from financial services.

Recognition

These items are initially recognised when funding is received or the debt securities are issued.
Initial recognition is at the fair value of the liabilities, which is normally the amount received or the issue price plus any costs or income directly attributable to the individual funding transaction or issuance and not repaid by the creditor. Internal general and administrative expenses are excluded.
For financial liabilities issued below market value, the fair value is estimated and the difference with respect to the market value is recognised directly in the profit and loss account.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time-value of money is not material. These are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.

Derecognition

Financial liabilities are written off when they mature or are settled, or when previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid for repurchase is recognised in the profit and loss account.
The reissue of securities on the market after their repurchase is considered a new issue; such securities are therefore measured at the new placement price without any effect on net profit and loss.

12. Financial liabilities held for trading

This item includes the negative value of trading derivative contracts measured at fair value.
If the fair value of a financial asset falls below zero due to trading, it is recorded as a financial liability held for trading.

13. Financial liabilities designated at fair value

There are currently no financial liabilities measured at fair value.

14. Foreign currency transactions

Initial recognition measurement criteria

On initial recognition, foreign currency transactions are recorded in the functional currency using the exchange rate at the date of the transaction.

Subsequent recognition measurement criteria

At each annual or interim reporting date, monetary items denominated in foreign currency are translated using the exchange rate as follows:

- monetary items are translated using the exchange rate at the reporting date;
- non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value are translated using the exchange rate at the reporting date.

Exchange rate differences that result from the settlement of monetary items or the translation of monetary items at a rate that is different from the one used for initial translation or for translating the previous year's financial statements are recognised through profit or loss in the period in which they arise.

15. Other information

Cash and deposits

The portion of the balance of the settlement account held with the Bank of Italy that is not restricted according to the mandatory reserve rules is recognised as sight deposits with the Central Bank and has therefore been reclassified to item 10 of the balance sheet, Cash and deposits.

Treasury shares

Treasury shares are recognised at their purchase cost under a specific item decreasing net equity and are not subject to measurement. Where subsequently sold, any difference between the purchase cost and sale price is recognised among the components of net equity.

Equity instruments

Equity instruments are instruments that represent an equity interest in the Bank pursuant to IAS 32.
The classification of an instrument issued as an equity investment requires the absence of contractual obligations to make payments in the form of repayment of principal, payment of interest or other forms of return.

In particular, instruments that present the following characteristics are classified as equity investments:
> duration is unlimited or equal to the company's duration;
> the issuer has full discretion over paying coupons or repaying principal, including prematurely.

This category also includes Additional Tier 1 instruments compliant with the provisions of Regulation (EU) No. 575/2013 (CRR) on the prudential requirements for credit institutions and investment firms that, in addition to presenting the characteristics described above, in any event:
> allow the issuer to retain full discretion over whether to recognise a reversal of nominal value (write-up) following a capital event that has resulted in a decline in nominal value (write-down);
> do not incorporate must-pay clauses for the issuer as a result of authentic events within the parties' control.

Equity instruments other than ordinary or savings shares are classified to item "130. Equity instruments" in the amount received, inclusive of the transaction costs that are directly attributable to the transaction concerned.
Any coupons paid, net of the related taxes, are deducted from the item "140. Reserves".
Any differences between the amount paid to discharge or repurchase these instruments and their carrying amount are recognised in item "140. Reserves".

Repurchase agreements

Securities received under a transaction involving a contractual obligation to resell said securities and securities delivered under a transaction involving a contractual obligation to repurchase said securities are not recognised and/or derecognised inasmuch as the associated risks/rewards are not transferred.
Consequently, if securities are purchased under a resale agreement, the amount paid is recognised as a loan to customers or banks. If securities are sold under a repurchase agreement, the liability is recognised among due to banks or customers.

Investment income, in the form of coupons accrued on securities and the difference between the spot and forward price of said securities, is recognised to the profit and loss account items associated with interest on an accrual basis.

Leasehold improvements

Costs associated with refurbishing properties owned by third parties are capitalised due to the fact that, for the duration of the lease, the company using the property has control of the assets and can therefore receive the related future economic benefits.
The above costs, which have been classified among "Other assets", as required by the Bank of Italy's Instructions, are amortised for a period that may not exceed the term of the lease agreement.

Leases (IFRS 16)

As lessee

At the inception of a contract, the Bank must assess whether it is, or contains, a lease.
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration for a period of time.
In addition to lease contracts, recognised as such, the definition of "lease contract" also includes rental, loans for use and all other contracts that may contain a lease.

For each contract that is, or contains, a lease, the Bank allocates the agreed consideration to the following, on the basis of the individual prices of each transaction:
> the lease components (pure lease payment);
> the components relating to other services to be recognised according to other standards (e.g., condominium fees, non-deductible VAT, late payment interest, duty stamps, insurance expenses, vehicle maintenance costs, etc.).

The Bank settles the lease components separately from the other service components, unless it is not readily feasible to do so.

The Bank recognises a right of use and the related lease liability for all lease contracts in which it is the lessee, except for:
> short-term contracts (i.e., lease contracts with a term of 12 months or less); and
> leases of low-value assets (assets with a value of less than 5,000 euros when new).

The Bank accounts for payments relating to the latter as operating expenses on a straight-line basis over the term of the contract, unless another method is more representative.

Lease liabilities

Lease liabilities are initially recognised at the present value of the lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, at the lessee's incremental borrowing rate.

Since most lease contracts entered into by the Bank do not include an implicit interest rate, the discount rate to be applied to future lease payments is generally based on the risk-free rate for the currency in which the contracts are denominated, applicable by maturity, commensurate to the term of the contract concerned, plus a specific credit spread applicable to the lessee.

In particular, the risk-free rate curve (swap curve) is used, with the addition of a spread representative of the Insurance Group's credit risk, calculated periodically on the basis of the quoted prices of credit default swaps (CDSs) referring to the parent company, Assicurazioni Generali.

The lease payments accounted for in the value of the lease liability include:

- fixed payments, including lease payments contractually structured as variable but essentially fixed (in-substance fixed payments), less any incentives received from the lessor;
- variable lease payments that depend on an index or a rate (e.g., inflation), initially measured using the index or rate as at the commencement date of the contract;
- amounts expected to be payable by the lessee under residual value guarantees, where provided for by contract;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease prematurely, if the lease term reflects the lessee exercising an option to terminate the lease, and exercise of the option is deemed reasonably certain.

After initial recognition of the lease liability at amortised cost, the carrying amount of the liability is increased by the interest on the lease (according to the effective interest method) and decreased to reflect the payments made under the lease contract.

The Bank remeasures the balance of the lease liability (and applies an adjustment to the corresponding value of the right of use, where significant) if either:

- there is a change in the lease term or there is a change in the assessment of an option right, in which case the lease liability is remeasured by discounting the lease payments at the revised discount rate;
- there is a change in future lease payments resulting from a change in an index or a rate or there is a change in the amounts expected to be payable under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments at the initial discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate is used);
- a lease contract has been modified and the modification does not qualify for recognition as a separate contract, in which case the lease liability is remeasured by discounting the revised lease payments at the revised interest rate.

Rights of use

The Bank recognises rights of use and the related lease liability at the commencement date of the contract.

Right-of-use assets are initially measured at cost, including:

- the initial measurement of the lease liability;
- the lease payments made at or before the commencement date of the contract;
- initial direct costs incurred to obtain the contract (legal, notarial, real-estate agency, etc.).

A provision for risks is recognised and measured according to IAS 37 when the Group is obligated to bear the costs of returning an asset in a condition required by the terms of the contract. This cost is included in the value of the right of use. The right of use is then recognised net of depreciation and any impairment losses.

The right of use is depreciated on a straight-line basis over the period from the commencement date of the contract to the sooner of the end of the lease term and of the residual useful life of the underlying asset.

If the lease contract transfers ownership of the relevant asset or the cost of the right of use reflects the Bank's intention to exercise the purchase option, the right of use is depreciated over the useful life of the asset.

The Bank applies IAS 36 – Impairment of Assets to identify the presence of any impairment losses.

Variable lease payments that do not depend on an index or a rate are not included in the value of the lease liability or the value of the right of use. The related payments are recognised on an accrual basis and are included in the item "Other operating costs" of the profit and loss account.

As lessor

The Bank does not act as lessor in lease transactions.

Share-based payments

These are payments to employees or other similar persons, such as Financial Advisors, as consideration for services rendered, based on the equity instruments of the banking or ultimate parent company.

Such plans may provide for either:
- the right to subscribe for rights issues at a pre-determined price (stock-option plans);
- the free assignment of a certain number of shares, generally repurchased (stock-granting plans).

In accordance with IFRS 2 — *Share-Based Payments*, share-based benefit plans for personnel and Financial Advisors are recognised as costs on the profit and loss account based on the fair value of the shares on the assignment date, spreading out the charges over the period covered in the plan.

In light of the difficulty inherent in reliably measuring the fair value of the services received in return for equity instruments, reference is made to the fair value of such instruments measured at the grant date.

The fair value of options is measured using a model whose inputs are exercise price, time to maturity, the current share price, expected volatility, expected dividend, the risk-free interest rate, and the specific features of the plan in effect. The pricing model measures distinctly the option and the probability that the conditions on which basis the option was assigned will be realised. The combination of the two amounts generates the fair value of the assigned instrument.
In cases of stock-granting plans, the fair value of the shares granted is determined on the basis of market prices on the date of the resolution of the shareholders' meeting authorising the plans.
Any reduction in the number of financial instruments assigned is recognised as a cancellation of part of them.

Charges relating to shared-based payment plans are recognised as a cost in the profit and loss account for the period under item 190.a) "General and administrative expenses: staff expenses", where they relate to employment services, and under item 50) "Fee expense" where they relate to contractual relationships with financial advisors. In both cases, such charges have their counterentry in item 150. "Equity reserves".

The Long-Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a share-based incentive plan approved annually by the Shareholders' Meeting of the parent company, Assicurazioni Generali, and intended for the key personnel of the latter company and other Insurance Group companies, including several Key Managers of the Banking Group.

The plan is aimed at encouraging the pursuit of the objective of an increase in the value of the Company's shares by strengthening the link between the remuneration of beneficiaries and performance as identified in the framework of the Group's strategic plans ("absolute" performance) and the increase in value compared to a peer group ("relative" performance).

However, for beneficiaries from the Banking Group, the targets triggering accrual of the incentive are broken down into:
- insurance group targets, i.e., ROE (return on equity) and relative total shareholders' return (rTSR), compared to a peer group, assigned a weight of 40% of the total bonus; and
- business unit targets (Banking Group ROE and EVA), assigned a 60% weight.

The key characteristics of the plan are as follows:
- the incentive accrued upon achieving the targets is disbursed by Assicurazioni Generali S.p.A. in a single instalment at the end of the three-year vesting period through the free granting to the beneficiaries of its own ordinary shares;
- the maximum number of the shares to be granted is determined at the beginning of the three-year period and is divided into three instalments for the three years of the plan;
- each year, the level of satisfaction of the objectives initially set for the three-year period is verified in order to determine the number of shares to be set aside for each instalment;
- from the 2015-2017 cycle, a lock-up restriction is envisaged for the shares assigned, applicable to 50% of the shares for one year from assignment and to 50% after two years from assignment;
- malus and claw-back clauses have been included and a minimum access gate set for each tranche.

The new plan may be classified as an equity-settled transaction and therefore within the scope of IFRS 2.

IFRS 2, in the new formulation endorsed by Commission Regulation (EU) No. 244/2010 of 23 March 2010, includes a specific section governing share-based payment transactions between group entities (paragraphs 43B-43C and B45-B61 of the Application Guidance).

In that section, it is specified that in share-based payment transactions between group entities, the entity that receives the goods or services must assess whether the cost of the goods or services are to be accounted for as an equity-settled shared-based payment transaction, through a balancing entry to a capital reserve, or on a cash basis, through a balancing entry to a liability.
In this regard, the accounting standard envisages (paragraph 43B) that if the arrangement calls for the shares of the parent company to be granted directly by itself to a subsidiary's employees — and therefore with no action on the part of the subsidiary —, the charge to the profit and loss account will be recognised to an equity reserve through a balancing entry, inasmuch as it is similar to a capital contribution by the parent company.

Given the specific nature of the plans reserved for beneficiaries belonging to the Banking Group, such plans must be assessed individually for components relating to group targets and business targets (for the Banking Group).

More specifically:
- as it is a pure stock grant, the plan component linked to business unit objectives should be valued exclusively based on the fair value of the Assicurazioni Generali ordinary shares at the grant date;
- the plan component linked to the Group's objectives includes TSR as an objective, since it qualifies as market condition whose value is included in the fair value of the stock grant.

The total cost of the plan is equal to the sum of the cost calculated for each tranche on the basis of the fair value determined according to the above methods, multiplied by the number of shares that may potentially be granted in respect of the performance condition, the likelihood that the service condition will be met, and the achievement of the minimum eligibility threshold. That cost is allocated over a three-year vesting period starting from the grant date, with a balancing entry to a specific equity reserve.
Starting from 2018, the Assicurazioni Generali Group's LTIP was replaced by a new LTI Plan ("LTI BG Plan"), based on Banca Generali S.p.A. shares. The LTI BG Plan is aimed at increasing the value of Banca Generali shares, by further strengthening the link between the remuneration of beneficiaries and performance of the Banking Group, without prejudice to the consistency required with the expected results set forth in the Insurance Group's strategic plan.
The new plans' characteristics are similar to those of the plans implemented by the Parent Company, with the exception of a greater weight of targets relating to the Banking Group, which are weighted at 80%.

Employee termination indemnities

Employee termination indemnities, which are governed by Article 2220 of the Italian Civil Code, constitute **"post-employment benefits"** as defined in IAS 19 — Employee Benefits.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and — in the case of companies with at least 50 employees — transferred to a special fund managed by Italy's national security institute (INPS).

Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:
- "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury fund.

For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods.
The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
- "a defined benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the "Projected Unit Credit" method".

According to this method, the amount already accrued is to be increased by the unit amount accrued annually (current service cost) projected into the future through the date of expected termination of employment then discounted to the reference date. The unit amount accrued is also determined on the basis of the employee's entire expected working life.

In the specific case, however, the past liability is assessed without pro-rating past service because the service cost of the termination indemnity has already fully accrued. Accordingly, the annual accrual consists solely of the interest cost relating to the revaluation of the expected benefit due to the passage of time.

The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.
Considering that IAS 19R requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the index IBOXX EURO CORP, formed of AA series.

The plan's service costs have been recognised amongst staff expenses under the item "provisions for post-employment benefits."

Following the entry into force of IAS 19R from 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for **actuarial gains and losses** deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.).

In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in the other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.
By contrast, in the previous accounting arrangement adopted by the Bank the above item was recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.

The elimination of this method entailed an impact on the Bank's net equity from the date of first-time adoption of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.
Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

Productivity Bonuses for Salaried Employees

Productivity bonuses to be paid to salaried employees during the following year are generally to be allocated to the item "Other liabilities."

More specifically, in accordance with IAS 19 – Employee Benefits, the following are allocated to current liabilities:
> the share of variable remuneration to be paid to managers and employees for which there are legal obligations that may be reliably estimated, such as bonuses relating to the supplementary company agreement, managerial bonuses associated with balance scorecards (MBO) and other individual incentive plans of a contractual nature, such as those for sales personnel and managers;
> incentives not subject to contractual agreement for which there is objective evidence of their customary nature, giving rise to a constructive obligation for the Bank.

For these items, a reliable estimate has been prepared of the expense owed to staff under the formal conditions of the individually assigned incentive plans and the probability that the quantitative and qualitative targets set out therein will be met.

Pursuant to IAS 19, the Company also recognises among staff expenses in the Profit and Loss Account the following types of expenses that do not constitute certain short-term liabilities and thus have the item for provisions for liabilities and contingencies as their balancing entry in equity:
> the share of the variable remuneration of managers of the Banking Group deferred up to two years, and conditional upon the satisfaction of the access gates requirements established in the Banking Group's new remuneration policy.

Expenses functionally related to staff

In accordance with IAS 19, under item 160 a) Staff expenses are recognised exclusively costs representing remuneration for professional services rendered, thus excluding those representing pure reimbursement of the expenses incurred by the employee for the benefit of the enterprise in the performance of professional activity.

Accordingly, indirect expenses functionally related to activity performed by staff are recognised under item 160 b) Other general and administrative expenses. Such expenses also include:
a) documented, specific reimbursements of the costs of room and board incurred by employees during business trips;
b) documented, specific mileage reimbursements, calculated on the basis of rates recognised as valid (e.g., Automobile Club d'Italia) and the mileage actually travelled;
c) costs of check-ups conducted when staff are hired and the costs of compulsory examinations of staff required by law.

By contrast, amongst other items, the costs of professional refresher courses for employees continue to be recognised under staff expenses.

Recognition of revenues and costs

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured. More specifically:
> interest payable is recognised on a pro-rated basis according to contractual interest rate, or the effective interest rate if amortised cost is used;
> default interest accrued on the basis of contractual terms is recognised in the profit and loss account only when received;
> dividends are recognised in the profit and loss account when dividend payout is approved;
> service revenue fees are recognised, on the basis of the existence of contractual agreements, during the period in which the services in question are rendered; in further detail, trading fees on securities trading are recognised when the service is rendered. Portfolio management, advisory and mutual fund management fees are recognised according to the length of the service. Fees considered among amortised cost for the purposes of determining the effective interest rate are excluded and are recognised among interest.

Costs are taken through profit or loss during the periods in which the associated revenues are recognised. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately taken through profit and loss.

Recognition of the costs of obtaining and fulfilling a contract

Beginning from the end of 2018, the amortisation period for acquisition and fulfilment costs for contracts with customers was modified from a time horizon based on the payback criterion to a time horizon more consistent with the average duration of contractual relationships with customers, determined to be five years.
These changes, implemented in part owing to the greater flexibility of IFRS 15, made it possible to align the accounting treatment of incremental costs paid to Financial Advisors in relation to the organic growth of assets under management with the treatment of recruitment incentives tied to the acquisition of new customers (amortised over five years), thereby ensuring a more effective correlation between total fee expenses and the fee income generated by customer investments.
In particular, the modification affected the accounting treatment of ordinary sales incentives tied to the net inflows targets paid to the Financial Advisor network, which had been previously accounted for according to the practical expedient of taking them in full to the profit and loss account for the year.
The modification, which qualifies as a change in accounting estimate in respect of the amortisation period for incentives, was applied prospectively in accordance with IAS 8.

Calculation of impairment losses

Impairment losses of financial assets

At each reporting date, in accordance with IFRS 9, financial assets other than those measured at fair value through profit or loss are tested for evidence that their carrying amounts may not be fully recoverable. Similar tests are also performed for loan commitments and guarantees issued that come within the scope of impairment testing pursuant to IFRS 9.

Where such evidence of impairment exists, the financial assets in question are considered impaired and included in stage 3, along with all remaining assets associated with the same counterparty, if any. Such exposures, represented by financial assets classified, in accordance with Bank of Italy Circular No. 262/2005, as bad loans, unlikely-to-pay loans and exposures past due by more than 90 days must be accounted for by recognising impairment losses equivalent to the expected losses over their entire residual lifetimes.

Impairment losses of performing financial assets

For financial assets for which there is no evidence of impairment (performing financial instruments), it must be verified whether there are any indicators that the credit risk associated with each transaction has increased significantly with respect to initial recognition. The consequences of this assessment, from the standpoint of classification (or, to be more precise, “staging”) and measurement, are as follows:

> where such indicators exist, the financial asset is classified as stage 2. In such case, in accordance with international accounting standards, and despite the absence of a manifest decline in value, measurement involves recognising impairment losses equal to the expected losses over the financial instrument’s entire residual lifetime;
> where such indicators do not exist, the financial asset is classified as stage 1. In such case, in accordance with international accounting standards, and despite the absence of a manifest decline in value, measurement involves recognising impairment losses equal to the expected losses for the specific financial instrument over the following twelve months.

Such impairment losses are revised on each subsequent reporting date to verify periodically that they are consistent with constantly updated loss estimates and to take account of the changed forecasting period for calculating expected loss, in the event of changes in indicators signalling “significantly increased” credit.

With regard to the tracking of credit quality, in accordance with the provisions of the Standard and the Supervisory Authority’s instructions as to how to apply the Standard in the case of less significant institutions, a detailed analysis was conducted for each relationship, whether in the form of a security or a loan.

To identify whether there has been a “significant deterioration” of credit quality since initial recognition and there is thus a need for classification to stage 2 and, vice versa, whether the conditions have been met for reclassification from stage 2 to stage 1, it has been decided to make a comparison, at each reporting date, between the credit quality of the financial instrument at the time of measurement and at the time of initial disbursement or purchase (stage assignment).

In view of the above, the factors that will be decisive when determining transitions between the various stages are as follows:

> a change in rating class with respect to the moment of initial recognition of the financial asset. In other words, this is an assessment according to a “relative” criterion;
> the presence of a position past due by at least 30 days. Where such positions exist, in other words, the credit risk of the exposure is presumed to have increased significantly and the position is thus reclassified to stage 2;
> the presence of forbearance measures, which entail the classification of the exposure as among those whose credit risk has “significantly increased” with respect to initial recognition.

Some particular considerations apply to the staging of securities. In the case of this type of exposure — as opposed to loans — purchase transactions following an initial purchase of securities with the same ISIN may be a customary part of ordinary management of such positions (resulting in the need to establish an approach to identify sales and redemptions to determine the residual balances of individual transactions with which to associate a credit quality/rating upon origination to be compared with that as at the reporting date). The “first-in-first-out” (“FIFO”) method has thus been deemed to contribute to more transparent management of the portfolio, including from the standpoint of front-office personnel, thus also permitting assessments of creditworthiness to be updated constantly on the basis of new purchases.

Finally, Banca Generali has adopted the low credit risk exemption (LCRE) provided for in IFRS 9 for certain financial assets, namely debt instruments issued by governments and public administrations. Accordingly, exposures that are rated investment grade or above as at the reporting date will be deemed low credit risk exposures and thus classified to stage 1.

Once exposures have been allocated to the various credit risk stages, expected credit losses (ECLs) are determined for each transaction or tranche of a security, on the basis of the parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The measurement of financial assets also reflects the best estimate of the effects of future conditions — above all those of the economic context — with an impact on forward-looking PD and LGD.

Modifications to stage assignment

IFRS 9 requires that the assessment of expected credit losses on financial instruments measured at amortised cost allocated to the HTC and HTCS portfolios be closely connected to their inclusion in one of three stages (credit risk stages), the last of which (stage 3) includes non-performing financial assets and the remainder of which (stages 1 and 2) performing financial assets.
In particular, financial instruments are classified to stage 2 if on the reporting date they have undergone a significant increase in risk compared to origination, determined by reaching a rating class deemed excessively risky or by a significant rating notch difference.

In response to the Covid-19 emergency, international organisations and governments implemented extensive support programmes for the banking system and real economy, including, above all, the banking package promoted by the European Union and the public moratoria. The supervisory authorities also requested that financial institutions modify their processes for managing and hence for approving loans, so as to ensure, even in shock conditions, the proper assessment of temporary increases in risk profile, while also decreasing the procyclical effect of assessment models.

In adopting this regulatory framework, which thus views the Covid-19 emergency as a temporary phenomenon not destined to last over time, and in line with industry practices recently established amongst Italian financial institutions, the Banking Group decided to make significant changes to the current stage assignment model for the securities portfolio, as detailed below:

- introduction of a module that formalises the legitimate use of temporary model changes in extraordinary conditions of use until conditions of normality are restored;
- introduction of a rule against downgrading sovereign securities, where justified in terms of temporariness, validity, extraordinariness and severity; with regard to this latter point, a limit was identified in the form of a downgrade not resulting in a rating class lower than credit quality class 4 (equivalent to BB) (ECB Press Release of 22 April 2020);
- replacement of the current rating assignment rule according to a predefined order (1. Moody's, 2. S&P and 3. Fitch) with the ECAI First Best Rating assignment rule, acknowledging that a security downgrade is only admitted if formulated unanimously by all rating agencies: Moody's, S&P, Fitch and DBRS;
- addition of the ratings agency DBRS to the ECAIs Moody's, S&P and Fitch.

These changes are in line with the new regulatory requirement formulated by the in EBA – Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures, 25 March 2020 and in EBA – Guidelines EBA/GL/2020/02, 2 April 2020, which requires prudence in assessing the increase in risk profile, where not representative of the counterparty's long-term status.

Impairment losses of non-performing financial assets

Non-performing loans classified to the bad loan category are measured as follows:

- individual measurement of all exposures classified as bad loans;
- individual measurement of all exposures classified as unlikely-to-pay (UTP) and past-due of amounts in excess of 10 thousand euros and secured positions under 10 thousand euros;
- statistical measurement for all positions classified as unlikely-to-pay (UTP) and past-due below the above thresholds.

Individual measurement is performed by managers on individual positions on the basis of a qualitative and quantitative analysis of the debtor's financial performance and position, the risk level of the credit relationship and any mitigating factors (guarantees), while also taking account of the financial effect of the time estimated to be necessary for recovery.

In the case of bad loans in particular, significance is attached to a series of elements — present to varying degrees depending on the characteristics of the positions — to be assessed as thoroughly and prudently as possible, including, but not limited to:

- the nature of the claim, i.e., preferred or unsecured;
- the net assets of the obligors/third-party guarantors;
- the complexity of ongoing or potential litigation and/or the underlying legal matters;
- exposure of obligors to the banking system and other creditors;
- most recent available financial statements;
- legal status of obligors and pending insolvency and/or individual procedures.

Statistical assessments are conducted on the basis of the parameters set out in the ECB guidelines. Residual exposures of amounts beneath a predetermined threshold are written off. The financial effect of time (time value) is not taken into account for exposures classified as past due by more than 90 days due to the high frequency of return to performing status in the short term.

Contributions to deposit guarantee systems and resolution mechanisms

Through Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, respectively, the "Deposit Guarantee Schemes Directive (DGSD)" and "Bank Recovery and Resolution Directive (BRRD)" and the institution of the Single Resolution Mechanism (Regulation (EU) No. 806/2014 of 15 July 2014), European lawmakers made significant changes to the rules concerning banking crises with the strategic aim of strengthening the single market and ensuring systemic stability. As illustrated in further detail below, the above legislative changes had a significant impact on financial performance and financial position as a result of the obligation to establish specific funds with financial resources that must be provided by contributions from financial institutions starting in 2015.

Contributions deriving from the Deposit Guarantee Schemes Directive (DGSD)

Directive 2014/49/EU, effective as of 3 July 2015, harmonises the levels of protection offered by national deposit guarantee schemes (DGSs) and their methods of intervention, with the aim of eliminating possible competitive disparities within the European market. To that end, the Directive provides that national DGSs (in Italy, the Interbank Deposit Protection Fund or FITD) must endow themselves with means commensurate to the deposits protected, which must be provided through mandatory contributions from financial institutions. The new element for Italian banks is the new mechanism for financing the fund: the previous after-the-fact contribution system, in which funds were requested in case of need, has been replaced by a mixed system, in which funds must be paid in advance, so as to reach, within ten years of the entry into force of the Directive (3 July 2024), a minimum target level of **0.8% of the deposits guaranteed**.
The contributions from each entity are calculated as a function of the ratio of the amount of own deposits to the total protected deposits in the country.
Article 10 of Directive 2014/49/EU provides that contributions are to be paid by banks with at least annual frequency.
In its extraordinary meeting of 26 November 2015, the FITD then amended its Articles of Association to comply with the new contribution rules and regulatory framework.
The Directive was then transposed into Italian law through Legislative Decree No. 30/2016.

Contribution charges deriving from the Bank Recovery and Resolution Directive (BRRD)

Directive 2014/59/EU establishes the new resolution rules, applicable from 1 January 2015 to all European Union banks in a state of current or prospective default. These rules, which introduce the "bail-in" principle, require, under certain circumstances, that funding for resolution may also be supported by a national resolution fund instituted by each of the 28 European Union Member States and managed by a national resolution authority.

To that end, the Directive provides that the national resolution funds be endowed with financial means provided through mandatory advance contributions from authorised financial institutions.
In particular, the funds are to be paid in advance until reaching a minimum target level, over a period of ten years, i.e., by 31 December 2024, **of 1% of guaranteed deposits**[3].

The contributions from each entity are calculated as a function of the ratio of its total eligible liabilities, i.e., net of own funds and the guaranteed deposits, to the total liabilities of all authorised financial institutions in the country.

In this context, on 16 November 2015 Legislative Decrees Nos. 180/2015 and 181/2015 were enacted, introducing the National Resolution Fund into the Italian legal system and assigning the Bank of Italy the role of National Resolution Authority.

In particular, Articles 78 et seqq. of Legislative Decree No. 180/15 provide that such funds are to be financed by, among other sources:

a) ordinary contributions paid on an annual basis in the amount determined by the Bank of Italy in accordance with Directive 2014/59/EU (Article 103) and commensurate for the purposes of reaching the fund's target funding level;
b) extraordinary contributions when ordinary contributions are insufficient to cover losses, costs or other expenses incurred to achieve resolution objectives, up to an amount of three times annual average ordinary contributions.

The new European Single Resolution Fund (SRF) provided for in Regulation No. 806/2014, instituting the Single Resolution Mechanism (SRM) and managed by a new European resolution authority, formed within the ECB (Single Resolution Board – SRB), began to function on 1 January 2016.
From 1 January 2016 to 31 December 2023 (a period of eight years), the Single Resolution Fund must reach a target level of means of at least 1% of the amount of the protected deposits of all authorised entities in the Banking Union. The contribution rules for the period 2016-2023 are established in Article 8 of Implementing Regulation No. 81 of 2015.
Accordingly, the banks of Member States of the Banking Union (including Italian banks) contributed to the National Resolution Fund in 2015 and contributed to the Single Resolution Fund starting in 2016 (until 2023). During the initial period, when calculating each institution's individual contributions, this transfer will be taken into account.

Accounting treatment of contribution charges deriving from the BRRD and DGSD

The accounting and reporting treatment applicable to contributions to resolution funds was the subject of the Bank of Italy's notice dated 20 January 2016, as well as of a notice dated 25 January 2017 specifically relating to "Additional contributions to the national resolution fund".

3 Also in this case, in order to achieve the target level, the financial means provided by the credit institutions may include payment commitments up to a maximum of 30%.

Similar conclusions were reached by ESMA in its Opinion 2015/ESMA/1462 "Application of the IFRS requirements in relation to the recognition of contributions to Deposit Guarantee Schemes in IFRS accounts" of 25 September 2015 with regard to non-reimbursable cash contributions to be paid in advance into deposit guarantee funds.

For financial reporting purposes, reference should be made to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and the Interpretation IFRIC 21 – Levies, which entered into force on 1 January 2015.
The Interpretation concerns the accounting treatment of a liability for a levy where the liability falls within the scope of application of IAS 37.
As defined in IFRIC 21, "a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation".
Obligations to contribute to the National Guarantee Fund, in both ordinary and extraordinary form, are imposed by legislation, and thus fall within the scope of "levies" as defined in IFRIC 21.

IAS 37 and IFRIC 21 provide that a liability must be recognised when the obligating event that gives rise to a present obligation occurs. Since the decree does not provide for contributions to be reduced or refunded to intermediaries, in whole or in part, whenever the obligating event occurs the liability relating to the contributions in question must be recognised for the full amount.

Since it is not possible to account for the liability through either an intangible asset pursuant to IAS 38 or a prepayment asset, the contributions must be recognised in profit and loss.

In this regard, the Bank of Italy has clarified that the item to which to classify such contributions, which for accounting purposes may be regarded as levies, is sub-item 160 b "General and administrative expenses – other general and administrative expenses" of the profit and loss account in the separate financial statements and sub-item 190 b of the consolidated financial statements), which is also used to account for the indirect levies and taxes (paid and unpaid) accrued during the year.

Business combinations

Business combinations are regulated by the IFRS 3 — *Business Combinations*. Based on this standard, any acquisition of companies is accounted for using the purchase method, whereby the assets, liabilities, and contingent liabilities of the acquired company are recognised at fair value on the acquisition date. Any positive difference of the price paid over fair value is recognised as goodwill or other intangible assets; if the price is less, the difference is recognised in the Profit and Loss Account.
The purchase method is applied as of the acquisition date, i.e., from the time effective control of the acquired company is obtained. Accordingly, the results of subsidiaries acquired during the year are included in the Consolidated Financial Statements from the date of acquisition. Also the profit and loss results of a subsidiary which has been disposed of are included in the Consolidated Financial Statements, up to the date control is transferred.

Business combinations of entities under common control are not included in the scope of IFRS 3, nor are they covered by other IFRSs. They are accounted for in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.
The IASs/IFRSs provide specific guidelines for transactions not covered by IFRS (described in paragraphs 10-12 of IAS 8); according to these guidelines, management is encouraged to consider the most recent pronouncements of other regulatory bodies that use a similar conceptual framework to define accounting standards.

In fulfilment of this requirement, we observed that the Financial Accounting Standards Board (FASB) has published an accounting standard regarding business combinations (FAS 141) that in some respects is similar to IFRS 3. Unlike IFRS 3, however, FAS 141 includes an appendix containing limited accounting guidelines for transactions under common control that were previously included in the Accounting Principles Board's (APB) Opinion 16. According to the pooling of interest method, for this type of transaction the assets and liabilities of business combinations are stated at historical (book) value instead of fair value, and goodwill is not recognised.

This solution was essentially adopted at national level by Assirevi, with documents OPI No. 1R on the accounting treatment of business combinations of entities under common control, and OPI No. 2R on the accounting treatment of mergers.

Intra-group combinations or other combinations of entities under common control within the Banca Generali Group are therefore accounted for based on the book value of the entity transferred. Any difference between the consideration paid for the acquisition of the equity interest and the book value of the entity transferred (goodwill) is deducted from the net equity of the acquirer, and the transaction is classified as an extraordinary distribution of reserves.
In a similar way, if an entity is disposed of, the amount received is directly recognised in an equity reserve, as it is a capital contribution by other companies of the Group to which it belongs.

Part A.4 – Information on fair value

With the introduction of IFRS 13, the definition of **fair value** has been modified with respect to IAS 39, in view of a more market-based approach.
According to the new standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is thus not an entity-specific measurement, but rather a market-based measurement.

In detail, measurement at fair value:
> presumes that the asset or liability is exchanged in an orderly transaction between market operators under current market conditions;
> refers to a particular asset or liability and must take account of the characteristics of the asset or liability that market participants take into account when pricing the asset or liability;
> assumes that market participants act in their economic best interest;
> assumes that the sale of the asset or the transfer of the liability takes place:
  a) in the principal market for the asset or liability; or
  b) in the most advantageous market, in the absence of a principal market.

Fair value hierarchy

International accounting standard IFRS 13 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation:
> **Level 1**: quoted prices in active markets, as defined in IFRS 13, for identical instruments;
> **Level 2**: inputs other than the price quotations indicated above, observable on the market either directly (prices) or indirectly (price-derived data) (Level 2);
> **Level 3**: inputs not based on observable market data.

For the purposes of the fair value hierarchy, inputs may thus be classified as:
> **observable**, when the information used in the measurement techniques is based on market data obtained from sources independent of the Bank and available on the market;
> **unobservable**, when they reflect assumptions by the Bank reached by drawing on the best available information in such circumstances.

Valuation criteria of the fair value of financial instruments

In 2010, Banca Generali adopted its Fair Value Policy, which sets out the procedures for measuring the fair value of financial instruments and entrusts responsibility for the measurement process to the Lending Department and review and validation of the data to the Risk Management Service.
The procedure lays down a decision-making process aimed at identifying the best measurement method in the context of the classification of available price sources in the three levels of the fair-value hierarchy.

The fair value of financial instruments is determined through the use of prices obtained from capital markets, if the instruments are quoted on active markets (the mark-to-market policy) or through the use of valuation procedures for other financial instruments (the mark-to-model policy), based on the analysis of recent transactions involving similar instruments (comparable approach) or, failing the latter, on valuation models.

When determining a financial instrument's fair value, it is thus fundamental to verify whether the market on which that instrument is traded may be considered active, i.e., whether the quoted prices observed represent actual, regular market transactions undertaken during a normal reference period and are promptly and regularly available through exchanges, intermediaries, brokers, industry companies, quotation services and other authorised entities.
Equity securities, exchange-traded funds (ETFs), government bonds listed on regulated markets and financial derivatives listed on regulated markets are normally considered to be listed on an active market that meets the foregoing requirements.

However, quotation on a regulated or official market does not in itself guarantee the presence of significant prices owing to the limited, sporadic nature of transactions (illiquid securities) on certain securities exchanges, such as that of Luxembourg, whereas there are market types that are unregulated yet show significant daily exchanges in terms of volumes that are suitable to providing prices on an ongoing basis.

Accordingly, most bonds are considered listed on an active market if objective parameters such as the following may be observed: an adequate number of counterparties that presents a minimum number of executable ask and bid offers;
> a spread between the ask and bid price that falls within an interval deemed appropriate; and
> continuity of quotations on both sides of the market.

For financial instruments listed on active markets, the current bid price is used for financial assets and the current ask price for financial liabilities.

For equity securities, ETFs and government bonds listed on regulated markets, for which the bid-ask spread is not material, the official closing price for the last trading day is also used.

A.4.1 Fair value Level 2 and Level 3: valuation techniques and inputs used

Financial instruments measured at fair value on a recurring and non-recurring basis

Level 2 of the fair value hierarchy includes all financial instruments whose fair value, despite not being directly observable on the market, may be estimated using valuation models based on:
> inputs directly observable on the market (e.g., executable prices, interest rates or yield curves observable within various buckets, volatilities, credit spreads, etc.);
> inputs indirectly observable on the market or based on observable market data and supported by strong evidence of correlation with observable market data (market-corroborated inputs).

With regard to bond securities (including government bonds and securitisations), the price sources to be used, where available, to determine fair value in the absence of an active market are as follows:
> Bloomberg Generic Number (BGN), which represents Bloomberg's market consensus price and is calculated using both the prices contributed to Bloomberg;
> the Bloomberg Valuation Service (BVAL), which provides a valuation of bonds based on a three-stage pricing process: 1) observation of market data; 2) analysis of observed prices for similar instruments; and 3) valuation based on non-arbitrage models (for comparable yield curve models). The BVAL is considered a Level 2 price source when there is evidence that it is based on directly observable market data. In all other cases, it will be considered a Level 3 price source;
> other consensus prices provided by Bloomberg, Telekurs or other Information Providers;
> contributors' executable prices that do not meet the significance requirements;
> valuation models developed by Banca Generali, implemented on front-office systems or provided by third-party providers, based on observable significant inputs, which have been validated by the Risk and Capital Adequacy Department.

UCITS not listed on regulated markets are normally not considered listed on active markets.
UCITS characterised by significant levels of transparency and liquidity are considered Level 2 and valued on the basis of the NAVs provided by the management company/fund administrator.
UCITS relating to private equity, private debt and similar activities are considered Level 3 and measured on the basis of the most recent available NAV, adjusted, where applicable, to take account of events not incorporated into unit value or on the basis of specific valuations, where it is necessary to reflect a different valuation of the fund's underlying assets.
With reference to the measurement method used for the Forward Fund, the reader is referred to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 1 "Credit risk", Subsection E "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

As regard derivative instruments, valuation models are used that have been developed by Banca Generali, implemented on front-office systems or provided by third-party providers, based on observable significant inputs, which have been validated by the Risk and Capital Adequacy Department.

Since it is impossible or inappropriate to use the comparable approach for OTC financial derivatives, the Group uses widespread valuation techniques commonly used by financial operators, including:
> the analysis of discounted cash flows;
> option pricing models.

Lastly, the class L3 of financial instruments measured according to non-observable market parameters includes securities measured according to prices and market data obtained from brokers.

Level 3 also includes certain financial instruments measured at cost in the absence of reliable estimates of fair value. These consist mainly of "minor equity investments" in companies with which the Group has service relationships, and disposal of which is not conceivable (CSE, GBS Caricese, SWIFT, etc.).

Other financial assets and liabilities not measured at fair value on a recurring basis

The fair value and hierarchical classification of financial assets other than debt securities, equity securities and units of UCITS, as well as of financial and operating receivables classified amongst loans to banks and customers, are determined as follows.

Sight and uncommitted financial assets and financial assets with residual lives of less than one year
The fair value of this class of assets, which essentially consists of uncommitted current account exposures, sight deposits or short-term time deposits, as well as operating receivables, is not believed to differ significantly from its carrying amount. Considering that the measurement process does not contemplate significant unobservable inputs, such instruments are typically classified as L2.

Assets with fixed contractual lives included in the financial portfolio
This class of assets consists primarily of medium- or long-term mortgages or loans with financial instruments as collateral.

The fair value of loans with amortisation schedules is calculated according to a discounted cash flow model that calls for the cash flows expected on the basis of the contractual amortisation schedule to be discounted at the proper rate for the risks associated with the instrument. This correction consists of a spread to be added to the risk-free discount rate for the cash flows.

The spread in question is to be defined in such a way as to include the following components of risk:
> the cost of credit risk (the cost of covering expected losses in relation to credit risk);
> the cost of funding (the cost of funding positions);
> the cost of capital (the cost of covering unexpected losses in relation to credit risk);
> operating costs (any other costs, specific to the type of loan, that are to be considered in the exit price).

The cost of credit risk is calculated on the basis of multi-period historic PDs related to the rating of the counterparty in the transaction and the LGD specific to the type of instrument.
Loans with a fixed contractual maturity are classified to Level 3 of the fair value hierarchy, in consideration of the significant presence of unobservable inputs (spreads determined on the basis of internal PD and LGD).

Non-performing loans
When bad loans and substandard loans are separately assessed, their book value is believed to be a reasonable approximation of their fair value. Such loans are classified to Level 3 of the fair value hierarchy.

Other financial liabilities
Financial liabilities classified as amounts due to customers and banks consist mainly of sight deposits, short-term time deposits and operating payables.
Such liabilities also include repurchase agreements that are set to mature within the year and, in the case of interbank funding, fully collateralised, with the determination of daily margins of change.

Such financial liabilities are subject to fair value measurement criteria similar to those applied to other sight or uncommitted financial assets.

A.4.2 Processes and sensitivity of measurements

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the new standard IFRS 13 requires a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.
The unobservable inputs capable of affecting the measurement of instruments categorised within Level 3 consist mainly of estimates and assumptions underlying the models used to measure investments in equities and other UCITS. For such investments, no quantitative analysis has been prepared of the sensitivity of the fair value to changes in unobservable inputs, given that the fair value either has been drawn from third sources without any adjustments or is the result of a model, the inputs to which are specific to the entity subject to measurement (e.g., the company's asset values) and for which the use of alternative values is not reasonably feasible.

The case in question does not apply to Level 3 financial instruments classified as assets measured at OCI and FV-OCI. The reader is referred to the detailed analysis of individual positions provided in the subsequent section concerning quantitative information.

A.4.3 Fair value hierarchy

IFRS 13, recalling the contents of IFRS 7, requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:
1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2) any significant transfers between Level 1 and Level 2 during the year;
3) for instruments measured in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes in profit and loss (in the Profit and Loss Account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

Transfers between levels refer to the end of the accounting period of reference (half-yearly or annual), in an independent manner, and generally enter into effect from the beginning of the year of reference.
Transfers to and from Level 3 are infrequent and primarily involve the occurrence of situations of default, in which the Bank's subjective assessment of debt recoverability takes preeminence.

A.4.4 Other information

No cases envisaged in IFRS 13, paragraphs 48, 93(i) and 96, occur in these Financial Statements.

Quantitative Information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

	31.12.2021				
ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss:					
a) HFT financial assets	2,020	4,558	-	-	6,578
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	1,151	19,374	388,455	-	408,980
2. Financial assets at fair value through other comprehensive income	2,496,384	28,739	-	17,942	2,543,065
3. Hedging derivatives	-	11,357	-	-	11,357
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,499,555**	**64,028**	**388,455**	**17,942**	**2,969,980**
1. HFT financial liabilities	-	4,551	-	-	4,551
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	167,320	-	-	167,320
Total	**-**	**171,871**	**-**	**-**	**171,871**

	31.12.2020				
ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss:					
a) HFT financial assets	2,011	1,608	-	-	3,619
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	5,815	37,374	1,646		44,835
2. Financial assets at fair value through other comprehensive income	2,696,936	14,995	162	18,005	2,730,098
3. Hedging derivatives	-	2,486	-	-	2,486
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,704,762**	**56,463**	**1,808**	**18,005**	**2,781,038**
1. HFT financial liabilities	-	1,551	-	-	1,551
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	67,853	-	-	67,853
Total	**-**	**69,404**	**-**	**-**	**69,404**

At the reporting date, Banca Generali's portfolios at fair value, i.e., the portfolio of financial assets measured at fair value through profit or loss, the portfolio of financial assets measured at fair value through other comprehensive income (HTCS), hedging derivatives and HFT financial liabilities comprised 84.2% of financial assets eligible for allocation to class L1, with a lower ratio compared to the previous year (97.2%). This category continues to be concentrated on the sovereign debt, with the highest component made up of bonds issued by EU countries (Iberian peninsula and Greece). Overall, government debt securities decreased slightly by 59 thousand euros. It also includes other debt securities (214.3 million euros) chiefly referring to credit sector (155.3 million euros), and listed equities totalling 1.2 million euros.

The financial assets allocated to the L2 class, on the other hand, consist of UCITS not listed on regulated markets (1,546 thousand euros), as well as of unit-linked policies that, due to failing the SPPI Test, have been reclassified among financial assets mandatorily measured at fair value.

In addition, the L2 portfolio includes a minor portion of bonds (28.8 million euros), hedging derivatives and financial assets and liabilities consisting solely of currency outrights, valued on the basis of observable market parameters.

In the reporting year, no significant transfers of financial assets were performed between class L1 and class L2.

A.4.5.2 Year changes in financial assets measured at fair value on a recurring basis (level L3)

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS:							
	TOTAL	OF WHICH: A) HFS FINANCIAL ASSETS	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	ASSETS FINANCIAL MEASURED AT FAIR VALUE THROUGH OTHER COMPRE-HENSIVE INCOME	HEDGING DERIVATIVES	PROPERTY AND EQUIPMENT	INTANGIBLE ASSETS
1. Amount at year-start	**1,646**	**-**	**-**	**1,646**	**18,167**	**-**	**-**	**-**
2. Increases	**843,911**	**456,338**	**-**	**387,573**	**588**	**-**	**-**	**-**
2.1 Purchases	839,801	456,338	-	383,463	174	-	-	-
2.2 Gains through:	188	-	-	188	414	-	-	-
2.2.1 profit and loss	188	-	-	188	-	-	-	-
of which:								
- *capital gains*	*188*	-	-	*188*	-	-	-	-
2.2.2 net equity	-	X	X	X	414	-	-	-
2.3 Transfers from other levels	3,824	-	-	3,824	-	-	-	-
2.4 Other increases	98	-	-	98	-	-	-	-
3. Decreases	**457,102**	**456,338**	**-**	**764**	**813**	**-**	**-**	**-**
3.1 Disposals	376,407	376,407	-	-	-	-	-	-
3.2 Redemptions	-	-	-	-	6	-	-	-
3.3 Losses through:	80,695	79,931	-	764	807	-	-	-
3.3.1 profit and loss	80,695	79,931	-	764	-	-	-	-
of which:								
- *capital losses*	*764*	-	-	*764*	-	-	-	-
3.3.2 net equity	-	X	X	X	807	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Amount at year-end	**388,455**	**-**	**-**	**388,455**	**17,942**	**-**	**-**	**-**

Other L3 financial assets mandatorily measured at fair value include:

> the investment in the Luxembourg vehicle Algebris of 2,069 thousand euros, and the units of the MIP I Fund, of 1,938 thousand euros;

> the convertible loan to Conio Inc., acquired in December 2020, which at the end of 2021 had a value of 1,882 thousand euros;

> the Forward Fund, a newly formed closed-ended, fund managed by Gardant SGR, specialised in illiquid investments. The fund was subscribed in October 2021 in the amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables. At the end of 2021 the fund had a capital loss of 696 thousand euros. A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 1 "Prudential consolidation risks", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised";

> the acquisition of 11,608 shares of TECREF S.àr.l. for 4,263 thousand euros, following the complete divestment of the units of the TEREF fund.

By contrast, L3 financial assets in the portfolio of Financial assets measured at fair value through other comprehensive income, for a total amount of 17,942 thousand euros, consist of:

> the equity investment in Conio Inc., a company operating in the cryptocurrency industry, acquired in December 2020, and that at 31 December 2021 had a value of 5,375 thousand euros;
> the equity investment in the independent asset management company 8A+ Investimenti SGR, in which the Bank controls 19.5% of share capital for a value of 912 thousand euros at 31 December 2021;
> some equity investments continued to be measured at purchase cost, in the absence of reliable estimates of fair value; these are the so-called “minor investments” in companies with which the Bank has long-term strategic service arrangements (CSE, GBS, Caricese, SWIFT, etc.) or commercial partnerships (Tosetti Value), for a total of 11.5 million euros;
> the equity investment in Beyond S.p.A., a new holding set up at the end of June 2021, of which Banca Generali purchased 6.6 thousand shares, for a consideration of 166 thousand euros;
> the contributions to film production ventures with Tyco Film S.r.l., Fabula Pictures S.r.l., Eskimo S.r.l., Zocotoco S.r.l. and Palomar S.p.A., at year-end 2021 were written off.

A.4.5.4 Breakdown by fair-value levels of assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2021			
	BV	L1	L2	L3
1. Financial assets measured at amortised cost	10,783,958	7,609,680	2,379,779	982,043
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**10,783,958**	**7,609,680**	**2,379,779**	**982,043**
1. Financial liabilities measured at amortised cost	14,449,422	-	14,449,422	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**14,449,422**	**-**	**14,449,422**	**-**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2020			
	BV	L1	L2	L3
1. Financial assets measured at amortised cost	8,958,771	6,287,990	1,917,630	1,019,804
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**8,958,771**	**6,287,990**	**1,917,630**	**1,019,804**
1. Financial liabilities measured at amortised cost	11,563,118	-	11,563,118	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**11,563,118**	**-**	**11,563,118**	**-**

Part A.5 – Disclosure about so-called “Day-one profit/loss”

IFRS 7, paragraph 28, governs the specific case in which, following the purchase of a financial instrument designated at fair value but not listed on an active market, the transaction price, which generally represents the best estimate of fair value at initial recognition, differs from the fair value according to the valuation technique used by the entity.
In this case, there is a valuation gain/loss upon acquisition of which adequate disclosure must be given by financial instrument class.
At the reporting date there were no impacts of day one profit/loss in relation to the restructuring of a portfolio of senior notes arising from the securitisation of healthcare receivables. A detailed analysis of the transaction and the related accounting treatments, the reader is referred to the information provided in “Part E – Information on Risks and Risk Hedging Policies, Section 1 “Credit risk”, Subsection D “Sale transactions”, paragraph C “Financial assets sold and fully derecognised”.

PART B – INFORMATION ON THE STATEMENT OF FINANCIAL POSITION - ASSETS[4]

Section 1 – Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2021	31.12.2020
a) Cash	26,683	25,122
b) Current accounts and sight deposits with Central Banks	1,504,015	548,980
c) Current accounts and sight deposits with banks	68,285	68,840
Total	**1,598,983**	**642,942**

Item b) Current accounts and sight deposits with Central Banks represents the portion of the balance of the settlement account held with the Bank of Italy that is not restricted according to the mandatory reserve rules.

Section 2 – Financial assets measured at fair value through profit or loss - Item 20

2.1 HFT financial assets: categories

	31.12.2021			31.12.2020		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Cash assets						
1. Debt securities	2,010	-	-	2,003	47	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,010	-	-	2,003	47	-
2. Equity securities	10	-	-	2	-	-
3. UCITS units	-	-	-	6	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**2,020**	**-**	**-**	**2,011**	**47**	**-**
B. Derivatives						
1. Financial	-	4,558	-	-	1,561	-
1.1 Trading	-	4,558	-	-	1,561	-
1.2 Related to the fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Related to the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**4,558**	**-**	**-**	**1,561**	**-**
Total (A + B)	**2,020**	**4,558**	**-**	**2,011**	**1,608**	**-**

4 A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 of these Notes and Comments - Information on fair value.

2.2 HFT financial assets: debtors/issuers/counterparties

ITEMS/VALUES	31.12.2021	31.12.2020
A. Cash assets		
1. Debt securities	**2,010**	**2,050**
a) Central Banks	-	-
b) Public administration bodies	-	45
c) Banks	2,008	2,001
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	2	4
2. Equity securities	**10**	**2**
a) Banks	-	-
b) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
c) Non-financial companies	10	2
d) Other issuers	-	-
3. UCITS units	**-**	**6**
4. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**2,020**	**2,058**
B. Derivatives		
a) Central counterparties	-	-
b) Other	4,558	1,561
Total B	**4,558**	**1,561**
Total (A + B)	**6,578**	**3,619**

2.5 Other financial assets mandatorily measured at fair value: categories

	31.12.2021			31.12.2020		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	-	1,882	-	-	1,646
1.1 Structured securities	-	-	1,882	-	-	1,646
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	1,151	-	5,263	883	-	-
3. UCITS units	-	1,546	381,310	4,932	16,307	-
4. Loans	-	17,828	-	-	21,067	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	17,828	-	-	21,067	-
Total	**1,151**	**19,374**	**388,455**	**5,815**	**37,374**	**1,646**

2.6 Other financial assets mandatorily measured at fair value: debtors/issuers

ITEMS/VALUES	31.12.2021	31.12.2020
1. Equity securities	**6,414**	**883**
of which:		
- *banks*	-	-
- *other financial companies*	*6,414*	*883*
- *other non-financial companies*	-	-
2. Debt securities	**1,882**	**1,646**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	1,882	1,646
3. UCITS units	**382,856**	**21,239**
4. Loans	**17,828**	**21,067**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	16,892	21,067
of which:		
- *insurance companies*	*16,892*	*17,328*
e) Non-financial companies	936	-
f) Households	-	-
Total	**408,980**	**44,835**

The UCITS portfolio includes the Forward Fund, a newly formed Italian AIF managed by Gardant SGR, specialised in illiquid investments. The fund was subscribed in October 2021 in the amount of 378 million euros, as part of the restructuring of a portfolio of senior notes issued by several special-purpose vehicles in the securitisation of healthcare receivables, which Banca Generali purchased from its customers and concurrently transferred to the Fund, subscribing 98% of its units. At the end of 2021, the fund had a capital loss of 696 thousand euros.
A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 1 "Credit risk", Subsection E "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

The residual UCITS portfolio is comprised for 2,069 thousand euros of the investment in the Luxembourg vehicle Algebris, for 1,546 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., and for 1,938 thousand euros of the closed alternative real-estate investment fund MIP I managed by Milano Investment Partners SGR S.p.A.
In February, Banca Generali subscribed 100,000 shares of the newly formed Hope S.p.A., transformed into Sicaf, a fixed-capital investment company, following authorisation from the Supervisory Authorities. HOPE Sicaf S.B (benefit company) S.p.A. is an independent, innovative investment platform that adopts a multi-asset and multi-strategy management strategy, selecting excellent, sustainable companies, projects and investment ideas in which to invest, with a focus on "real" Italian assets (tangible assets such as services of public utility, energy and digital infrastructure, real-estate assets and fields for agriculture). The class-A notes held by Banca Generali, as the founding shareholder, were placed in the FVOCI portfolio in the amount of 1 million euros.
The entirety of the interest in the TEREF Fund, which at the end of the previous year had amounted to 10,506 thousand euros, was divested in December 2021. The units were partly liquidated and partly reinvested in interests in the equity of TECREF S.àr.l. The units acquired, with a nominal value of 11,608, were reclassified to the portfolio of financial assets mandatorily at fair value, with a final value of 4,263 thousand euros.
Equity investments in shares of the parent company Assicurazioni Generali amounted to 1,151 thousand euros as at 31 December 2021.

Debt securities refer to the convertible bond issued by Conio Inc. on 9 December 2020, with maturity set on 31 May 2025, as analysed in further detail in the following Section.

Section 3 – Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: categories

ITEMS/VALUES	31.12.2021			31.12.2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	2,496,384	28,739	-	2,696,936	14,995	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,496,384	28,739	-	2,696,936	14,995	-
2. Equity securities	-	-	17,942	-	-	18,167
3. Financing	-	-	-	-	-	-
Total	**2,496,384**	**28,739**	**17,942**	**2,696,936**	**14,995**	**18,167**

3.2 Financial assets measured at fair value through other comprehensive income: debtors/issuers

ITEMS/VALUES	31.12.2021	31.12.2020
1. Debt securities	**2,525,123**	**2,711,931**
a) Central Banks	-	-
b) Public administration bodies	2,285,776	2,337,209
c) Banks	182,379	198,653
d) Other financial companies	55,958	156,677
of which:		
- *insurance companies*	-	-
e) Non-financial companies	1,010	19,392
2. Equity securities	**17,942**	**18,167**
a) Banks	-	-
b) Other issuers	17,942	18,167
- Other financial companies	3,195	3,028
of which:		
- *insurance companies*	-	-
- non-financial companies	14,740	15,132
- Other	7	7
3. Financing	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**2,543,065**	**2,730,098**

The equity securities portfolio included 17,942 thousand euros referring to "minor equity investments", which are largely related to service agreements concluded by the Group (CSE, GBS, Caricese, SWIFT, etc.) or agreements of a commercial nature (Tosetti Value SIM, 8 A+ SGR, Conio Inc.), usually not listed and non-negotiable. Those interests are measured at purchase cost in the absence of reliable, updated estimates of fair value.

The interest acquired in Conio falls within the wider corporate and commercial partnership with the Californian fintech company founded in 2015, which has positioned itself as a wallet provider that offers custody, negotiation and reporting services, currently regarding Bitcoins only, on the Italian market, thought its investee Conio S.r.l.

Under the agreement, Banca Generali also undertook to pay an earn-out of an additional 1.7 million euros if the company were to achieve certain objectives in terms of EBITDA or valuation by 31 March 2025 and, to this end, it subscribed for a convertible bond of USD 2,013 thousand, equivalent to 1,882 thousand euros as at 31 December 2021.

In particular, the mandatory convertible bond pays interest at an annual rate of 5.5% due in a single instalment at maturity on 31 March 2025, with the following conversion conditions:

- if the earn-out conditions are met, the bond will be redeemed and taken to an equity reserve with the payment of interest only;
- if the earn-out conditions are not met, the bond will be fully converted, along with the interest accrued, into conversion shares at the ratio of the nominal value of the bonds to the fair value of Conio's share capital.

At the end of June 2021 Banca Generali acquired a minority interest in the newly formed Beyond Investment S.p.A., an investment holding company owned by the Bank and a group of leading Italian entrepreneurial families with the aim of undertaking private equity, venture capital and real estate investments. The shares, with a value of 166 thousand euros, are measured at cost.

The capital contributions relating to cinematographic joint ventures of 650 thousand euros as at 31 December 2020 were fully written off in 2021 as they were deemed unrecoverable.

During the year, the minor equity investment in SPAC Capital for Progress (155 thousand euros) was also written off and liquidation of Athena Private Equity was concluded with further redemptions of 78 thousand euros against a residual carrying amount of 6 thousand euros.

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total adjustments

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRU-MENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
Debt securities	2,525,515	2,286,046	-	-	-	392	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2021	**2,525,515**	**2,286,046**	**-**	**-**	**-**	**392**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**2,705,366**	**2,337,463**	**7,042**	**-**	**-**	**407**	**70**	**-**	**-**	**-**

In respect of the model for measuring expected credit losses (ECLs) provided for in IFRS 9, as at 31 December 2021 collective reserves of 392 thousand euros had been recognised for the debt securities portfolio, of which 270 thousand euros relating to the portfolio of government securities.

Section 4 – Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: categories of loans to banks

	31.12.2021						31.12.2020					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES STAGE	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3
A. Loans to Central Banks	**130,137**	**-**	**-**	**-**	**130,137**	**-**	**107,772**	**-**	**-**	**-**	**107,772**	**-**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Mandatory reserve	130,137	-	-	X	X	X	107,772	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**1,080,132**	**-**	**-**	**650,127**	**431,206**	**-**	**487,808**	**-**	**-**	**376,262**	**119,355**	**-**
1. Loans	404,234	-	-	-	404,234	-	83,272	-	-	-	83,272	-
1.1 Current accounts	6,136	-	-	X	X	X	-	-	-	X	X	X
1.2 Term deposits	17,641	-	-	X	X	X	24,423	-	-	X	X	X
1.3 Other loans:	380,457	-	-	X	X	X	58,849	-	-	X	X	X
- repurchase agreements	199,805	-	-	X	X	X	-	-	-	X	X	X
- lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- other	180,652	-	-	X	X	X	58,849	-	-	X	X	X
2. Debt securities	675,898	-	-	650,127	26,972	-	404,536	-	-	376,262	36,083	-
2.1 Structured securities	538	-	-	534	-	-	-	-	-	-	-	-
2.2 Other debt securities	675,360	-	-	649,593	26,972	-	404,536	-	-	376,262	36,083	-
Total	**1,210,269**	**-**	**-**	**650,127**	**561,343**	**-**	**595,580**	**-**	**-**	**376,262**	**227,127**	**-**

The item “Other financing - Other” includes 170,598 thousand euros (58,142 thousand euros at 31 December 2020) relating to guarantee margins paid to banking counterparties for derivatives transactions. The remaining 10 million euros is almost entirely attributable to operating receivables relating to placement and distribution of financial products, collected in the first few months of the following year.

4.2 Financial assets measured at amortised cost: categories of loans to customers

	31.12.2021						31.12.2020					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3	STAGE 1 AND STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	L1	L2	L3
1. Loans	**2,534,498**	**31,830**	**-**	**-**	**1,700,825**	**876,146**	**2,495,583**	**24,596**	**-**	**-**	**1,605,767**	**923,973**
1.1 Current accounts	1,551,912	15,265	-	X	X	X	1,290,743	8,939	-	X	X	X
1.2 Repurchase agreements	-	-	-	X	X	X	160,907	-	-	X	X	X
1.3 Mortgages	804,993	16,111	-	X	X	X	837,305	15,648	-	X	X	X
1.4 Credit cards, personal loans and loans on wages	-	6	-	X	X	X	-	6	-	X	X	X
1.5 Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other financing	177,593	448	-	X	X	X	206,628	3	-	X	X	X
2. Debt securities	**7,007,361**	**-**	**-**	**6,959,553**	**117,612**	**105,897**	**5,843,012**	**-**	**-**	**5,911,728**	**84,736**	**95,832**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	7,007,361	-	-	6,959,553	117,612	105,897	5,843,012	-	-	5,911,728	84,736	95,832
Total	**9,541,859**	**31,830**	**-**	**6,959,553**	**1,818,437**	**982,043**	**8,338,595**	**24,596**	**-**	**5,911,728**	**1,690,503**	**1,019,805**

Item 2.2, relating to debt securities, includes 177,799 thousand euros of senior notes issued in securitisation transactions. The ABS component increased on the previous year (128,736 thousand euros) due to the investment in the Muzinich CLO portfolio. Detailed information on the securitised notes is given in Part E of these Notes

The item "Debt securities" includes encumbered assets used as collateral for ECB refinancing operations totalling 1,004,956 thousand euros and securities held in deposit with Cassa di Compensazione e Garanzia amounting to 204,435 thousand euros. This item also includes own securities used in repurchase agreements amounting to 12,227 thousand euros.

Item 1.7 "Other loans" includes operating receivables relating to the placement and distribution of financial and insurance products in the amount of 95,873 thousand euros, consisting solely of short-term receivables from managing companies and insurance companies belonging to the Generali Group, collected in the early months of the following year.

Breakdown of loans to customers - other transactions

TYPE OF TRANSACTIONS/VALUES	31.12.2021	31.12.2020
Other grants	23,945	48,074
Promissory notes receivables	3,042	3,173
Stock exchange interest-bearing daily margin	2,257	24,096
Sums advanced to Financial Advisors	31,119	23,297
Operating loans	95,873	93,027
Interest-bearing caution deposits	979	1,003
Amounts to be collected	20,826	13,961
Total	**178,041**	**206,631**

Pursuant to IFRS 15, paragraph 116 a), the previous table includes the opening and closing balances of receivables within the scope of IFRS 15 (operating receivables and fees receivable). In reference to paragraph 118 of IFRS 15, the change in receivables during the year was due to the Bank's normal operations and therefore is not attributable to changes due to business combinations, contractual amendments or changes in the time required for the right to the consideration to become unconditional.

Sums advanced to Financial Advisors enrolled with the Register of Financial Advisors include non-performing positions for a net amount of 1,804 thousand euros, largely attributable to advances to former Financial Advisors who have left service due to a dispute or pre-dispute.

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by debtors/issuers

TYPE OF TRANSACTIONS/VALUES	31.12.2021 STAGE 1 AND STAGE 2	31.12.2021 STAGE 3	31.12.2021 IMPAIRED ACQUIRED OR ORIGINATED	31.12.2020 STAGE 1 AND STAGE 2	31.12.2020 STAGE 3	31.12.2020 IMPAIRED ACQUIRED OR ORIGINATED
1. Debt securities	**7,007,361**	**-**	**-**	**5,843,012**	**-**	**-**
a) Public administration bodies	6,515,502	-	-	5,323,110	-	-
b) Other financial companies	366,465	-	-	339,272	-	-
of which:						
- *insurance companies*	-	-	-	-	-	-
c) Non-financial companies	125,394	-	-	180,630	-	-
2. Loans to	**2,534,498**	**31,830**	**-**	**2,495,583**	**24,596**	**-**
a) Public administration bodies	-	-	-	-	-	-
b) Other financial companies	188,651	6,197	-	358,034	5,652	-
of which:						
- *insurance companies*	*25,049*	*3*	-	*35,562*	-	-
c) Non-financial companies	365,447	11,427	-	344,104	11,494	-
d) Households	1,980,400	14,206	-	1,793,445	7,450	-
Total	**9,541,859**	**31,830**	**-**	**8,338,595**	**24,596**	**-**

4.4 Financial assets measured at amortised cost: gross value and total adjustments

	GROSS VALUE STAGE 1	GROSS VALUE OF WHICH: LOW CREDIT RISK INSTRU-MENTS	GROSS VALUE STAGE 2	GROSS VALUE STAGE 3	GROSS VALUE IMPAIRED ACQUIRED OR ORIGINATED	TOTAL ADJUSTMENTS STAGE 1	TOTAL ADJUSTMENTS STAGE 2	TOTAL ADJUSTMENTS STAGE 3	TOTAL ADJUSTMENTS IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFFS
Debt securities	7,659,921	-	26,296	2,642	-	2,801	157	2,642	-	-
Loans	2,844,727	-	227,656	43,853	-	2,606	908	12,023	-	-
Total at 31.12.2021	**10,504,648**	**-**	**253,952**	**46,495**	**-**	**5,407**	**1,065**	**14,665**	**-**	**-**
Total at 31.12.2020	**8,815,348**	**-**	**124,927**	**39,317**	**-**	**5,400**	**700**	**14,721**	**-**	**-**

In respect of the model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 31 December 2021 performing loans measured at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 6,472 thousand euros, of which:

> 2,958 thousand euros relating to the debt securities portfolio;
> 3,514 thousand euros relating to other loans.

Within this item, total value adjustments of exposures to banks amounted to 1,055 thousand euros, of which 840 thousand euros on debt securities and 215 thousand euros on other loans.

The provision for expected losses on debt securities refers instead to the government bond portfolio in the amount of 1,280 thousand euros.

The item relating to non-performing "Debt securities" (Stage 3) refers to the Alitalia bond. This bond known as "Dolce Vita", amounting to 2,642 thousand euros, was fully written down in the previous years due to the airline's serious state of crisis, which resulted in a court declaration of the company's insolvency and the commencement of the extraordinary administration procedure.

The provision for expected losses on trade receivables, measured in accordance with IFRS 9 5.5.15, is not material in view of the short-term nature of the exposures concerned, all of which were collected in full in the first few months of the following year.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total adjustments

	GROSS VALUE					TOTAL ADJUSTMENTS				
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRU-MENTS	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	OVERALL PARTIAL WRITE-OFF
1. Loans subject to forbearance measures in accordance with the GLs	-	-	-	-	-	-	-	-	-	-
2. Loans subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	7,583	-	-	-	-	1	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. Newly originated loans	118,663	-	566	-	-	1	2	-	-	-
Total at 31.12.2021	**126,246**	**-**	**566**	**-**	**-**	**2**	**2**	**-**	**-**	**-**
Total at 31.12.2020	**119,535**	**-**	**-**	**-**	**-**	**184**	**-**	**-**	**-**	**-**

Section 5 – Hedging derivatives - Item 50

5.1 Breakdown of hedging by type of hedge and hierarchy levels

	31.12.2021				31.12.2020			
	FAIR VALUE			NOTIONAL VALUE	FAIR VALUE			NOTIONAL VALUE
TYPE OF TRANSACTIONS/VALUES	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**11,357**	**-**	**827,500**	**-**	**2,486**	**-**	**180,000**
1) Fair value	-	11,357	-	827,500	-	2,486	-	180,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**11,357**	**-**	**827,500**	**-**	**2,486**	**-**	**180,000**

5.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

HEDGING TRANSCTIONS7TYPE	FAIR VALUE							CASH FLOWS		
	SPECIFIC									
	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND EQUITY INDICESE	CURREN-CIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVEST-MENTS
1. Financial assets at fair value through other comprehensive income	26	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	11,331	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**11,357**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 7 – Equity investments - Item 70

7.1 Equity investments: disclosure on type of relations

COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	% HELD	% OF VOTING RIGHTS
A. Wholly controlled subsidiaries				
1. BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	100%	100%
2. Generfid S.p.A.	Milan	Milan	100%	100%
3. Nextam Partners SIM S.p.A.	Milan	Milan	100%	100%
4. Nextam Partners Ltd.	London	London	100%	100%
4. BG Valeur S.A.	Lugano	Lugano	90.10%	90.10%
B. Subsidiaries under common control				
1. BG SAXO SIM S.p.A.	Milan	Milan	19.90%	19.90%
C. Companies subject to significant influence				
1. IOCA Entertainment Limited	London	London	35%	35%

Significant equity investments – accounting information

	31.12.2021	31.12.2020	CHANGE
Generfid S.p.A.	245	245	-
BG Fund Management Luxembourg S.A.	2,000	2,000	-
Nextam Partners SIM S.p.A.	-	1,115	-1,115
Nextam Partners Ltd	233	233	-
BG Suisse S.A.	9,263	-	9,263
BG Valeur S.A.	11,232	11,232	-
Total	**22,973**	**14,825**	**8,148**

On 8 October 2021, BG Suisse S.A, a joint-stock company under Swiss law based in Lugano, was incorporated by Banca Generali through an initial contribution of CHF 10 million with the aim of creating a new cross-border private service hub able to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations. To this end, in January 2022, the company filed with the Swiss Financial Market Supervisory Authority (FINMA) an application to obtain the banking licence necessary to operate on the Swiss market.

On 5 March 2021, Banca Generali's Board of Directors approved the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group. After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on 20 January 2022. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate. In accordance with IFRS 5, at 31 December 2021 the equity investment in the Company was reclassified to Item 110 of the balance sheet assets.
Non-current assets available for sale and disposal group

Subsidiaries under common control – accounting information

	31.12.2021	31.12.2020	CHANGE
BG SAXO SIM S.p.A.	2,599	2,002	597
Total	**2,599**	**2,002**	**597**

BG SAXO SIM S.p.A. is an investment firm formed as part of the joint venture with SAXO Bank, in which Banca Generali acquired a 19.9% stake on 31 October 2019 for 1,995 thousand euros, plus additional costs. Banca Generali and SAXO Bank entered into an agreement to set up an exclusive partnership specialising in online trading and digital services. The deal aims to offer Italian customers exclusive access to an innovative advanced trading platform based on SAXO Bank's technology and managed by BG SAXO SIM. The new platform will expand the range of offerings available to Banca Generali's Financial Advisors, granting access to tailor-made transactions and innovative dynamic hedging solutions that may be offered to both private and corporate customers.

The value of the equity investment in BG SAXO SIM S.p.A. changed during 2021 as a result of the company's capital increase authorised in May and subscribed by Banca Generali S.p.A. for the relevant share equal to 597 thousand euros.

Companies subject to significant influence – accounting information

IOCA Entertainment Ltd. is a company under the UK law, in which Banca Generali acquired a 35% interest on 19 October 2015, in the form of 3,500 shares with a nominal value of 1.00 pound sterling each, for a total of 1,616,125 pound sterlings, equivalent to an original amount to approximately 2.2 million euros. The company, an e-commerce/social networking start-up engaged in the commercial development of an app for smartphones and tablets, named Dringle, was fully written off in the previous year as it did not attain its commercial targets and did not offer concrete perspectives of future growth.

7.5 Equity investments: year changes

	31.12.2021	31.12.2020
A. Amount at year-start	**16,827**	**37,463**
B. Increases	**9,860**	**4,830**
B.1 Purchases	9,860	4,830
of which:		
- *business combinations*	-	*2,577*
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**1,115**	**25,466**
C.1 Sales	-	24,095
of which:		
- *business combinations*	-	*24,095*
C.2 Adjustments	-	1,371
C.3 Write-downs	-	-
C.4 Other changes	1,115	-
D. Amount at year-end	**25,572**	**16,827**
E. Total revaluations	**-**	**-**
F. Total adjustments	**3,430**	**3,430**

Impairment tests of equity investments

In accordance with IASs/IFRSs, equity investments have been tested for impairment in order to verify whether there is objective evidence that the carrying amounts of the assets concerned may not be fully recoverable.

The impairment testing process for **equity investments in associates and joint ventures** involves verifying whether there are any impairment indicators and determining the amount of the impairment loss, if any.

The impairment indicators used for such unlisted equity investments are:
- qualitative indicators, such as an operating loss or a significant deviation from budget objectives, the announcement of restructuring plans or the commencement of insolvency procedures;
- quantitative indicators represented by a carrying amount of the equity investment in the individual financial statements that is significantly higher, for an extended period, than the carrying amount of the investee's net assets and goodwill in the consolidated financial statements.

Where there are impairment indicators, the recoverable amount is determined as the greater of the fair value net of costs to sell and value in use, and if this is lower than the carrying amount an impairment loss is recognised.
In this regard, the valuation of BG SAXO determined that the carrying values were accurate.

The **controlling interests** recognised in the separate financial statements of Banca Generali are tested for impairment, where the requirements have been met, by adopting uniform assessments at the parent company and consolidated level with regard to the goodwill implicit therein in respect of the relevant CGUs.
In fact, controlling interests are normally included in larger CGUs, the scope of which may be transversal to the activities that they perform.
In this regard, reference should be made to Part G, Section 3, of the Notes and Comments to the Consolidated Financial Statements.

In detail on 31 December 2021 the controlling interest in BG Valeur S.A., included in the scope of the Wealth Management CGU, was tested for impairment also on an individual basis, due to the material book value of this equity investment.

To determine the recoverable amount of the company, both basic methodologies (to arrive at value in use) and market assessments (to arrive at fair value) were considered. To assess the value in use the Bank applied the Dividend Discount Model (DDM), specifically the Excess Capital variant of said model[5].

The **earnings and cash flow projections** for the company were based on the 2022 budget and the 2023-2026 Plan's forecast data.

The **expected long-term growth rate** after the explicit forecasting period employed to calculate the terminal value (perpetual yield) was set at 1.0%, in line with the International Monetary Fund's last estimates on expected inflation.

The **cost of capital** used to discount cash flows was **9.9%** estimated applying the Capital Asset Pricing Model, on the basis of the following assumptions:
a) risk free rate of **0.1%**, equal to the gross yearly yield of the Swiss 10-year government bond as at 31 December 2021;
b) market risk premium of **6.0%**, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a **3.2%** increase to take account of the size and liquidity risks;
d) a value of **1.1** assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The impairment test, carried out using the above-mentioned method, did not identify and impairment loss of the equity investment, equal to 11.1 as the vale in use obtained by applying the analytical method described above amounted to a minimum of 10.7 million euros and a maximum of 12.6 million euros, with an average value of 11.3 million euros.
The aforementioned value analyses of the CGUs, are supported by a fairness opinion issued by a major consulting firm, submitted for approval to Banca Generali's Board of Directors on 10 February 2022.

[5] Based on the capital requirements as per local regulations, equal to 25% of operating costs.

Section 8 – Property and equipment - Item 80

8.1 Operating property and equipment: breakdown of assets valued at cost

ASSETS/VALUES	31.12.2021	31.12.2020
1. Owned assets	7,616	7,321
a) Land	-	-
b) Buildings	-	-
c) Furniture	6,253	6,230
d) Electronic equipment	112	158
e) Other	1,251	933
2. Rights of use acquired through leases	146,514	139,732
a) Land	-	-
b) Buildings	145,548	138,726
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	966	1,006
Total	**154,130**	**147,053**
of which:		
- *obtained through the enforcement of guarantees received*	-	-

8.6 Operating property and equipment: year changes

	RIGHTS OF USE ACQUIRED THROUGH LEASES - BUILDINGS	RIGHTS OF USE ACQUIRED THROUGH LEASES - OTHER	FURNITURE	ELECTRONIC EQUIPMENT	OTHER	TOTAL
A. Gross amount at year-start	**172,670**	**1,517**	**25,994**	**6,077**	**9,202**	**215,460**
A.1 Total net impairment	33,944	511	19,764	5,919	8,269	68,407
A.2 Net amount at year-start	**138,726**	**1,006**	**6,230**	**158**	**933**	**147,053**
B. Increases	**25,309**	**386**	**1,265**	**5**	**768**	**27,733**
B.1 Purchases	6,675	295	1,265	5	768	9,008
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings - held as investments	-	-	X	X	X	-
B.7 Other changes	18,634	91	-	-	-	18,725
C. Decreases	**18,487**	**426**	**1,242**	**51**	**450**	**20,656**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	18,487	426	1,218	51	450	**20,632**
C.3 Adjustments – for impairment in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
C.4 Fair value negative changes in:	-	-	-	-	-	-
a) Net equity	-	-	-	-	-	-
b) Profit and Loss Account	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property and equipment held - as investments	-	-	X	X	X	-
b) non-current assets available for sale - and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	-	24	-	-	**24**
D. Net amount at year-end	**145,548**	**966**	**6,253**	**112**	**1,251**	**154,130**
D.1 Total net impairment	50,487	772	20,931	5,967	8,702	**86,859**
D.2 Gross amount at year-end	**196,035**	**1,738**	**27,184**	**6,079**	**9,953**	**240,989**
E. Valued at cost	145,548	966	6,253	112	1,251	154,130

Section 9 – Intangible assets - Item 90

9.1 Breakdown of intangible assets by categories

ASSETS/VALUES	31.12.2021 DEFINITE LIFE	31.12.2021 INDEFINITE LIFE	31.12.2020 DEFINITE LIFE	31.12.2020 INDEFINITE LIFE
A.1 Goodwill	**-**	**79,366**	**-**	**78,266**
A.2 Other intangible assets	**44,569**	**330**	**44,983**	**330**
of which:				
- *software*	*18,884*	-	*12,500*	-
A.2.1 Assets valued at cost:	44,569	330	44,983	330
a) internally generated intangible assets	-	-	-	-
b) other assets	44,569	330	44,983	330
A.2.2 Assets valued at fair value:	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**44,569**	**79,696**	**44,983**	**78,596**

9.2 Intangible assets: year changes

		OTHER INTANGIBLE ASSETS				
		INTERNALLY GENERATED		OTHER		
	GOODWILL	DEFINITE LIFE	INDEFINITE LIFE	DEFINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross amount at year-start	**78,266**	**-**	**330**	**107,233**	**-**	**185,829**
A.1 Total net impairment	-	-	-	62,250	-	62,250
A.2 Net amount at year-start	**78,266**	**-**	**330**	**44,983**	**-**	**123,579**
B. Increases	**1,100**	**-**	**-**	**12,793**	**-**	**13,893**
B.1 Purchases	1,100	-	-	12,793	-	**13,893**
B.2 Increase of internal intangible assets	X	-	-	-	-	**-**
B.3 Reversals	X	-	-	-	-	**-**
B.4 Fair value positive changes	-	-	-	-	-	**-**
- Net equity	X	-	-	-	-	**-**
- Profit and Loss Account	X	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**-**	**-**	**-**	**13,207**	**-**	**13,207**
C.1 Sales	-	-	-	-	-	**-**
C.2 Adjustments	-	-	-	13,207	-	**13,207**
- Amortisation	X	-	-	13,207	-	**13,207**
- Write-downs:	-	-	-	-	-	**-**
+ Net equity	X	-	-	-	-	**-**
+ Profit and Loss Account	-	-	-	-	-	**-**
C.3 Fair value negative changes	-	-	-	-	-	**-**
- Net equity	X	-	-	-	-	**-**
- Profit and Loss Account	X	-	-	-	-	**-**
C.4 Transfers to non-current assets - held for sale	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
D. Net amount at year-end	**79,366**	**-**	**330**	**44,569**	**-**	**124,265**
D.1 Total net adjustments	-	-	-	75,457	-	**75,457**
E. Gross amount at year-end	**79,366**	**-**	**330**	**120,026**	**-**	**199,722**
F. Valued at cost	79,366	-	330	44,569	-	124,265

9.3 Intangible assets: other information

Breakdown of goodwill

(€ THOUSAND)	31.12.2021	31.12.2020
Merger of Prime Consult SIM and INA SIM	2,991	2,991
Merger of Banca del Gottardo	31,352	31,352
Credit Suisse Italy's business unit	27,432	27,432
Merger of BG Fiduciaria SIM S.p.A.	4,290	4,290
Merger of Nextam SGR and Nextam S.p.A.	12,201	12,201
Binck Bank Italia business unit	1,100	-
Total	**79,366**	**78,266**

Breakdown of intangible assets - other assets

(€ THOUSAND)	31.12.2021	31.12.2020
Charges associated with the implementation of legacy CSE procedures	18,856	12,451
Customer relationships (former Credit Suisse Italy and former Nextam)	16,586	18,295
Other software costs	28	49
Other intangible assets	-	236
Advance payments on intangible assets	9,099	13,952
Total	**44,569**	**44,983**

Intangible assets recognised in respect of contractual relationships governing financial assets managed on account of customers (AUM) refer to business combinations undertaken by Banca Generali in the course of the years and represent an economic assessment of the expected cash flows from those relationships on the basis of specific profitability coefficients and appropriate default rates, identified from time to time within the framework of purchase price allocation (PPA) procedures.

In this regard, it should be noted that:
> the consideration paid to acquire in 2014 the former Credit Suisse's business unit amounting to 44,712 thousand euros was initially allocated for 17,280 thousand euros to intangible assets and for 27,432 thousand euros to goodwill;
> the consideration paid to acquire Nextam Partners Group in 2019 was initially recognised for 8.9 million euros to intangible assets, attributable to the contractual relationships with customers of the Nextam Group and amortised over a total period of 16 years, for 0.3 million euros to the value of the Nextam trademark, and for 12.2 million euros to goodwill.

Impairment testing of goodwill

During the preparation of Banca Generali's 2021 Financial Statements, goodwill was tested for impairment and the carrying values were determined to be accurate. In this regard, reference should be made to Part G, Section 3, of the Notes and Comments to the Consolidated Financial Statements.

Section 10 – Tax assets and liabilities - Item 100 (Assets) and Item 60 (Liabilities)

Breakdown of item 100 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2021	31.12.2020
Current taxation	**9,438**	**486**
Sums due for taxes to be refunded	175	75
IRES arising on National Tax Consolidation scheme	7,908	-
IRES in excess and IRES surtax and additional contribution for banks	1,355	354
IRAP	-	57
Deferred tax assets	**61,669**	**47,621**
With impact on Profit and Loss Account	60,639	46,861
IRES	50,277	38,645
IRAP	10,362	8,216
With impact on Net Equity	1,030	760
IRES	957	736
IRAP	73	24
Total	**71,107**	**48,107**

Current tax assets and liabilities represent the positive or negative imbalance between the estimated income taxes due for the year and the associated tax credits due to overpayments in previous tax periods, prepayments made and amounts withheld.

In further detail, for Banca Generali current IRES (corporate income) tax assets and liabilities take the form of account receivable from or payable to, respectively, the consolidating entity, Assicurazioni Generali S.p.A. Due to Banca Generali's participation in Assicurazioni Generali's tax consolidation programme, the former's taxable profits or losses for IRES purposes, along with the tax credits to which it is entitled and sums withheld from it, are transferred to the consolidating entity, which then figures and pays the tax owed by the Group. The consolidating entity is also responsible for paying the taxes owed by or to the credit of the consolidated entity and requesting the associated prepayments.

Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2021	31.12.2020
Current taxation	**2,716**	**9,166**
IRES arising on National Tax Consolidation scheme	-	5,287
IRES surtax (additional contribution for banks)	-	1,110
Substitute tax for realignments	1,334	2,769
IRAP	1,382	-
Deferred tax liabilities	**5,256**	**12,693**
With impact on Profit and Loss Account	3,518	9,232
IRES	2,148	7,004
IRAP	1,370	2,228
With impact on Net Equity	1,738	3,461
IRES	1,473	2,961
IRAP	265	500
Total	**7,972**	**21,859**

Realignment operations

On 27 July 2021, the Board of Directors of Banca Generali resolved to undertake a thorough series of transactions to realign the accounting values, which exceeded the tax values of goodwill and other intangible assets arising from business combinations undertaken over time.

In accordance with the resolution, at the end of the first half of 2021, Banca Generali proceeded to exercise the option to carry out the following operations to realign the carrying and tax values of goodwill, trademarks and other intangible assets, through payment of the related substitute taxes by the income tax payment deadline for the 2020 tax period:

- realignment of misalignments resulting from previous years' goodwill stated in the financial statements at 31 December 2019 and still recognised in the 2020 financial statements, pursuant to Article 110 of DL 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law through payment of a 3% substitute tax, and subsequent right to benefit from the ensuing off-balance sheet amortisation over a period initially determined as 18 years (subsequently raised to 50 years);
- realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the incorporation for accounting and tax purposes from 1 January 2020 of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
  - Article 15 of Decree Law No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
  - Article 176, paragraph 2-*ter*, of TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset.

The first operation concerned both goodwill resulting from taxable operations for which the misalignment was generated by the off-balance sheet deduction of amortisation amounts, and goodwill resulting from tax-neutral merger operations, for which the Bank had in the past already exercised the special redemption option.

The options exercised were then confirmed when filing the Bank's income tax return for the 2020 tax period, submitted on 30 November 2021.

With regard to the realignment carried out pursuant to Article 110 of Legislative Decree 104/2021, it should also be mentioned that finalising the election also requires, on pain of inefficacy of the election, that a tax restriction be placed on a portion of reserves in the financial statements at 31 December 2020, in an amount corresponding to the higher values subject to realignment, net of the substitute tax (Article 110, paragraph 8).

In particular, realigned differences amounted to 32,811 thousand euros, tax due to 984 thousand euros, and the reserve to be restricted thus came to 31,827 thousand euros. The provisions for tax-suspended reserves governing revaluation balances (paragraph 8) apply to this reserve. In this regard, please refer to the following paragraph 12.4" Income reserves: further information" of this Part B.

With regard to this special treatment, the 2022 Budget Law (Law 234 of 30 December 2021) extended the duration of tax amortisation from 18 to 50 years, without prejudice to the possibility of maintaining the initial duration of 18 years by paying the greater tax due for the ordinary redemption transactions or revoking the transaction in full with a refund of the substitute tax paid. As a consequence of these changes, Banca Generali derecognised the DTAs the reversal period of which exceeds the initial term of 18 years, for a total of 4.5 million euros.

The aforementioned operations thus led to:

- the **release of the deferred tax liabilities (DTLs)** for the accounting items deriving from taxable operations (purchase of business units) for which the off-balance sheet amortisation of the tax value has already been made, for an amount of 6.2 million euros;
- the recognition, based on the method indicated in the OIC document application no. 1 of February 2009[6], of **deferred tax assets (DTA)**, for the accounting items from **non-implementation operations (mergers)**, for an amount of 6.5 million euros against 10.9 million euros overall receivable for the transactions carried out;
- the allocation to profit and loss of the substitute tax paid and accrued for an amount of 4.0 million euros.

Substitute tax on realignments	-4,026
DTAs recognised on realigned goodwill	6,463
Reversal of DTLs on goodwill, trademarks and intangible assets	6,190
Economic impact of realignments	**8,627**

6 In particular, the OIC application document No. 1 of 27 February 2009 relating to the "Accounting treatment of substitute tax on the redemption of goodwill pursuant to Article 15, paragraph 10, of Decree-Law No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements according to IAS/IFRS" provided for 3 accounting treatment models based on different interpretations of IAS 12.

The table below provides detailed information on the items subject to realignment and to the tax regime applied.

REDEEMABLE ITEMS (€ THOUSAND)	REGULATORY FRAMEWORK	REDEMPTION RATE	AMORTISA-TION TAX	BOOK VALUE	TAX VALUE	REDEEMABLE VALUE	SUBSTITUTE TAX	RECOGNITION OF DTAS	DERECOGNI-TION OF DTLS	NET ECONOMIC BENEFIT
Prime Consult and INA SIM	Art. 110 of Decree Law No. 104/20	3%	18 years	2,991	-	2,991	-90	-	942	852
Credit Suisse Italy	Art. 110 of Decree Law No. 104/20	3%	18 years	27,433	19,559	7,874	-236	-	2,532	2,295
Taxable transactions (off-balance-sheet reduction)				**30,423**	**19,559**	**10,865**	**-326**	**-**	**3,474**	**3,148**
BG Fiduciaria SIM S.p.A.	Art. 110 of Decree Law No. 104/20	3%	18 years	4,289	4,289	-	-	-	-	-
Banca del Gottardo Italia (*)	Art. 110 of Decree Law No. 104/20	3%	18 years	31,352	9,406	21,946	-658	2,540	-	1,882
Tax-neutral transactions (redeemed)				**35,641**	**13,695**	**21,946**	**-658**	**2,540**	**-**	**1,882**
Total realignment operations (Decree "Sostegni Bis")				**66,065**	**33,253**	**32,811**	**-984**	**2,540**	**3,474**	**5,029**
Goodwill	Art. 15 of Leg. Decree 185/08	16.0%	5 years	12,202	-	12,202	-1,952	3,923	-	1,971
Trademark	Art. 15 of Decree Law No. 185/08	16.0%	5 years	330	-	330	-53	-	106	53
Client relationships	Art. 176, paragraph 3-*ter*	12.8%	15 years	8,119	-	8,119	-1,037	-	2,610	1,574
Total special and ordinary redemption operations				**20,650**	**-**	**20,650**	**-3,042**	**3,923**	**2,716**	**3,597**
Total realignment and redemption operations				**86,715**	**33,253**	**53,462**	**-4,026**	**6,463**	**6,190**	**8,627**

(*) DTAs recognised in the amount of 18/50.

10.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2021	PURSUANT TO LAW NO. 214/2011	31.12.2020	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**60,639**	**6,663**	**46,861**	**7,569**
Provisions for liabilities and contingencies	46,590	-	38,233	-
Write-downs of loans to customers before 2015, in instalments	1,980	1,980	2,358	2,358
Redeemed goodwill of former Banca del Gottardo (Art. 15, para. 10, of Decree Law 185/08)	2,631	2,631	2,933	2,933
Redeemed goodwill of former BG SGR (Art. 176, para. 2-*ter* of TUIR)	852	852	940	940
Goodwill of former BG Fiduciaria SIM (Art. 15, para. 10-*ter*, of Decree-Law No. 185/08)	1,200	1,200	1,338	1,338
Redeemed goodwill of former Nextam Partners (Art. 15, para. 10, of Decree Law 185/08)	3,923	-	-	-
Redeemed goodwill of former Banca del Gottardo (Art. 110 of Decree Law 104/21)	2,399	-	-	-
Collective write-downs (ECLs) on loans to customers and banks	381	-	327	-
Other	683	-	732	-
With impact on Net Equity	**1,030**	**-**	**760**	**-**
Measurement at fair value of HTCS financial assets	453	-	137	-
Actuarial losses (IAS 19) on post-employment benefits	577	-	623	-
Total	**61,669**	**6,663**	**47,621**	**7,569**

The 2015 Financial Stability Law (Law No. 305 of 28 December 2015) mandated a reduction in the ordinary IRES rate from 27.5% to 24% with effect from 1 January 2017. However, for the credit sector alone, a permanent IRES surtax of 3.5% was concurrently introduced, to be applied with effect from the same date, essentially with the aim of permitting the recovery of the very large volume of DTAs accumulated by the banking industry. In view of the combined effect of the two provisions, the DTAs/DTLs continue to be recognised for IRES purposes on the basis of a tax rate of 27.5%, inclusive of the credit sector surtax.

The DTAs eligible for conversion into tax credits pursuant to Law No. 214/2011 include:

a) assets associated with goodwill and other intangible assets subject to redemption in accordance with Article 10, paragraphs 10 and 10-ter, of Decree Law 185/08 and Article 176 paragraph 2-*ter* of TUIR, regarding redemption operations carried out before 2015; the DTAs accrued for realignments carried out in 2021 cannot be transformed;
b) assets related to adjustments on loans not deducted from taxes as at 31 December 2015, for which Decree Law No. 83/2015, by introducing a system of full deductibility of losses with effect from that year, had remodulated deductibility percentages according to a thorough the ten-year recovery scheme originally set, from 2016 to 2025, based on variable annual quotas.

The 2019 Budget Law (Law No. 145 of 30 December 2018) and the 2020 Budget Law (Law No. 160 of 30 December 2019) once again deferred the deduction of the goodwill and previous adjustments that had given rise to the recognition of deferred tax assets eligible for conversion into tax credits.

In detail, the 2019 Budget Law provided for:

> the remodulation of the deductibility of part of the goodwill and other intangible assets not deducted as at 31 December 2017 over a ten-year period, from 2019 to 2029, at different tax rates;
> the deferral until 2026 of the deduction of the portion of adjustments to loans not deducted as at 31 December 2015 that accrued in 2018, set by Decree Law No. 83/2015 at 10% as at 31 December 2026.

The 2020 Budget Law further amended this legal framework by introducing:

> the deferral until 2022 and the three subsequent years of the deduction of the portion of adjustments to loans not deducted as at 31 December 2015 that accrued in 2019 (originally set at 12%);
> the deferral until 2025 and the four subsequent years of the deduction of the portion of goodwill and other intangible assets, which gave rise to the recognition of deferred tax assets eligible for conversion into tax credits pursuant to Article 2, paragraphs 55-56-*ter*, of Legislative Decree No. 225/2010 (of which Law No. 214/2011) (originally set at 5%).

Accordingly, no DTAs eligible for conversion into tax credits were recovered in 2018 and 2019.

Finally, Law Decree No. 17 of 1 March 2022 provided for the deferral of the deductibility of 12% of the value adjustments for the tax period in progress on 31 December 2021, on a straight-line basis, to the tax period in progress on 31 December 2022 and the three following years.

By way of partial derogation from the mechanism of full deduction of adjustments from loans recognised as loans to customers, the 2019 Budget Law and the 2020 Stability Law introduced a mechanism for deferring income components resulting from the application of the expected credit loss (ECL) model recognised upon first-time adoption of IFRS 9. In particular, the 2018 Budget Law had established that such components were deductible in ten straight-line instalments over the tax periods from 2018 to 2027, whereas the 2020 budget law provided for the deferral until 2028 of the deduction of the portion accrued in 2019 relating to the first-time adoption of IFRS 9.

DTAs relating to the adjustments in question are not among those eligible for conversion into tax credits and amounted to 140 thousand euros at 31 December 2021.

10.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2021	31.12.2020
With impact on Profit and Loss Account	**3,518**	**9,232**
Off-balance sheet goodwill deduction	1,054	3,964
Intangible assets recognised after the merger of Nextam (not redeemed)	-	2,716
Termination indemnity (IAS 19)	152	152
Financial assets mandatorily measured at fair value through profit and loss (equity securities and policies)	472	418
FTA IFRS 15 – Prepayments for recruitment incentives	-	132
Retained earnings of subsidiaries (IAS 12, para. 38 40)	1,840	1,850
With impact on Net Equity	**1,738**	**3,461**
Measurement at fair value of HTCS financial assets	1,738	3,461
Total	**5,256**	**12,693**

The significant reduction in DTLs compared to the previous year was largely due to the realignment transactions carried out during the year and refers to the following accounting items:

> the fair value of customer relationships and trademarks recognised in the consolidated financial statements following the business combination involving the Nextam Partners Group in 2019 of 2,716 thousand euros;
> goodwill relating to the Prime group, fully deducted off-balance sheet over time, and the goodwill recognised in the acquisition of the former Credit Suisse business unit of 2,474 thousand euros.

The residual DTLs deriving from the FTA of IFRS 15 refer to costs for obtaining contracts and relating to ordinary recruitment incentives, taken to the profit and loss account in previous years and recognised as assets at 1 January 2018 (prepayments) and at year-end 2021 were totally recovered.

The DTLs relating to financial assets mandatorily measured at fair value refer to the revaluation of equity instruments and unit-linked policies, the tax relevance of which is deferred until realisation.

10.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2021	31.12.2020
1. Amount at year-start	**46,861**	**45,318**
2. Increases	**25,692**	**13,929**
2.1 Deferred tax assets recognised in the year:	19,229	13,726
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	19,229	13,726
2.2 New taxes or increases in tax rates	-	26
2.3 Other increases	6,463	177
of which:		
- *business combinations*	-	*177*
- *recognised for realignment operations*	*6,463*	-
3. Decreases	**11,914**	**12,386**
3.1 Deferred tax assets eliminated in the year:	11,865	11,850
a) transfers	11,644	11,391
b) write-downs for non-recoverability	2	280
c) change in accounting criteria	-	-
d) other	219	179
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	49	536
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	49	536
4. Amount at year-end	**60,639**	**46,861**

10.3-*bis* Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2021	31.12.2020
1. Amount at year-start	**7,569**	**8,107**
2. Increases	**-**	**-**
3. Decreases	**906**	**538**
3.1 Transfers	906	538
3.2 Conversion into tax credits:	-	-
a) due to losses for the year	-	-
b) due to tax losses	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**6,663**	**7,569**

10.4 Change in deferred tax liabilities (offsetting entry to the Profit and Loss Account)

	31.12.2021	31.12.2020
1. Amount at year-start	**9,232**	**4,832**
2. Increases	**2,530**	**5,424**
2.1 Deferred tax assets recognised in the year:	2,530	2,454
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	2,530	2,454
2.2 New taxes or increases in tax rates	-	315
2.3 Other increases	-	2,655
of which:		
- *business combinations*	-	2,655
3. Decreases	**8,244**	**1,024**
3.1 Deferred tax liabilities eliminated in the year	2,053	480
a) transfers	202	480
b) change in accounting criteria	-	-
c) other	1,851	-
3.2 Decreases in tax rates	-	86
3.3 Other decreases	6,191	458
of which:		
- *eliminated for realignment operations*	*6,190*	-
4. Amount at year-end	**3,518**	**9,232**

10.5 Changes in deferred tax assets (offsetting entry to the Net Equity)

	31.12.2021	31.12.2020
1. Amount at year-start	**760**	**809**
2. Increases	**1,457**	**565**
2.1 Deferred tax assets recognised in the year:	1,457	427
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,457	427
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	138
3. Decreases	**1,187**	**614**
3.1 Deferred tax liabilities eliminated in the year:	118	160
a) transfers	118	160
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	1,069	454
4. Amount at year-end	**1,030**	**760**

The item 3.3 “Other decreases” refers to the reduction in deferred tax assets following the re-absorption of deductible temporary differences as a result of reversals of assets in the HTCS portfolio.

10.6 Changes in deferred tax liabilities (offsetting entry to the Net Equity)

	31.12.2021	31.12.2020
1. Amount at year-start	**3,461**	**3,247**
2. Increases	**480**	**1,248**
2.1 Deferred tax assets recognised in the year:	480	1,248
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	480	1,248
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2,203**	**1,034**
3.1 Deferred tax liabilities eliminated in the year:	1,180	580
a) transfers	1,180	580
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	1,023	454
4. Amount at year-end	**1,738**	**3,461**

The item 3.3 “Other decreases” refers to the reduction in deferred tax liabilities following the re-absorption of deductible temporary differences as a result of higher value adjustments of assets in the HTCS portfolio.

Section 11 – Non-current assets available for sale and disposal groups and associated liabilities - Item 110 (Assets) and Item 70 (Liabilities)

11.1 Non-current assets held for sale and disposal groups: categories

	31.12.2021	31.12.2020
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	1,115	-
A.3 Property and equipment	-	-
of which:		
- *obtained through the enforcement of guarantees received*	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**1,115**	**-**
of which:		
- valued at cost	***1,115***	***-***
- measured at fair value level 1	***-***	***-***
- measured at fair value level 2	***-***	***-***
- measured at fair value level 3	***-***	***-***
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- HFT financial assets	-	-
- Financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
of which:		
- *obtained through the enforcement of guarantees received*	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	-	-
of which:		
- valued at cost	***-***	***-***
- measured at fair value level 1	***-***	***-***
- measured at fair value level 2	***-***	***-***
- measured at fair value level 3	***-***	***-***
C. Liabilities associated with assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
of which:		
- valued at cost	***-***	***-***
- measured at fair value level 1	***-***	***-***
- measured at fair value level 2	***-***	***-***
- measured at fair value level 3	***-***	***-***
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	-	-
of which:		
- valued at cost	***-***	***-***
- measured at fair value level 1	***-***	***-***
- measured at fair value level 2	***-***	***-***
- measured at fair value level 3	***-***	***-***

11.2 Non-current assets held for sale and disposal groups: other information

On 5 March 2021, Banca Generali's Board of Directors approved the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group.

After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on 20 January 2022. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate.

In accordance with IFRS 5, at 31 December 2021 the equity investment in the Company was reclassified to Item 110 of the balance sheet assets. Non-current assets available for sale and disposal group

Section 12 – Other assets - Item 120

12.1 Breakdown of other assets

	31.12.2021	31.12.2020
Fiscal items	**80,858**	**81,573**
Advances paid to fiscal authorities – current account withholdings	80	276
Advances paid to fiscal authorities – stamp duty	56,691	53,543
Advances of substitute tax on capital gains	22,297	24,637
Excess payment of substitute taxes for tax shield	-	634
Other advances paid to and sums due from fiscal authorities	457	2,245
Fiscal Authorities/VAT	88	88
Sums due from fiscal authorities for other taxes to be refunded	1,245	150
Leasehold improvements	**7,942**	**7,221**
Operating loans not related to financial transactions	**307**	**211**
Sundry advances to suppliers and employees	**1,987**	**2,924**
Cheques under processing	**8,634**	**9,499**
Money orders and other amounts receivable	8,634	9,499
Other amounts to be debited under processing	**34,852**	**52,534**
Amounts to be settled in the clearing house (debits)	2,285	2,702
Clearing accounts for securities and funds procedure	24,030	44,994
Other amounts to be debited under processing	8,537	4,838
Amounts receivable for legal disputes related to non-credit transactions	**109**	**127**
Trade receivables from customers and banks that cannot be traced back to specific items	**52,864**	**44,972**
Other amounts	**186,964**	**173,169**
Prepayments for the new supplementary fees for sales network	73,451	84,556
Prepayments of segregated asset management fees	-	4,789
Prepayments for ordinary incentives	93,031	69,255
Other accrued income and deferred charges that cannot be traced back to specific items	17,359	11,454
Term deposit to guarantee the consideration related to Nextam (escrow account)	3,000	3,000
Sundry amounts	123	115
Total	**374,517**	**372,230**

Receivables from fiscal authorities for withholdings on current accounts represent the positive imbalance between payments on account and the related payable to fiscal authorities.

Other assets include assets associated with the incremental costs of obtaining a contract or incurred to fulfil a contract with customers set out in IFRS 15, paragraphs 91-104.

Prepayments for the supplementary fees for sales network refer to incremental fee expense of acquiring new customers paid to new Financial Advisors within the framework of recruitment programmes and based on the achievement of specific net inflows targets.

Prepayments for ordinary incentives to the sales network constitute incremental costs of obtaining a contract or costs incurred to fulfil a contract and consist of fees paid annually to the existing sales network based on the achievement of net inflows targets, irrespective of whether they have been achieved by acquiring new customers or by strengthening relationships already in place with existing customers.

This latter class of assets includes a portion of incentives paid to the management in respect of the recruitment of new Financial Advisors, essentially based on net inflows targets and akin to recruitment incentives, subject to recognition upon FTA of IFRS 15.

Both categories of costs are systematically amortised over a time horizon corresponding to the transfer to the customer of the goods or services to which the asset refers, estimated to amount to five years.

Prepaid segregated portfolio fees refer to the up-front fees paid in 2017 to the sales network for the stabilisation of the LOB I insurance portfolio in post sales over a five-year time horizon.
The changes in the main prepaid expenses during the year are shown below.

	31.12.2020	AMORTISATION	OF WHICH RELATIVE TO THE PREVIOUS YEAR	INCREASES	OTHER CHANGES	31.12.2021
Supplementary fees	84,556	-41,418	-35,818	30,313	-	73,451
Ordinary incentives	69,255	-33,561	-21,642	59,598	-2,261	93,031
Up-front fees on segregated accounts	4,789	-4,758	-4,758	-	-31	-
Total network incentives	**158,600**	**-79,737**	**-62,218**	**89,911**	**-2,292**	**166,482**
Entry bonus on BG Solution portfolio management	5,740	-2,169	-1,899	4,144	-	7,715
Bonus on JPM funds	117	-104	-86	119	-	132
Total other acquisition costs	**5,857**	**-2,273**	**-1,985**	**4,263**	**-**	**7,847**
Total	**164,457**	**-82,010**	**-64,203**	**94,174**	**-2,292**	**174,329**

Other prepaid expenses include for 9,512 thousand euros prepaid expenses not accrued during the period and refer in particular to lease prepayments, insurance premiums and other general and administrative expenses.

PART B – INFORMATION ON THE STATEMENT OF FINANCIAL POSITION - LIABILITIES

Section 1 – Financial liabilities measured at amortised cost - Item 10

1.1 Financial liabilities measured at amortised cost: due to banks - categories

TYPE OF TRANSACTIONS/VALUES	31.12.2021 BOOK VALUE	31.12.2020 BOOK VALUE
1. Due to Central Banks	**690,725**	**497,361**
2. Due to banks	**128,009**	**100,768**
2.1 Current accounts and sight deposits	96,022	77,034
2.2 Term deposits	-	-
2.3 Loans	12,422	6,014
2.3.1 Repurchase agreements	11,752	6,014
2.3.2 Other	670	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Lease debts	-	-
2.6 Other debts	19,565	17,720
Total	**818,734**	**598,129**
Fair value – L1	-	-
Fair value – L2	818,734	598,129
Fair value – L3	-	-
Total – Fair value	**818,734**	**598,129**

The item “Other debts” almost entirely refers to deposits made by EFG Bank S.A. as a guarantee for some non-performing exposures, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

1.2 Financial liabilities measured at amortised cost: due to customers - categories

TYPE OF TRANSACTIONS/VALUES	31.12.2021 BOOK VALUE	31.12.2020 BOOK VALUE
1. Current accounts and sight deposits	13,283,649	10,511,304
2. Term deposits	-	-
3. Financing	7,441	144,937
3.1 Repurchase agreements	-	144,937
3.2 other	7,441	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Lease debts	151,856	143,791
6. Other debts	187,742	164,957
Total	**13,630,688**	**10,964,989**
Fair value – L1	-	-
Fair value – L2	13,630,688	10,964,989
Fair value – L3	-	-
Total – Fair value	**13,630,688**	**10,964,989**

Item 5 “Lease debts” includes the liability relating to lease payments determined on the basis of the IFRS 16 - Leases, which entered into force on 1 January 2019.

Item 6 “Other debts” refers for 18,230 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, and, for the remaining amount, to other sums made available to customers and trade payables to the sales network.

1.6 Lease debts

Lease debts recognised in the Financial Statements at 31 December 2021 amounted to 151,856 thousand euros.

The following table shows the maturity of these lease debts in accordance with paragraphs 53(g) and 58 of IFRS 16 – Leases:

RESIDUAL LEASE DEBTS – YEAR	AMOUNT
2022	18,027
2023	17,435
2024	16,992
2025	15,773
2026	15,225
2027	13,534
2028	12,171
2029	10,823
2030	9,790
2031	8,587
2032	8,100
2033	4,052
2034	526
2035	543
2036	278

Section 2 – Financial liabilities held for trading - Item 20

2.1 HFT financial liabilities: categories

	31.12.2021					31.12.2020				
		FV					FV			
TYPE OF TRANSACTIONS/VALUES	NV	L1	L2	L3	FV (*)	NV	L1	L2	L3	FV (*)
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	
B. Derivatives										
1. Financial		**-**	**4,551**	**-**	**-**		**-**	**1,551**	**-**	**-**
1.1 Trading	X	-	4,551	-	X	X	-	1,551	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit		**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**4,551**	**-**	**X**	**X**	**-**	**1,551**	**-**	**X**
Total (A + B)	**X**	**-**	**4,551**	**-**	**X**	**X**	**-**	**1,551**	**-**	**X**

(*) FV measured without taking account of issuer's creditworthiness changes compared to issue date.

HFT financial liabilities consist for 4,551 thousand euros of trading transactions relating to currency outrights with customers as counterparty. This item has its balancing entry in assets classified under Item 20.

Section 4 – Hedging derivatives - Item 40

In the second half of 2019, the Bank began to operate in asset swap derivatives, trading interest rate swaps to hedge debt securities, mostly Italian and foreign fixed-rate and index-linked government bonds allocated to the HTCS and HTC portfolios.

For each hedging derivative, a specific highly effective fair value hedging relationship is formed.

At year-end, the notional amounts of the hedging derivatives outstanding amounted to approximately 2,543.5 million euros, of which 310 million euros relating to the HTCS portfolio with a positive fair value of 11.4 million euros and a negative fair value of 167.3 million euros.

4.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

	31.12.2021 - FAIR VALUE				31.12.2020 - FAIR VALUE			
	L1	L2	L3	NOTIONAL VALUE	L1	L2	L3	NOTIONAL VALUE
A) Financial derivatives	**-**	**167,320**	**-**	**1,716,000**	**-**	**67,853**	**-**	**1,654,000**
1) Fair value	-	167,320	-	1,716,000	-	67,853	-	1,654,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**167,320**	**-**	**1,716,000**	**-**	**67,853**	**-**	**1,654,000**

4.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

	FAIR VALUE								CASH FLOWS		
	SPECIFIC										
HEDGING TRANSACTIONS/TYPE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND STOCK INDICES	CURREN-CIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVEST-MENTS
1. Financial assets measured at fair value through other comprehensive income	8,231	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	159,089	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**167,320**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**X**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax liabilities - Item 60

Section 10 (Assets) provides an analysis.

Section 8 – Other liabilities - Item 80

8.1 Breakdown of other liabilities

	31.12.2021	31.12.2020
Trade payables	**24,785**	**19,083**
Due to suppliers	24,048	18,646
Due for payments on behalf of third parties	737	437
Due to staff and social security institutions	**23,912**	**23,198**
Due to staff for accrued holidays etc.	3,615	4,078
Due to staff for productivity bonuses	12,718	12,156
Contributions to be paid to social security institutions	2,764	2,657
Contributions to Financial Advisors to be paid to Enasarco	4,815	4,307
Tax authorities	**30,146**	**30,208**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	6,674	6,044
Withholding taxes on investment return payable to tax authorities	5,496	4,655
Notes to be paid into collection services	16,528	15,707
VAT and other tax payables	1,448	3,802
Amounts to be debited under processing	**66,487**	**93,258**
Bank transfers, cheques and other sums payable	986	434
Amounts to be settled in the clearing house (credits)	21,306	23,098
Liabilities from reclassification of portfolio subject to collection (SBF)	6,956	5,986
Other amounts to be debited under processing	37,239	63,740
Sundry items	**90,135**	**10,514**
Amounts to be credited	2,454	1,820
Sundry items	1,344	813
Amounts due to shareholders for dividends for financial year 2020	80,874	-
Accrued expenses and deferred income	756	574
Sums made available to customers	206	1,573
Liabilities for deferred consideration (earn out) related to the acquisition of the Nextam Group	4,501	5,734
Total	**235,465**	**176,261**

The amount payable for the deferred consideration due to the selling shareholders of the Nextam Group was partially written off due to the settlement agreements reached with them in July 2021 and conditional on the finalisation of the sale of the majority interest in Nextam Partners SIM. On 20 January 2022, the date of disposal of the interest, a settlement amount of 2.2 million euros was therefore paid to the previous shareholders compared to 3.4 million euros initially established as earn-out, as the unpaid residual amounting to 1.2 million euros had been already recognised in provisions for contingencies. The agreements with the key managers remains valid and their employment relationship with the Bank continues.

Pursuant to paragraphs 116 a) and 116 b) of IFRS 15, it is reported that the item deferred income includes liabilities associated with contracts within the scope of application of IFRS 15 and relating to three-year up-front fees received in connection with the placement of certain classes of foreign UCITS.

Opening balance at 01.01.2021	**154**
Increases	217
Decreases due to the transfer to profit and loss	-138
of which:	
- *relating to prior years*	-112
Closing balance at 31.12.2021	**233**

Section 9 – Provisions for termination indemnity - Item 90

9.1 Provisions for termination indemnity: year changes

	31.12.2021	31.12.2020
A. Amount at year-start	4,870	4,681
B. Increases	7	894
B.1 Provisions for the year	7	23
B.2 Other changes	-	871
of which:		
- *business combinations*	-	371
C. Decreases	563	705
C.1 Amounts paid	380	678
C.2 Other changes	183	27
D. Amount at year-end	**4,314**	**4,870**

9.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.

The provision was measured based on the actuarial value using the methods described in Part. A.2 of these Notes and Comments.

The following are the main actuarial assumptions and the breakdown of the provision for the year and actuarial gains/(losses):

	31.12.2021	31.12.2020
Discount rate	0.49%	0.15%
Annual inflation rate	1.00%	0.70%
Salary increase rate	1.80%	1.80%
Average duration (years)	9	10

	31.12.2021	31.12.2020
1. Provisions:	7	23
- current service cost	-	-
- Interest cost	7	23
2. Actuarial gains and losses:	-168	500
- based on financial assumptions	-159	106
- based on actuarial demographic assumptions	-9	394
Total provisions for the year	**-161**	**523**
Actuarial value	**4,314**	**4,870**
Value calculated re. Article 2120 of the Italian Civil Code	**4,035**	**4,188**

Section 10 – Provisions for liabilities and contingencies - Item 100

10.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2021	31.12.2020
1. Provisions for credit risk relating to commitments and financial guarantees issued	43	124
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	-	-
4. Other provisions for liabilities and contingencies	223,333	183,324
4.1 Legal and tax disputes	24,114	15,564
4.2 Staff	17,969	15,575
4.3 Other	181,250	152,185
Total	**223,376**	**183,448**

Breakdown of other provisions for liabilities and contingencies

	31.12.2021	31.12.2020
Provision for staff expenses	**17,969**	**15,575**
Provision for restructuring plan	2,462	162
Provision for staff expenses – other	15,507	15,413
Provisions for legal disputes	**16,058**	**12,914**
Provision for risks related to legal disputes connected with sales network's embezzlements	9,968	7,940
Provision for risks related to legal disputes with sales network	961	644
Provision for other legal disputes	5,129	4,330
Provision for termination indemnity of Financial Advisors	**147,070**	**121,433**
Provision for termination indemnity of sales network	83,104	74,039
Provision for managerial development indemnity	12,020	12,190
Provision for portfolio overfee indemnities	7,845	4,477
Provision for pension bonuses	10,292	10,180
Provisions for Framework Loyalty Programme	33,809	20,547
Provisions for network incentives	**31,270**	**27,522**
Provision for network development plans	23,301	19,125
Provision for deferred bonus	59	474
Provision for managers with access gate	1,092	821
Provision for sales incentives	2,197	1,615
Provision for fees – travel incentives	3,700	4,500
Provision for fee plans	921	987
Provisions for tax and contributions/pension disputes	**8,056**	**2,650**
Other provisions for liabilities and contingencies	**2,910**	**3,230**
Total	**223,333**	**183,324**

10.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED	PROVISIONS FOR PENSIONS	OTHER PROVISIONS FOR LIABILITIES AND CONTINGENCIES	TOTAL
A. Amount at year-start	**124**	**-**	**183,324**	**183,448**
B. Increases	**-**	**-**	**75,841**	**75,841**
B.1 Provisions for the year	-	-	75,841	75,841
B.4 Other increases	-	-	-	-
of which:				
- *business combinations*	-	-	-	-
C. Decreases	**81**	**-**	**35,832**	**35,913**
C.1 Use in the year	-	-	26,296	26,296
C.3 Other decreases	81	-	9,536	9,617
D. Amount at year-end	**43**	**-**	**223,333**	**223,376**

Other provisions for liabilities and contingencies - details of movements

	31.12.2020	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2021
Provision for staff expenses	**15,575**	**-2,563**	**-1,712**	**-253**	**6,922**	**17,969**
Provision for restructuring plan	162	-	-	-	2,300	2,462
Provision for staff expenses - other	15,413	-2,563	-1,712	-253	4,622	15,507
Provisions for legal disputes	**12,914**	**-2,246**	**-661**	**-**	**6,051**	**16,058**
Provision for risks connected with sales network's embezzlements	7,940	-614	-110	-	2,752	9,968
Provision for risks related to legal disputes with sales network	644	-61	-221	-	599	961
Provision for other legal disputes	4,330	-1,571	-330	-	2,700	5,129
Provision for termination indemnity of Financial Advisors	**121,433**	**-2,320**	**-2,075**	**-2,359**	**32,391**	**147,070**
Provision for termination indemnity of sales network	74,039	-1,343	-1,828	-	12,236	83,104
Provision for managerial development indemnity	12,190	-682	-51	-2,359	2,922	12,020
Provision for portfolio overfee indemnities	4,477	-85	-68	-	3,521	7,845
Provision for pension bonuses	10,180	-210	-128	-	450	10,292
Provisions for risks for the Framework Loyalty Programme	20,547	-	-	-	13,262	33,809
Provisions for network incentives	**27,522**	**-17,699**	**-1,691**	**-**	**23,138**	**31,270**
Provision for network development plans	19,125	-11,698	-1,282	-	17,156	23,301
Provision for deferred bonus	474	-370	-53	-	8	59
Provision for managers with access gate	821	-284	-150	-	705	1,092
Provision for sales incentives	1,615	-118	-	-	700	2,197
Provision for fees - travel incentives	4,500	-4,500	-	-	3,700	3,700
Provision for fee plans	987	-729	-206	-	869	921
Provisions for tax and contributions/pension disputes	**2,650**	**-282**	**-**	**-**	**5,688**	**8,056**
Other provisions for liabilities and contingencies	**3,230**	**-1,186**	**-785**	**-**	**1,651**	**2,910**
Total	**183,324**	**-26,296**	**-6,924**	**-2,612**	**75,841**	**223,333**

The increase in provisions for contractual indemnities was attributable for approximately 2.5 million euros to the effect of the change in the curve of discount rates applied to them, measured according to an actuarial approach.

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
1. Commitments to disburse funds	-	-	-	**-**
2. Financial guarantees issued	33	10	-	**43**
Total	**33**	**10**	**-**	**43**

10.6 Provisions for liabilities and contingencies - other provisions

10.6.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

> the share of the variable compensation of managers of the Banking Group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration policy;
> allocations to the provision for the recruitment plans regarding new employed Relationship Managers (RMs), valued also based on the specific contractual conditions agreed upon and on the probability to achieve the net inflow targets set;
> allocations for post-employment medical benefits of Group's managers, valued using the actuarial method pursuant to IAS 19;
> the provision related to the performance bonus, if at the reporting date the company supplementary contract (CIA) has expired or has not been renewed yet.

The above-mentioned provisions have as their balancing entries staff expenses.

Provisions for staff expenses also include, to a lesser extent, provisions outside the scope of IAS 19 but for which IAS 37 applies and that have therefore as their balancing entries net provisions for liabilities and contingencies.

10.6.2 Restructuring provisions – Redundancy incentives plan

The voluntary redundancy plan covered by the specific company restructuring provision was launched at the end of 2015 to encourage the rotation of resources through incentives for voluntary departure for groups of employees nearest to retirement age and the filling of the resulting vacant positions with professional and/or managerial profiles more suited to the specific skills now required from a business standpoint.

On 17 December 2021, the Board of Directors extended the voluntary redundancy plan, allocating 2.3 million euros. At the end of the year, the residual amount was therefore 2,462 thousand euros.

10.6.3 Provisions for legal disputes

This type of provisions for risks includes provisions for pending litigations connected with sales network's embezzlements after insurance coverage, as well as those with disputes currently underway with the sales network and employees and other legal and extra-legal disputes with customers and other entities.

10.6.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity, the social-security bonus, the provisions associated with the Framework Loyalty Programme (approved by the General Shareholders' Meeting on 20 April 2017) and the provisions for manager development indemnity.

Provisions covering the cost of the **termination indemnity** of Financial Advisors with an agency agreement (IFR) is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments to the Consolidated Financial Statements for the year ended on 31 December 2021.

The expenses associated with obligations extant at year-end relating to Financial Advisors are valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

TERMINATION INDEMNITY	31.12.2021	31.12.2020
Discount ratee [7]	1.0%	1.1%
Turnover rate (professionals)	1.46%	1.71%
Average duration (years)	13 years	12 years
IAS 37 DBOs/Indemnity provision at the measurement date	67.01%	66.72%

The ratio of Deferred Benefit Obligations (DBOS) to nominal value of the accrued obligation towards Financial Advisors is given using the value of the provision after one-off deductions related to seniority.

The increase in the provision for termination indemnities accrued to Financial Advisors during the year was due not only to the significant increase in the fee base, but also the lower discount rates applied and the revision of the demographic parameters used, owing to the adjustment of the retirement age of Financial Advisors, identified on the most recent surveys conducted[8].

A specific measurement is made for Financial Advisors who have left service.

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.6 million euros, is still based on the payment criteria established by the previous employer and was recognised under provisions for risks. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The **portfolio development indemnity** is instead a contractual scheme (further details are provided in Part A.2 of the Notes and Comments of the Financial Statements as at 31 December 2021) that calls for Financial Advisors with at least five years of service who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reallocation of the latter.
The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.
Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the Bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

The "**pension bonus**" is a component of the sales network's indemnity plans, which entailed the yearly provision of an amount based on the achievement of pre-set sales objectives and to be paid only upon final termination for retirement or permanent disability. The actuarial method is used also for this type of evaluation. This incentive has been discontinued as of 2016, without prejudice to the rights acquired by the beneficiaries in previous years.

Within the framework of provisions for contractual indemnities, on 21 March 2017 the Board of Directors granted its final approval for a **Framework Loyalty Programme for the Sales Network** aimed at improving the retention of the Network and the customers acquired over time, and creating value for the Group by attracting stable, high-quality net inflows.
The Framework Loyalty Programme is divided into eight separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which may be activated from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.
The individual plans of the Framework Loyalty Programme for the Sales Network will all expire on 31 December 2026, after decreasing lengths, and each will allow part of the bonus to be paid in cash and part in shares of Banca Generali (max 50%), after having assessed their effects at the level of capital ratios and free float. The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.
2021 saw the launch of the fifth annual cycle (2021-2026).

Provisions for contractual indemnities refer also to the charge relating to the managerial development indemnity mechanism, approved by the Board of Directors in June 2018 and intended to ensure fair treatment of all network managers in the event of dismissal from their additional roles.

7 The discount rate was determined on the basis of an average EURIRS curve for the last four quarters, increased linearly by the spread between the EURIRS rate and 10-year BTP.
The rate represented is the rate that corresponds to the average duration of the relevant liabilities, 13 years.
8 In particular, on the basis of observations of the average retirement age over a 5-year time horizon, the estimated age for Financial Advisors was raised to about 70, an increase of two years over the estimate based on the legal parameters.

10.6.5 Provisions for sales network incentives

This aggregate includes:

> the estimate of the charges accrued in relation with several recruitment plans for middle-term expansion of managed portfolios. These plans envisage different kinds of incentives (entry bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow target and the presence in the company for one or more years (up to 5 or 7 years);
> the share of network managers' annual incentives deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration Policy;
> provisions for incentive plans based on the network's performance for the period, including the BG Premier Club trip and other special fee plans (supplementary allowances, stabilisers, target-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuous service on the network or the achievement of sales targets.

10.6.6 Tax dispute

In the tax dispute, two distinct tax audits are being conducted by the Italian Revenue Agency for tax period 2014 and, as limited to 2015, also by the Trieste Economic and Financial Police Unit of the Italian Finance Police, concerning financial year 2015 and following.

The tax audit relating to 2014, launched in March 2017 by the Italian Revenue Agency – Friuli-Venezia Giulia Regional Department, has thus far resulted in the issuance of two Report on Findings (PVC), the first of which on 22 December 2017, primarily containing charges relating to accrual and pertinence of costs, and the second on 29 June 2018, relating to transfer pricing violations.
The time limit for the assessment relating to the year 2014 is pending to date, following the extension granted pursuant to Article 1, paragraph 9, of Decree-Law No. 119 of 23 October 2018.
In November 2019, discussions were also begun with the Large Business Taxpayers Office of the above Department regarding a ruling granted by the Luxembourg Tax Authority to the Luxembourg subsidiary BGFML in 2008, obtained by it via the international administrative cooperation procedure.
Furthermore, with regard to a report of irregularities contained in the 2017 Report on Findings, an assessment notice was issued for the 2015 tax period in a modest amount relating to alleged non-deductibility of costs, but only served on the Bank on 24 February 2022, as a result of the pandemic rules introduced in 2020 in response to the pandemic.
On 4 March 2020, the Trieste Economic and Financial Police Unit of the Italian Finance Police began an audit of VAT, direct taxes and other taxes focusing on "relations with foreign subsidiaries" and concerning all years open for tax purposes, from 2015 to 2020, inclusive.
However, the control activity was significantly influenced by the Covid-19 emergency and was therefore immediately suspended in March 2020, to be resumed in July and then suspended again from October 2020 to November 2021.
On 9 December 2021, the Bank was thus served with an initial Report on Findings concerning 2015 and 2016, focused on disputing the Luxembourg ruling and the transfer pricing method for relations with BGFML adopted by the Bank and subject to disclosure within the framework of the national documentation.
This Report on Findings also contained a recalculation of 2014 taxable income that was not subject to audit by the Economic and Finance Police Unit. The audit continues in relation to subsequent tax periods.

The issuance of the Report on Findings (the so-called PVC) by the Economic and Finance Police Unit also marked the resumption of the assessment process by the Italian Revenue Agency, which on 24 November served an invitation to appear to begin the process leading up to a verification with acceptance procedure for the tax period 2014.
In that document, the Revenue Agency also redetermined the amount of taxes due for the tax period 2014 claiming the taxable income to be about 90.4 million euros higher, of which 86.8 million euros regarding objected transfer pricing, as per the above-mentioned Finance Police's PVC, and 3.6 million arising mostly on the 2017 PVC itself.
In December and in the first two months of 2022, various exchanges thus took place with the Large Business Taxpayers Office to reach a solution to the tax dispute, the outcome of which is currently still under evaluation.
Despite having stressed the correctness of its actions in all venues and deeming the Revenue Agency's claims unfounded, Banca Generali decided to recognise a further prudential provision to cover the claims of 5 million euros, bringing the total provisioned for this tax dispute to approximately 7.6 million euros. The Bank reserves, in any way, the right to dispute any assessment notices based on the alleged irregularities identified in the Report on Findings, through both administrative and judicial process.

10.6.7 Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include provisions for operating risks.

Section 12 – Company net equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 Breakdown of share capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
Share capital				
- ordinary shares	1	116,851,637	116,851,637	116,852
Treasury shares				
- ordinary shares	1	-2,219,469	-2,219,469	-64,822
		114,632,168	**114,632,168**	**52,030**

12.2 Share capital - Number of shares: year changes

ITEMS/TYPES	ORDINARY	OTHER
A. Existing shares at year-start	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-
A.1 Treasury shares (-)	-1,767,676	-
A.2 Outstanding shares: at year-start	**115,083,961**	**-**
B. Increases	248,207	-
B.1 Newly issued shares		
- against payment:	-	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrants	-	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	248,207	-
B.3 Other changes	-	-
C. Decreases	**-700,000**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-700,000	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**114,632,168**	**-**
D.1 Treasury shares (+)	2,219,469	-
D.2 Existing shares at year-end	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-

12.3 Share capital: further information

At the reporting date, the share capital of the Bank consisted of 116,851,637 ordinary shares of 1 euro each, with regular dividend entitlement, and was fully paid up.

12.4 Earnings reserves: further information

	31.12.2020	PROFIT ALLOCATION DIVIDEND DISTRIBUTION	PURCHASE/ SALE OF TREASURY SHARES	ISSUE OF NEW SHARES	IFRS 2 CHARGES	OTHER CHANGES	31.12.2021
Legal reserve	23,370	-	-	-	-	-	23,370
Restricted reserve for shares of the Parent Company	883	-	-	-	-	268	1,151
Merger surplus reserve BG SGR	3,853	-	-	-	-	-	3,853
Merger surplus reserve – BG Fiduciaria	10,901	-	-	-	-	-	10,901
Merger deficit reserve – Nextam S.p.A.	-802	-	-	-	-	-	-802
Reserves for IFRS 9 and IFRS 15 FTA	4,768	-	-	-	-	-	4,768
Share-based payments reserve (IFRS 2) – plans ended	507	-	-	-	-	-	507
IFRS 2 reserves – LTI plans based on BG shares	3,601	-	-1,771	-	1,839	-	3,669
IFRS 2 reserves – LTIP cycles ended	10,550	-	-	-	-	-	10,550
IFRS 2 reserve – Key personnel remuneration	4,116	-	-3,351	-	4,274	-	5,039
IFRS 2 reserve – 2019-2021 share plan	218	-	-	-	171	-	389
IFRS 2 reserve – Framework Loyalty Programme	2,652	-	-	-	2,770	-	5,422
Reserve for AT1 BG Perpetual coupon	-1,631	-	-	-	-	-1,632	-3,263
Restricted reserve re. Art. 6, para. c.1 (a), of Leg. Decree No. 38/2005	3,643	-	-	-	-	-1,581	2,062
Reserve from profit (loss) carried forward	529,154	-96,403	-	-	-	7,374	440,125
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	3,710
Total	**599,493**	**-96,403**	**-5,122**	**-**	**9,054**	**4,429**	**511,451**

Realignment operations - Placement of a tax restriction on a portion of the Reserve from net profit carried forward

With regard to the realignment carried out pursuant to Article 110 of Legislative Decree 104/2021, as explained in Section 10 - Tax assets and liabilities, finalising the election also requires, on pain of inefficacy of the election, that a tax restriction be placed on a portion of reserves in the financial statements at 31 December 2020, in an amount corresponding to the higher values subject to realignment, net of the substitute tax (Article 110, paragraph 8).
The rules governing tax-suspended reserves for revaluation balances apply to the portion of the income reserve from net profit carried forward subject to this restriction. In particular, in the event of distribution of the reserve, the amounts allocated to shareholders form the taxable income of the company, which is entitled to a tax credit equal to the 3% substitute tax paid, and of the shareholders.

In addition, as stated by the Italian Agency of Revenue in its response 539 of 9 August 2021 and the recent Circular 6/E of 1 March 2022, the restriction may be placed on both net profit reserves and capital reserves, provided that they exist as at 31 December 2020. Furthermore, if the election is made after the date of approval of the financial statements as at 31 December 2020, on proposal of the Board of Directors the Shareholders' Meeting is required to identify the reserves already present and available as at that date and propose that the aforementioned restriction be placed on them at the next available session, i.e. that called to approve the 2021 financial statements.

The reserve to be subject to restriction was 31,827 thousand euros on accounting differences subject to realignment of 32,811 thousand euros and tax due of 984 thousand euros. Accordingly, the reserve for net profit carried forward was identified to apply the above restriction; as at 31 December 2021 the reserve had a balance of 440,125 thousand euros.

TAX-SUSPENDED RESERVE ART. 104 PARA. 8 OF LEGISLATIVE DECREE 104/2021

Accounting differences subject to realignment	32,811,223
Substitute tax due	-984,337
Portion of reserve for net profits carried forward subject to restriction	**31,826,886**

Now, therefore, the Shareholders' Meeting of 21 April 2022, when resolving on the approval of the 2021 Financial Statements, will also be called on to ratify the Company's actions and apply a total restriction of 31,827 thousand euros to a corresponding portion of the reserve for net profit carried forward.

12.4.1 Disclosure pursuant to Article 2427, paragraph 7-*bis*, of the Italian Civil Code

As required by Article 2427, paragraph 7-*bis*, of the Italian Civil Code, the table contains an analytical illustration of net equity items, including an indication of their origins, possible draw-downs and distribution, as well as draw-downs made during previous years.

	31.12.2021	POSSIBLE DRAW-DOWNS [1]	RESTRICTED PORTION	UNRESTRICTED PORTION	DISTRIBUTABLE PORTION	DRAW-DOWNS 2021-2020 DIVIDENDS	DRAW-DOWNS 2021-2020 LOSSES
Share capital	**116,852**	**-**	**116,852**	**-**	**-**	**-**	**-**
Treasury shares	**-64,822**	**-**	**-64,822**	**-**	**-**	**-**	**-**
Share premium reserve	**55,866**	**A, B, C [3]**	**-**	**55,866**	**-**	**-**	**-**
Equity instruments	**50,000**	**-**	**50,000**	**-**	**-**	**-**	**-**
Reserves	**511,451**	**-**	**3,213**	**512,303**	**474,414**	**-92,780**	**-**
Legal reserve	23,370	B [4]	-	23,370	-	-	-
Restricted reserve for shares of the Parent Company	1,151	B	1,151	-	-	-	-
Merger surplus reserve – BG SGR	3,853	A, B, C	-	3,853	3,853	-	-
Merger surplus reserve – BG Fiduciaria	10,901	A, B, C	-	10,901	10,901	-	-
Merger deficit reserve – Nextam S.p.A.	-802	-	-	-	-	-	-
Reserve for AT1 BG Perpetual coupon	-3,263	-	-	-	-	-3,623	-
Share-based payments reserve (IFRS 2) – plans ended	507	A, B, C	-	507	507	-	-
IFRS 2 reserves – LTIP cycles based on BG shares	3,669	A [5]	-	3,669	-	-	-
IFRS 2 reserves – LTIP cycles ended [6]		A, B, C	-	10,550	10,550	-	-
IFRS 2 reserve – Group key personnel remuneration	5,039	A [5]	-	5,039	-	-	-
IFRS 2 reserve – 2019-2021 share plan	220	A [5]	-	389	-	-	-
IFRS 2 reserve - Framework Loyalty Programme	5,422	A [5]	-	5,422	-	-	-
Restricted reserve pursuant to Article 6, para. 1(a), of Leg. Decree No. 38/2005	2,062	-	2,062	-	-	-	-
Reserve from profit (loss) carried forward	440,125	A, B, C	-	440,125	440,125	-96,403	-
Equity reserve from the transfer of the funds business unit	3,710	A, B, C	-	3,710	3,710	-	-
FTA reserve	4,768	-	-	4,768	4,768	-	-
Valuation reserves [2]	**-384**	**-**	**-384**	**-**	**-**	**-**	**-**
Reserve from valuation of actuarial gains and losses	-2,240	-	-2,240	-	-	-	-
Reserve from valuation of HTCS financial assets	1,856	-	1,856	-	-	-	-
Net profit (loss) for the year	**342,247**	**A, B, C**	**-**	**342,247**	**342,247**	**X**	**X**
Net equity for accounting purposes	**1,011,210**		**104,859**	**910,416**	**816,661**	**-**	**-**

(1) Availability refers to possible draw-downs for:
A – capital increase; B – replenishment of losses; C – distribution to shareholders
(2) Restricted reserve pursuant to Article 6 of Legislative Decree No. 38/2005.
(3) May not be distributed until the legal reserve has reached 1/5th of share capital (Article 2431 of Italian Civil Code).
(4) Draw-downs for capital increases and distributions may be effected exclusively for portion exceeding 1/5th of share capital (Article 2430 of the Italian Civil Code).
(5) The reserve can only be used for stock option plans.
(6) This reserve shows the increase in capital ensuing from share-based payments to employees and Directors through assignment of shares of the parent company Assicurazioni Generali S.p.A.

Pursuant to Article 2427, paragraph 1- 22-septies of the Italian Civil Code, 2021 net profit will be distributed as follows:
- 227,861 thousand euros as dividend distributed to Shareholders.
- - 114,386 thousand euros to retained earnings;

12.5 Breakdown of equity instruments: year changes

On 23 December 2019, Banca Generali finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros that under IAS 32 is considered an equity instrument and meets the requirements under regulatory capital rules in force for being recognised as Additional Tier 1 instrument in the Issuer's financial statements.

The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer's sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent supervisory authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years.

(€ THOUSAND)	31.12.2021	31.12.2020
Amount at year-start	**50,000**	**50,000**
Issue-related increases	-	-
Decreases for reimbursements	-	-
Amount at year-end	**50,000**	**50,000**

PART B – INFORMATION ON THE BALANCE SHEET

Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

TRANSACTIONS	NOMINAL VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED					
	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	31.12.2021	31.12.2020
1. Commitments to disburse funds	**453**	**-**	**-**	**-**	**453**	**68**
a) Central Banks	-	-	-	-	-	-
b) Public administration bodies	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	300	-	-	-	300	-
e) Non-financial companies	-	-	-	-	-	-
f) Households	153	-	-	-	153	68
2. Financial guarantees issued	**64,564**	**1,937**	**-**	**-**	**66,501**	**78,144**
a) Central Banks	-	-	-	-	-	-
b) Public administration bodies	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	9,682	2	-	-	9,684	8,809
e) Non-financial companies	22,049	70	-	-	22,119	29,197
f) Households	32,833	1,865	-	-	34,698	40,138
Total	**65,017**	**1,937**	**-**	**-**	**66,954**	**78,212**

Loan commitments include commitments subject to mandatory and optional use towards customers and refer to irrevocable lines of credit already granted.
Items 2 c) and 2 d) also include assets pledged as collateral of third-party bonds consisting of the Default Fund contributed to cover possible losses of defaulted operators within the collateralised interbank market and transactions concerning customers' securities and derivatives.

2. Other commitments and other guarantees issued

TRANSACTIONS	NOMINAL VALUE	
	31.12.2021	31.12.2020
1. Other guarantees issued	**313**	**31**
of which:		
- *non-performing*	*313*	*31*
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
e Non-financial companies	193	31
f) Households	120	-
2. Other commitments	**114,803**	**3,612**
of which:		
- *non-performing*	-	-
a) Central Banks	-	
b) Public administration bodies	-	-
c) Banks	-	113
d) Other financial companies	112,000	300
e) Non-financial companies	2,803	3,199
f) Households	-	-
Total	**115,116**	**3,643**

Other commitments to financial companies referred solely to Banca Generali's commitment to pay the value of the 12 units of the Forward Fund, already subscribed but not yet called up by its management company.

A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in "Part E – Information on Risks and Risk Hedging Policies, Section 1 "Credit Risk", Subsection D "Sale transactions", paragraph C "Financial assets sold and fully derecognised".

3. Assets pledged as collateral for own liabilities and commitments

	31.12.2021				31.12.2020			
PORTFOLIOS	REPURCHASE AGREEMENTS	ECB	CC&G + OTHER	TOTAL	REPURCHASE AGREEMENTS	ECB	CC&G + OTHER	TOTAL
1. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	29,582	-	-	29,582
3. Financial assets measured at amortised cost	12,227	1,004,956	204,435	1,221,618	118,067	784,715	155,023	1,057,805
4. Property and equipment	-	-	-	-	-	-	-	-
of which:								
- *tangible assets constituting inventories*	-	-	-	-	-	-	-	-
Total	**12,227**	**1,004,956**	**204,435**	**1,221,618**	**147,649**	**784,715**	**155,023**	**1,087,387**

Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di Compensazione e Garanzia, Eurex, Euroclear and ETD for ordinary operations.

4. Management and trading of financial instruments on behalf of third parties

TYPE OF SERVICE	31.12.2021	31.12.2020
1. Execution of orders on behalf of customers	**26,691,922**	**24,242,501**
a) Purchases	13,839,190	12,688,723
1. Settled	13,772,532	12,671,989
2. To be settled	66,658	16,734
b) Sales	12,852,732	11,553,778
1. Settled	12,799,889	11,538,552
2. To be settled	52,843	15,226
2. Individual portfolio management	**7,785,822**	**7,231,828**
3. Custody and administration of securities	**41,151,192**	**49,050,916**
a) Third-party securities held in deposit: related to services provided as depository bank (excluding portfolio management)	-	-
1. Securities issued by the bank that prepares the financial statements	-	-
2. Other	-	-
b) Third-party securities held in deposit (excluding portfolio management): other	15,407,705	20,090,206
1. Securities issued by the bank that prepares the financial statements	14,861	14,826
2. Other	15,392,844	20,075,380
c) Third-party securities deposited with third parties	15,342,158	20,043,443
d) Portfolio securities deposited with third parties	10,401,329	8,917,267
4. Other transactions	**-**	**-**

Securities under custody and administration are recognised at nominal value.

5. Financial assets offset in the financial statements or falling within the scope of master netting agreements or similar agreements

TECHNICAL TYPES	GROSS AMOUNT OF FINANCIAL ASSETS	AMOUNT OF FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNTS NOT OFFSET IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2021 (F = C - D - E)	NET AMOUNT AT 31.12.2020
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	-	-	-	-	-	-	1,533
2. Repurchase agreements	199,805	-	199,805	199,493	-	312	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2021	**199,05**	**-**	**199,805**	**199,493**	**-**	**312**	**X**
Total at 31.12.2020	**162,40**	**-**	**162,440**	**160,907**	**-**	**X**	**1,533**

6. Financial liabilities offset in the financial statements or falling within the scope of master netting arrangements or similar agreements

TECHNICAL TYPES	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	AMOUNT OF FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS (B)	NET AMOUNT OF FINANCIAL LIABILITIES RECOGNISED IN THE FINANCIAL STATEMENTS (C = A - B)	CORRELATED AMOUNTS NOT OFFSET IN THE FINANCIAL STATEMENTS		NET AMOUNT AT 31.12.2021 (F = C - D - E)	NET AMOUNT AT 31.12.2020
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	146,873	-	146,873	-	144,820	2,053	-1,185
2. Repurchase agreements	11,752	-	11,752	11,752	-	-	-3,087
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2021	**158,625**	**-**	**158,625**	**11,752**	**144,820**	**2,053**	**X**
Total at 31.12.2020	**186,189**	**-**	**186,189**	**152,484**	**37,977**	**X**	**-4,272**

IFRS 7 requires a detailed disclosure on financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or financial instruments that can be potentially set off, under certain conditions, but have been recognised in the Balance Sheet without any offsetting as they fall within the scope of master netting arrangements of similar agreements that do not meet all the requirements under IAS 32 paragraph 42.

In this regard, it should be noted that Banca Generali has not entered into any netting arrangements that meet the requirements of IAS 32.42 on offsetting in the financial statements.
With reference to financial instruments that can be potentially set off under certain conditions, it should be noted that, as far as repurchase agreements (REPO) are concerned, Banca Generali currently participates in the MTS S.p.A. Repo market through a Clearing Agreement with Cassa Compensazione e Garanzia (CC&G) concerning the centralised management of transaction clearing.
With reference to financial instruments that can be potentially set off under certain conditions, Banca Generali entered into bilateral netting arrangements that enable offsetting of credit and debt positions related to financial and credit derivatives in case of default of the counterparty, as well as into transactions such as Securities Financing Transactions (SFTs). In detail, ISDA (International Swaps and Derivatives Association) agreements and GMRAs (Global Market Purchase Agreements) are in place. As regard REPOs with banks, Banca Generali has in place master netting arrangements that enable offsetting of credit and debt positions in case of default of the counterparty and compliant with international standards (Global Master Repurchase Agreement – GMRA). Such transactions are also covered by GMRA-compliant financial guarantee agreements, envisaging the bilateral exchange of collaterals in cash and/or government bonds. These agreements, in the case of repurchase agreements, mitigate the liquidity risk by offsetting the debt to the counterparty up to the fair value of the collateral.
In the table, repurchase agreements are measured at amortised cost, whereas financial instruments used as collateral are measured at fair value up to the amount of the guaranteed liability.
Banca Generali has entered into International Swap and Derivatives Association (ISDA) master netting arrangements as its main technique for mitigating the credit risk and the related impacts on fair value associated with OTC derivatives contracts with institutional counterparties. These arrangements as well envisage the bilateral exchange of cash collateral. These arrangements reduce the capital absorbed by such derivatives contracts, in accordance with the conditions established in supervisory regulations. The ISDA master netting arrangements entered into with the main institutional counterparties to OTC derivatives have been appropriately reported to the Bank of Italy.

Banca Generali joined Eurex through the clearing broker Banca Intesa for the clearing of derivatives such as interest rate swaps subject to clearing obligations through the clearing house.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	2021	2020
1. Financial assets measured at fair value through profit or loss	**99**	**-**	**-**	**99**	**61**
1.1 HFT financial assets	1	-	-	1	4
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	98	-	-	98	57
2. Financial assets measured at fair value through other comprehensive income	**1,083**	**-**	**X**	**1,083**	**-1,028**
3. Financial assets measured at amortised cost	**67,109**	**24,515**	**X**	**91,624**	**85,133**
3.1 Loans to banks	5,632	31	X	5,663	4,376
3.2 Loans to customers	61,477	24,484	X	85,961	80,757
4. Hedging derivatives	X	X	**-10,957**	**-10,957**	**5,370**
5. Other assets	X	X	**8**	**8**	**-**
6. Financial liabilities	X	X	X	**10,682**	**6,540**
Total	**68,291**	**24,515**	**-10,949**	**92,539**	**96,076**
of which:					
- *interest income on impaired financial assets*	-	*441*	-	*441*	*455*

By convention, interest on “Financial liabilities” includes the negative interest expense accrued on funding transactions, as broken down in the following table.

Breakdown of negative interest expense

	2021	2020
Interest income on bank deposits and current accounts	33	109
TLTRO	6,636	2,756
Repurchase agreements with banks	161	292
Repurchase agreements with customers	295	628
Interest income on customer deposit and current accounts	3,557	2,755
Total interest income on financial liabilities	**10,682**	**6,540**

1.2 Interest income and similar revenues: further information

1.2 Interest income on financial assets in foreign currencies

	2021	2020
Interest income on financial assets in foreign currencies	119	181
Total	**119**	**181**

1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	2021	2020
1. Financial liabilities measured at amortised cost	**4,437**	**-**	**-**	**4,437**	**4,827**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	511	X	X	511	694
1.3 Due to customers	3,926	X	X	3,926	4,133
1.4 Securities issued	X	-	X	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and funds	**X**	**X**	**-**	**-**	**-**
5. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
6. Financial assets	**X**	**X**	**X**	**4,071**	**1,169**
Total	**4,437**	**-**	**-**	**8,508**	**5,996**
of which:					
- interest expense relating to lease debts	*3,277*	*X*	*X*	*3,277*	*3,396*

The Item 1.3 "Financial liabilities measured at amortised cost – Due to customers" includes a 3.3 million euro interest accrued on lease payment debts calculated in accordance with the provisions of IFRS 16.
By convention, interest on "Financial assets" includes the negative interest income accrued on lending transactions, as broken down in the following table.

Breakdown of negative interest income

	2021	2020
Interest expense on deposits with the ECB	2,729	410
Interest expense on deposits with banks	873	587
Repurchase agreements with banks	443	91
Repurchase agreements with customers	18	27
Interest expense on customer deposits	8	54
Total	**4,071**	**1,169**

1.4 Interest expense and similar charges: further information

1.4.1 Interest expense on liabilities in foreign currencies

	2021	2020
Interest expense on liabilities in foreign currencies	66	223
Total	**66**	**223**

1.5 Hedging differentials

ITEMS	2021	2020
A. Hedging gains	46,413	40,282
B. Hedging losses	57,370	34,912
C. Total (A – B)	**-10,957**	**5,370**

Hedging differentials refer to interest-rate swaps (IRSs) and inflation IRSs entered into in relation to fair-value hedging transactions for fixed-rate or inflation-linked debt securities.
The balance includes 4,305 thousand euros attributable to the hedging of debt securities classified to the portfolio of financial assets measured at amortised cost (3,595 thousand euros in 2020), with the remainder referring to debt securities classified to the portfolio of financial assets measured at fair value through other comprehensive income.

Section 2 – Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	2021	2020
a) Financial instruments	**412,630**	**326,961**
1. Placement of securities	**295,042**	**226,188**
1.1 With direct underwriting and/or a firm commitment	1,419	3,110
1.2 Without a firm commitment	293,623	223,078
2. Receipt and transmission of orders and execution of orders on customers' behalf	**34,344**	**28,368**
2.1 Receipt and transmission of orders for one or more financial instruments	10,633	8,635
2.2 Execution of orders on customers' behalf	23,711	19,733
3. Other fees related to activities linked to financial instruments	**83,244**	**72,405**
of which:		
- *trading for own account*		-
- *individual portfolio management*	*83,244*	*72,405*
b) Corporate finance	-	-
1. Consultancy on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees related to corporate finance services	-	-
c) Investment advisory	**42,332**	**32,634**
d) Offsetting and settlement services	**-**	**-**
e) Custody and administration services	**406**	**377**
1. Depository Bank	-	-
2. Other fees related to custody and administration services	406	377
f) Centralised administration services for collective portfolio management	-	-
g) Trust services	-	-
h) Payment services	**9,308**	**6,152**
1. Current accounts	4,927	1,935
2. Credit cards	-	-
3. Debit cards and other payment cards	288	302
4. Bank transfers and other payment services	1,328	1,266
5. Other fees linked to payment services	2,765	2,649
i) Distribution of third-party services	**272,712**	**251,201**
1. Collective portfolio management	1,067	872
2. Insurance products	268,180	247,969
3. Other products	3,465	2,360
of which:		
- *individual portfolio management*	*41*	*27*
- *BG SAXO services*	*2,766*	*1,629*
j) Structured finance	**-**	**-**
k) Servicing related to securitisations	**-**	**-**
l) Commitments to disburse funds	**-**	**-**
m) Financial guarantees issued	**432**	**478**
of which:		
- *credit derivatives*	-	-
n) Financing transactions	-	-
of which:		
- *factoring-related services*	-	-
o) Currency trading	-	-
p) Goods	-	-
q) Other fee income	**2,686**	**2,502**
of which:		
- *management of multilateral trading facilities*	-	-
- *management of organised trading facilities*	-	-
Total	**740,506**	**620,305**

Table 2.1 relating to the breakdown of fee income includes revenues arising from financial services falling within the scope of IFRS 15, broken down by type of service rendered. With reference to the provisions of IFRS 15 paragraph 113, fee income may be further divided into the following four categories:

(€ THOUSAND)	2021	2020
Underwriting fees	42,124	30,957
Management fees	604,781	516,545
Performance fees	1,326	663
Other fees for banking and financial services	92,275	72,140
Total fee income	**740,506**	**620,305**

Underwriting, management and performance fees refer, in particular, to individual (discretionary) and collective (Sicavs promoted by the Banking Group) portfolio management, placement of securities and distribution of third-party services.

Fees for BG SAXO services refer to the offering to the Bank's customers of the trading and order collection services rendered by BG SAXO SIM S.p.A. They were classified under banking products.

	UNDERWRITING FEES	MANAGEMENT FEES	PERFORMANCE FEES	OTHER	2021	2020
Individual portfolio management	-1,352	83,270	1,326	-	83,244	72,405
Placement of Group's UCITS	7,552	125,636	-	-	133,188	106,462
Placement of UCITS	7,757	129,591	-	-	137,348	102,194
Placement of securities and certificates	24,506	-	-	-	24,506	17,532
Distribution of third-party services	3,661	266,284	-	-	269,945	249,572
Other services and banking products	-	-	-	92,275	92,275	72,140
Total fee income	**42,124**	**604,781**	**1,326**	**92,275**	**740,506**	**620,305**

Underwriting fees refer to the support provided by the Bank's sales network to customers for the purchase of financial products and services and their useful lives end when the products and services concerned are subscribed. In particular, the item includes the distribution and private placement of certificates.

Variable performance fees refer to Banca Generali's individual portfolio management and advisory activities.

Management fees refer to:
> discretionary management of financial assets on behalf of customers according to the conditions specified in individual mandates, accruing on a quarterly basis;
> collective management of the assets of the Sicavs managed by the Banking Group's management company (Lux IM Sicav, BG Selection Sicav and BG Alternative Sicav) on the basis of the conditions established for each sub-fund in the relevant prospectuses, accruing on a monthly basis;
> the ongoing customer support activity carried out by the Financial Advisor network with regard to the placement of units of third-party UCITS and the distribution of insurance products.

Finally, fees on other services include revenues on traditional banking services (custody and trading of financial instruments, collection and payment services, current account keeping and management services, etc.) and advisory fees, mostly consisting of recurring fees.

Fee revenues consist solely of short-term items, normally collected on a monthly or quarterly basis and therefore do not include a component of a financial nature relating to the passage of time.

In reference to IFRS 15, paragraph 116 b), fee income on the placement of securities includes revenues of 112 thousand euros on the recycling to the profit and loss account for the year of liabilities included in the opening balance attributable to contracts (deferred income).

2.2 Fee income: distribution channels of products and services offered

CHANNELS/VALUES	2021	2020
a) Group branches	**1,112**	**2,702**
1. Portfolio management	-	-
2. Placement of securities	1,112	2,702
3. Third-party products and services	-	-
b) Off-premises offer	**649,886**	**547,092**
1. Portfolio management	83,244	72,405
2 Placement of securities	293,930	223,486
3. Third-party products and services	272,712	251,201
c) Other distribution channels	**-**	**-**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
Total	**650,998**	**549,794**

2.3 Breakdown of fee expense

TYPE OF SERVICE/VALUES	2021	2020
a) Financial instruments	**8,149**	**6,277**
of which:		
- *trading of financial instruments*	*6,910*	*5,226*
- *placement of financial instruments*	-	-
- *individual portfolio management*	*1,239*	*1,051*
Own portfolio	1,239	1,051
Third-party portfolio	-	-
b) Offsetting and settlement services	**-**	**-**
c) Custody and administration services	**3,048**	**2,284**
d) Collection and payment services	**4,029**	**3,871**
of which:		
- *credit cards, debit cards and other payment cards*	*1,354*	*1,309*
e) Servicing related to securitisations	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**-**	**-**
of which:		
- *credit derivatives*	-	-
h) Off-premises offer of financial instruments, products and services	**418,103**	**355,211**
i) Currency trading	**-**	**-**
j) Other fee expense	**5,076**	**3,382**
Total	**438,405**	**371,025**

Fee expense for off-premises offer includes the costs incurred to obtain or fulfil contracts with customers of 82,010 thousand euros, of which 64,203 thousand euros relating to previous years.

Section 3 – Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	2021 DIVIDENDS	2021 SIMILAR INCOME	2020 DIVIDENDS	2020 SIMILAR INCOME
A. HFT financial assets	-	-	4	-
B. Other financial assets mandatorily measured at fair value	91	93	31	1,250
C Financial assets measured at fair value through other comprehensive income	900	-	1,040	-
D. Equity investments	333,550	-	238,320	-
Total	**334,541**	**93**	**239,395**	**1,250**

Section 4 – Net trading income (loss) - Item 80

4.1 Breakdown of net income from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSSES FROM TRADING	NET RESULT
1. HFT financial assets	**8**	**187**	**-**	**80,273**	**-80,078**
1.1 Debt securities	8	56	-	79,964	-79,900
1.2 Equity securities	-	71	-	193	-122
1.3 UCITS units	-	60	-	116	-56
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**6,776**
4. Derivatives	**-**	**-**	**-**	**-**	**-2**
4.1 Financial	**-**	**-**	**-**	**-**	**-2**
- on debt securities and interest rates	-	-	-	-	-
- *interest rate swaps*	-	-	-	-	-
- *government bond forwards*	-	-	-	-	-
- on equity securities and stock indexes	-	-	-	-	-
- *options*	-	-	-	-	-
- *futures*	-	-	-	-	-
- on currency and gold (1)	X	X	X	X	-2
- Other	-	-	-	-	-
4.2 Credit	**-**	**-**	**-**	**-**	**-**
of which:					
- *natural hedging related to the fair value option*	*X*	*X*	*X*	*X*	-
Total	**8**	**187**	**-**	**80,273**	**-73,304**

(1) It includes currency options and currency outrights.

Section 5 – Net hedging income (loss) - Item 90

5.1 Breakdown of net income from hedging

INCOME COMPONENTS/VALUES	2021	2020
A. Income from:		
A.1 Fair-value hedge derivatives	27,026	2,146
A.2 Hedged financial assets (fair value)	81,678	44,855
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	**108,704**	**47,001**
B. Charges from:		
B.1 Fair-value hedge derivatives	80,848	46,329
B.2 Hedged financial assets (fair value)	25,768	1,578
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	**106,616**	**47,907**
C. Net income from hedging (A - B)	**2,088**	**-906**
of which:		
- *result of hedging of net positions*	-	-

Section 6 – Gains (losses) on disposal/repurchase - Item 100

6.1 Breakdown of gains (losses) on disposal/repurchase

	2021			2020		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
A. Financial assets						
1. Financial assets measured at amortised cost	16,459	785	15,674	17,461	11	17,450
1.1 Loans to banks	3,925	-	3,925	154	-	154
1.2 Loans to customers	12,534	785	11,749	17,307	11	17,296
2. Financial assets measured at fair value through other comprehensive income	5,299	2,820	2,479	2,800	4,957	-2,157
2.1 Debt securities	5,299	2,820	2,479	2,800	4,957	-2,157
2.2 Loans	-	-	-	-	-	-
Total assets	**21,758**	**3,605**	**18,153**	**20,261**	**4,968**	**15,293**
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

HTCS equity reserves transferred back to the profit and loss account due to the disposal of pre-existing equity reserves of the HTCS portfolio are illustrated in the following table.

	POSITIVE	NEGATIVE	NET
Debt securities	3,669	-366	3,303
Total	**3,669**	**-366**	**3,303**

Section 7 – Net gains (losses) on other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.2 Net change of other financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily measured at fair value

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	**1,114**	**55**	**877**	**147**	**145**
1.1 Debt securities	334	-	-	-	334
1.2 Equity securities	268	-	-	-	268
1.3 UCITS units	51	51	823	147	-868
1.4 Loans	461	4	54	-	411
2. Financial assets in foreign currencies: exchange differences	X	X	X	X	-
Total	**1,114**	**55**	**877**	**147**	**145**

Section 8 – Net adjustments/reversals for credit risk - Item 130

8.1 Breakdown of net adjustments for credit risk relating to financial assets measured at amortised cost

	ADJUSTMENTS						REVERSALS					
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED							
TRANSACTIONS/INCOME COMPONENTS	STAGE 1	STAGE 2	WRITE-OFF	OTHER	WRITE-OFF	OTHER	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	2021	2020
A. Loans to banks	**753**	**55**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-808**	**56**
- Loans	131	55	-	-	-	-	-	-	-	-	-186	18
- Debt securities	622	-	-	-	-	-	-	-	-	-	-622	38
B. Loans to customers	**490**	**-**	**54**	**1,400**	**-**	**-**	**403**	**48**	**601**	**-**	**-892**	**-437**
- Loans	412	-	54	1,400	-	-	403	-	601	-	-862	-1,817
- Debt securities	78	-	-	-	-	-	-	48	-	-	-30	1,380
Total	**1,243**	**55**	**54**	**1,400**	**-**	**-**	**403**	**48**	**601**	**-**	**-1,700**	**-381**

Specific adjustments to loans to customers classified under "Stage 3" amounted to 1,400 thousand euros and included 834 thousand euros for positions past due by more than 90 days, 158 thousand euros for unlikely-to-pay positions, and, for the remainder, other operating loans and loans to the sales network.

These write-downs were partly offset through reversals relating to positions past due at the end of the previous year (207 thousand euros) and reclassified out of the non-performing category, to bad loans (50 thousand euros), to unlikely-to-pay exposures (330 thousand euros) and, for the remainder, to operating loans and loans to sales network.

8.1a Breakdown of net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures

	NET ADJUSTMENTS							
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED			
TRANSACTIONS/INCOME COMPONENTS	STAGE 1	STAGE 2	WRITE-OFF	OTHER	WRITE-OFF	OTHER	2021	2020
1. Loans subject to forbearance measure in accordance with the GLs	-	-	-	-	-	-	-	57
2. Loans subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-56	-	-	-	-	-	-56	-
3. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
4. Newly originated loans	-124	-	-	-	-	-	-124	127
Total at 31.12.2021	**-180**	**-**	**-**	**-**	**-**	**-**	**-180**	**X**
Total at 31.12.2020	**184**	**-**	**-**	**-**	**-**	**-**	**X**	**184**

8.2 Breakdown of net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income

	ADJUSTMENTS						REVERSALS					
			STAGE 3		IMPAIRED ACQUIRED OR ORIGINATED							
TRANSACTIONS/INCOME COMPONENTS	STAGE 1	STAGE 2	WRITE-OFF	OTHER	WRITE-OFF	OTHER	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	2021	2020
A. Debt securities	258	-	-	-	-	-	-	-	-	-	-258	117
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**258**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-258**	**117**

Section 10 – General and administrative expenses - Item 160

Breakdown of general and administrative expenses

		2021	2020
160 a)	Staff expenses	94,509	90,066
160 b)	Other general and administrative expenses	199,463	172,125
Total		**293,972**	**262,191**

10.1 Breakdown of staff expenses

TYPE OF EXPENSES/VALUES	2021	2020
1) Employees	**94,165**	**89,931**
a) wages and salaries	50,147	48,246
b) social security charges	13,135	12,788
c) termination indemnity	724	701
d) retirement benefit plans	-	-
e) provision for termination indemnity	36	31
f) provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) amounts paid to supplementary external pension funds:	4,966	4,694
- defined contribution	4,966	4,694
- defined benefit	-	-
h) costs related to payment agreements based on own equity instruments	2,726	2,192
i) other employee benefits	22,431	21,279
2) Other staff	**226**	**377**
3) Directors and Auditors	**1,177**	**1,012**
4) Retired personnel	**70**	**39**
5) Recovery of expenses for staff seconded to other companies	**-1,301**	**-1,992**
6) Repayments of expenses for staff seconded to the Company	**172**	**699**
Total	**94,509**	**90,066**

10.2 Average number of employees by category (*)

	2021	2020
Employees	**889**	**860**
a) managers	59	55
b) executives	302	279
c) employees at other levels	528	526
Other personnel	**-18**	**-8**
Total	**871**	**851**

(*) Quarterly weighted average, with part-time employees considered at 50% by convention.

Breakdown of personnel

	2021	2020
Employees	**914**	**897**
a) Managers	60	57
b) Executives	306	293
of which:		
- *3rd and 4th level*	*153*	*147*
- *1st and 2nd level*	*153*	*146*
c) Employees at other levels	548	547
Other personnel	**-17**	**-19**
Contract and temporary workers	4	-
Staff seconded from other companies	1	3
Staff seconded to other companies	-22	-22
Total	**897**	**878**

10.4 Other employee benefits

	2021	2020
Short-term productivity bonuses	**14,331**	**13,287**
Long-term benefits	**2,512**	**2,884**
Charges for Relationship Manager recruitment plans	860	272
Charges for deferred variable remuneration (managers' MBO)	1,652	1,874
Charges for post-employment medical care plans	-	738
Other benefits	**5,588**	**5,108**
Charges for staff supplementary pensions	3,322	3,147
Amounts replacing cafeteria indemnities	1,012	980
Training expenses	784	606
Contributions to employees	192	157
Transfer incentives and other indemnities	263	85
Other expenses	15	133
Total	**22,431**	**21,279**

Short-term productivity bonuses include the portion of non-deferred variable remuneration payable in cash (MBO) for office and sales managers and portfolio managers, the performance bonus envisaged in company supplementary contracts and allocations in service of the 2021 plan for measures.

10.5 Breakdown of other general and administrative expenses

	2021	2020
Administration	**24,029**	**19,338**
Advertising	2,721	3,310
Audit fees	15,571	9,629
Corporate boards and auditing firms	425	377
Insurance	3,598	3,485
Entertainment expenses	337	372
Membership contributions	1,077	1,084
Charity	300	1,081
Operations	**22,415**	**22,106**
Rent and usage of premises and management of property	4,480	4,461
Outsourced administrative services	6,701	6,870
Post and telephone	2,250	2,054
Print material	1,238	1,221
Other expenses for sales network management	2,049	2,155
Other expenses and purchases	4,391	4,018
Other indirect staff expenses	1,306	1,327
Information system and equipment	**51,227**	**47,433**
Expenses related to outsourced IT services	34,096	31,108
Fees for IT services and databases	7,550	7,468
Software maintenance and servicing	7,489	7,097
Fees for equipment hired and software used	317	337
Other maintenance	1,775	1,423
Indirect taxation	**86,317**	**71,966**
Stamp duty on financial instruments	85,104	70,922
Substitute tax on medium/long-term financing	454	548
Other indirect taxes to be paid by the Bank	759	496
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	**15,475**	**11,282**
Total	**199,463**	**172,125**

The administrative expenses aggregate includes the costs of short-term leases (less than 12 months), consisting primarily of lease payments for parking spaces and low-value leases (less than 5 thousand euros), consisting of lease payments for photocopiers and faxes, for which the Bank has availed itself of the option not to apply the accounting treatment provided for in IFRS 16, as detailed below. There are no costs for variable payments other than those included in the measurement of lease liabilities.

	2021	2020
Lease costs < 5,000 euros	316	247
Lease costs < 12 months	116	214
Costs for variable lease payments not included in the valuation of lease liabilities	-	-

The aggregate also includes other costs arising from lease transactions but attributable to contractual components other than lease payments and not relevant to the valuation of lease liabilities, such as fees for additional services and non-deductible VAT, which amounted to 3,687 thousand euros.

Section 11 – Net provisions for liabilities and contingencies - Item 170

11.1 Breakdown of net provisions for credit risk relating to commitment to disburse funds and financial guarantees issued

	2021			2020		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and financial guarantees issued	-	-81	**-81**	17	-	**17**
Total	**-**	**-81**	**-81**	**17**	**-**	**17**

11.3 Breakdown of net provisions for liabilities and contingencies

	2021			2020		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	**4,410**	**-1,207**	**3,203**	**2,192**	**-872**	**1,320**
Provision for restructuring plan	2,300	-	2,300	21	-386	-365
Provision for staff expenses – Other [(1)]	2,110	-1,207	903	2,171	-486	1,685
Provisions for legal disputes	**6,051**	**-661**	**5,390**	**3,650**	**-1,186**	**2,464**
Provision for risks related to legal disputes with subscribers	2,752	-110	2,642	1,400	-498	902
Provision for risks related to legal disputes with Financial Advisors	599	-221	378	77	-343	-266
Provision for risks related to legal disputes with staff	-	-	-	-	-15	-15
Provision for risks related to legal disputes with other parties	2,700	-330	2,370	2,173	-330	1,843
Provisions for termination indemnity - Financial Advisors	**32,391**	**-2,075**	**30,316**	**25,789**	**-790**	**24,999**
Provision for termination indemnity of sales network	12,236	-1,828	10,408	12,487	-540	11,947
Provision for manager incentive indemnity	2,922	-51	2,871	2,961	-115	2,846
Provision for portfolio overfee indemnities	3,521	-68	3,453	671	-37	634
Provision for pension bonuses	450	-128	322	1,221	-98	1,123
Provisions for Framework Loyalty Programme	13,262	-	13,262	8,449	-	8,449
Provisions for network incentives	**23,138**	**-1,691**	**21,447**	**17,443**	**-2,662**	**14,781**
Provision for network development plans	17,156	-1,282	15,874	11,695	-1,239	10,456
Provision for deferred bonus	8	-53	-45	59	-12	47
Provision for sales incentives	700	-	700	-	-	-
Provision for managers with access gate	705	-150	555	220	-	220
Provision for incentive travels	3,700	-	3,700	4,500	-1,336	3,164
Provision for fee plans	869	-206	663	969	-75	894
Provision for tax and contributions dispute	**5,689**	**-**	**5,689**	**-**	**-**	**-**
Other provisions for liabilities and contingencies	**1,650**	**-785**	**865**	**2,118**	**-98**	**2,020**
Total	**73,329**	**-6,419**	**66,910**	**51,192**	**-5,608**	**45,584**

(1) Provisions for staff expenses do not include the items that are classified as "Staff expenses – Other benefits" in accordance with IAS 19.

Section 12 – Net adjustments/reversals of property and equipment - Item 180

12.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION (A)	ADJUSTMENTS FOR IMPAIRMENT (B)	REVERSALS (C)	NET RESULT 2021 (A + B - C)	NET RESULT 2020
A. Property and equipment					
1. Operating:	20,632	-	-	20,632	20,426
- owned	1,719	-	-	1,719	1,636
- rights of use acquired through leases	18,913	-	-	18,913	18,790
2. Held as investments:	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	X	-	-	-	-
Total	**20,632**	**-**	**-**	**20,632**	**20,426**

Section 13 – Net adjustments/reversals of intangible assets - Item 190

13.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION (A)	ADJUSTMENTS FOR IMPAIRMENT (B)	REVERSALS (C)	NET RESULT 2021 (A + B - C)	NET RESULT 2020
A. Intangible assets	**13,207**	**-**	**-**	**13,207**	**11,076**
of which:					
- *software*	*11,498*	-	-	*11,498*	*9,367*
A.1 Owned:	13,207	-	-	13,207	11,076
- generated in-house	-	-	-	-	-
- other	13,207	-	-	13,207	11,076
A.2 Rights of use acquired through leases	-	-	-	-	-
Total	**13,207**	**-**	**-**	**13,207**	**11,076**

Breakdown of value adjustments of intangible fixed assets – amortisation

	2021	2020
Charges associated with the implementation of legacy CSE procedures	11,242	8,995
Customer relationships	1,709	1,709
Other intangible fixed assets	256	372
Total	**13,207**	**11,076**

Section 14 – Other operating income and expenses - Item 200

14.1 Breakdown of other operating expenses

	2021	2020
Adjustments of leasehold improvements	2,669	2,648
Indemnities and compensation for litigation and claims	359	396
Charges from accounting adjustments with customers	4,562	1,282
Charges for card compensation and guarantees	4	7
Costs associated with tax disputes, penalties and fines	27	16
Other contingent liabilities and non-existent assets	241	437
Total	**7,862**	**4,786**

14.2 Breakdown of other operating income

	2021	**2020**
Recovery of taxes from customers	84,433	70,259
Recovery of expenses from customers	507	647
Fees for outsourced services	172	172
Charge-back of portfolio development indemnity to incoming Financial Advisors	3,880	2,413
Indemnities for Financial Advisors' termination without notice	464	388
Other recoveries of repayments and costs from Financial Advisors	3,249	2,612
Contingent assets related to staff expenses	581	926
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training (FBA)	202	280
Other contingent assets and non-existent liabilities	3,031	1,041
Insurance compensation and indemnities	286	210
Tax credits (film partnership, sanitisation and PPE, investments in new capital goods)	54	105
Other income	1,580	275
Total	**98,439**	**79,328**
Total other net income	**90,577**	**74,542**

Section 15 – Gains (losses) of equity investments - Item 220

15.1 Breakdown of gains (losses) of equity investments

INCOME COMPONENTS/VALUES	2021	2020
A. Gains	**-**	**-**
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	**-**	**-1,370**
1. Write-downs	-	-
2. Adjustments for impairment	-	-1,370
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-**	**-1,370**

Section 18 – Gains (losses) on disposal of investments - Item 250

18.1 Breakdown of gains (losses) on disposal of investments

INCOME COMPONENTS/VALUES	2021	2020
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-20	7
- Gains on disposal	2	17
- Losses on disposal	-22	-10
Net result	**-20**	**7**

Section 19 – Income tax for the year for current operations - Item 270

19.1 Breakdown of income tax for the year for current operations

INCOME COMPONENTS/VALUES	2021	2020
1. Current taxation (-)	-40,442	-43,782
2. Change in prior years' current taxes (+/-)	1,393	2,047
3. Reduction of current taxes for the year (+)	-	-
3.*bis* Reduction of current taxes for the year arising on tax credits, pursuant to Law No. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	13,778	1,366
5. Changes of deferred taxation (+/-)	5,713	-1,745
6. Taxes for the year (-)	**-19,558**	**-42,114**

Income taxes for the year on a current and deferred basis were estimated at 19.6 million euros and included the benefits arising from the realignment of the carrying and tax values of goodwill, trademarks and other intangible assets at the end of the first half of 2021, amounting to 8.6 million euros.

Substitute tax on realignments	-4,026
DTAs recognised on realigned goodwill	6,463
Reversal of DTLs on goodwill, trademarks and intangible assets	6,190
Economic impact of realignments	**8,627**

For a more detailed analysis of these realignments, reference should be made to Part B of these Notes and Comments.
Gross of this component, ordinary taxes for the year would have been 28.2 million euros, down 13.9 million euros compared to the previous year.

19.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes due for 2021, including both current and deferred taxes, as indicated in Item 270 of the Profit and Loss Account, and the theoretical corporate income tax IRES calculated by applying the 27.5% current applicable tax rate for the banking sector to profit before taxation [9].

[9] It should be noted that the effects of the reduction of the IRES tax rate from 27.50% to 24% introduced by the "2016 Stability Law" with effect from 1 January 2017 for tax periods after that in progress at 31 December 2016 were neutralised for the Bank as a result of the introduction by that same Law of a surtax of 3.5pps on credit and financial institutions in respect of the same tax periods.

The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the Profit and Loss Account compared to the theoretical taxation.

	2021	2020
Current taxation	**-40,442**	**-43,782**
IRES	-22,238	-30,312
IRAP	-14,178	-13,470
Substitute tax on realignments	-4,026	-
Prepaid and deferred taxation	**19,491**	**-379**
IRES	16,488	79
- *of which: realignment*	*10,839*	-
IRAP	3,003	-458
- *of which: realignment*	*1,814*	-
Prior years' taxes	**1,393**	**2,047**
IRES	1,393	2,131
IRAP	-	-84
Income taxes	**-19,558**	**-42,114**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**361,805**	**331,321**
Theoretical taxation	**-99,496**	**-91,113**
Non-taxable income (+)		
Dividends	87,399	62,541
ACE	1,226	1,705
Other decreases (tax credits, PEX revaluations)	224	151
Non-deductible charges (-)		
Impairment of equity securities PEX	-	-306
Other non-deductible costs	-5,903	-2,026
Other taxes (+/-)		
IRAP	-12,989	-13,928
Prior years' taxes	1,393	2,047
Other (foreign) taxes	-	-
Effect of realignments (deferred taxes, IRES, IRAP, substitute tax)	8,627	-
Change in deferred taxes without offsetting entry	-39	-1,185
Actual tax expense	**-19,558**	**-42,114**
Total actual tax rate	**5.4%**	**12.7%**
IRES actual tax rate (gross of realignments)	**4.2%**	**8.5%**
IRAP actual tax rate (gross of realignments)	**3.6%**	**4.2%**

The estimated total tax rate decreased to 5.4%, while the tax rate gross of realignments amounted to 7.8%, down compared to the previous year (12.7%) mainly due to the higher weight on profit before taxation of the dividends received by the Bank for equity investments in other Group companies and other PEX equity investments, subject to 5% IRES surtax and 50% IRAP surtax.

In 2021, these income components stood at 334.5 million euros, sharply increasing compared to 239.4 million for the previous year (+95.1 million euros), thus leading to a decline in the tax rate of 24.2 percentage points compared to the IRES theoretical tax rate, only partially offset by other higher increases, calculated on the basis of an estimate of the cost components that are not classified as permanently deductible by the tax system and a reduction in the excess amount resulting from taxes actually to be paid and taxes estimated in the financial statements for the previous year.

Section 22 – Earnings per Share

22.1 Average number of ordinary shares with diluted capital

	2021	2020
Net profit for the year (€ thousand)	342,247	289,207
Earnings attributable to ordinary shares (€ thousand)	342,247	289,207
Average number of outstanding shares (thousand)	115,016	115,340
EPS - Earnings per share (euros)	**2.98**	**2.51**
Average number of outstanding shares with diluted capital (thousand)	115,016	115,340
EPS – Diluted earnings per share (euros)	**2.98**	**2.51**

PART D – COMPREHENSIVE INCOME

Analytical Statement of Comprehensive Income

	ITEMS	2021	2020
10.	**Net profit (loss) for the year**	**342,247**	**289,207**
	Other income, without transfer to Profit and Loss Account	**-205**	**-572**
20.	**Equity securities designated at fair value through other comprehensive income:**	**-312**	**-217**
	a) fair value changes	-312	-217
	b) transfers to other net equity components	-	-
30.	**Financial liabilities designated at fair value through profit or loss (change in own creditworthiness):**	**-**	**-**
	a) fair value changes	-	-
	b) transfers to other net equity components	-	-
40.	**Equity security hedges designated at fair value through other comprehensive income:**	**-**	**-**
	a) fair value changes (hedged instrument)	-	-
	b) fair value changes (hedging instrument)	-	-
50.	**Property and equipment**	**-**	**-**
60.	**Intangible assets**	**-**	**-**
70.	**Defined benefit plans**	**168**	**-500**
80.	**Non-current assets available for sale and disposal groups**	**-**	**-**
90.	**Share of valuation reserves of equity investments valued at equity**	**-**	**-**
100.	**Income taxes on other income, without transfer to Profit and Loss Account**	**-61**	**145**
	Other income, with transfer to Profit and Loss Account	**-4,336**	**860**
110.	**Hedges of foreign investments:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
120.	**Exchange differences:**	**-**	**-**
	a) value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
130.	**Cash-flow hedges:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
	of which:		
	- *result of net positions*	-	-
140.	**Hedging instruments (non-designated items):**	**-**	**-**
	a) value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
150.	**Financial assets (other than equity securities) measured at fair value through other comprehensive income:**	**-6,391**	**1,268**
	a) fair value changes	-3,002	3,162
	b) transfer to Profit and Loss Account	-3,389	-1,894
	- adjustments due to credit risk	-86	-588
	- gains (losses) on disposal	-3,303	-1,306
	c) other changes	-	-
160.	**Non-current assets available for sale and disposal groups:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	c) other changes	-	-
170.	**Share of valuation reserves of equity investments valued at equity:**	**-**	**-**
	a) fair value changes	-	-
	b) transfer to Profit and Loss Account	-	-
	- adjustments due to impairment	-	-
	- gains (losses) on disposal	-	-
	c) other changes	-	-
180.	**Income taxes on other income, with transfer to Profit and Loss Account**	**2,055**	**-408**
190.	**Total other income components**	**-4,541**	**288**
200.	**Comprehensive income (Item 10 + 190)**	**337,706**	**289,495**

PART E – INFORMATION ON THE RISKS AND RISK HEDGING POLICIES

Foreword

The development of a genuine risk culture within Banca Generali is based upon an understanding of the risks that the Bank assumes and how they are managed, while always taking full account of the risk tolerance threshold defined in the Bank's Risk Appetite Framework (RAF).
In this context, the internal control system plays a key role in the risk management process, as well as in the Bank's corporate governance generally.

The internal control system is a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies, while also seeking to achieve:
- the efficiency and effectiveness of work processes;
- the maintenance of asset value and protection against losses;
- the reliability and integrity of accounting and operating information;
- operational compliance with the law and supervisory regulations;
- policies, plans, regulations and internal procedures; and
- the dissemination of a culture of control involving training initiatives for the various levels.

The Banca Generali Banking Group has designed an internal control model consistent with best practices at the national and international levels and structured on three different organisational levels:
- first-tier checks: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;
- second-tier checks: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  - the Risk and Capital Adequacy Department is tasked with identifying, measuring/evaluating and monitoring all the types of risks to which the Banking Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and thereby contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies. The Department acts with a view to maintaining risk levels within the limits and tolerance thresholds indicated in the exposure profile and strategies established by the Board of Directors in the Risk Appetite Framework. It assures that risks are fully and transversally analysed, and to this end it applies a strategic, consistent and prospective approach and duly provides periodic reports;
  - the Compliance Servicet is tasked with verifying the observance of obligations relating to the provision of services for the Banking Group companies and preventing and managing the risk of non-compliance with applicable legislation;
  - the Anti Money Laundering Service is responsible, within the Banking Group, for preventing and combating transactions involving money laundering and financing of terrorism;
- third-tier checks: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Within the internal control system, it is possible to identify the second tier as the home to an internal risk management culture that then effectively translates it into company behaviour and choices.

The following entities operate within the Internal Control System, in addition to the tasks assigned to the Board of Directors, the control body and the independent auditors (who are responsible for accounting control):
- the Internal Audit and Risk Committee, which was set up pursuant to the Corporate Governance Code for Listed Companies and supervisory regulations, and is tasked with performing a supporting role, with investigative, propositional and advisory duties in relation to the Board of Directors and the Board of Statutory Auditors, in particular on matters of internal control and risk management, related parties and connected parties, statutory auditing and equity investments. The tasks and functions of the Committee, as well as the frequency of its meetings and the operating procedures to be followed to ensure that its duties are smoothly and properly performed, shall be regulated pursuant to specific Internal Audit and Risk Committee Rules;
- the Risks Committee is charged with ensuring coordinated coverage of the system for managing and controlling the risks assumed by the Group in compliance with the Risk Appetite Framework; it is vested with specific responsibility for monitoring the Group's risks, such as the management of risk containment measures, as well as decision-making powers for identifying and implementing said measures;
- the Supervisory Board, which is the corporate body in charge of updating the Organisational and Management Model and monitoring the implementation of and compliance with the said Model;
- the Law 262 Organisational Unit, which acts as a point of reference, orienting and coordinating the management of all the Banking Group's administrative and accounting risks, for the intents and purposes of Law No. 262/2005.

Section 1 – Credit Risk

Qualitative Information

1. General Aspects

Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in the creditworthiness of a counterparty, to which an exposure exists, may generate a corresponding unexpected change in the market value of the associated exposure.

As part of its credit risk management process, the Group has established a formal Credit Risk Management Policy and Financial Portfolio Risk Management Policy, which lay down the general principles and the roles of company bodies and functions involved in managing risks associated with loans granted to institutional customers/counterparties and deriving from investment in financial instruments. The Policies also include the Group's risk management guidelines on management of credit risks in accordance with its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

Based on the Banca Generali Group's business model, this risk is mainly generated by financial instruments held in portfolios measured at amortised cost and in HTCS, credit exposures to customers (corporate and retail), and liquidity invested on the money market (interbank deposits).
With regard to the composition of the Banca Generali Group's portfolio, the portion classified as HTC consists primarily in debt security exposures towards government bodies and, to a lesser extent, lines of revocable and/or fixed-term credit to retail and corporate clients. As regards the latter case, in light of the Group's business model, a sharp prevalence of exposures to retail customers (private customers and customers subject to agreements) over corporate customers.
With regard to institutional borrowers, credit risk management is based on the allocation of appropriate credit lines, which are monitored by the Risk and Capital Adequacy Department and established with the objective of maintaining a portfolio's risk profile that is consistent with the strategies and risk appetite approved by the Board of Directors.
Operational limits on the amounts of credit lines granted to institutional counterparties are governed by Group policies, which set out the maximum credit that may be extended to counterparties based on their rating class. The overall consistency of ECAI ratings with internal credit assessments is verified by the Risk Management Department at least annually.
Credit lines are reviewed at least every year; this involves updating existing credit lines for counterparties that are already borrowing from the bank or examining new credit line proposals with a view to diversifying the proprietary portfolio and developing new business linked to market opportunities.

The credit risk associated with business with customers is primarily managed by monitoring the performance of the overall portfolio and individual positions and by setting operating and process limits defined in the Risk Appetite Framework. More specifically:

- Loans to customers: the portfolio in question consists primarily in debt securities measured at amortised cost and loans to retail customers, chiefly in the form of Lombard loans, revocable current accounts, fixed-term loans and mortgage loans (in the latter case, for customers subject to agreements). Overall, the weight of non-performing exposures on the portfolio, although it increased during the year, remains low when compared to the banking system;
- Non-performing loans: the portfolio of NPLs to customers is mostly secured by pledges of securities and bank guarantees and has a good coverage level in the residual cases in which the collateral is insufficient, despite the internal credit initiatives launched due to the Covid-19 pandemic to support the Italian real economy;
- Performing loans: the portfolio of loans to customers is approximately 81% composed of exposures to natural persons, whereas the remainder is composed of exposures to Companies, in both cases with high creditworthiness. Credit is primarily provided in the form of revocable facilities and Lombard loans, which together account for around 73% of the actually and potentially used exposure. In accordance with the Bank's lending policies and risk appetite, credit is mostly secured by pledges of highly liquid financial instruments and products.

The Group is also strengthening its origination and monitoring processes in accordance with the EBA Guidelines on loan origination and monitoring (GL EBA LOM).

First-tier control activities are conducted by the Lending Department and the Finance Department, which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.
The second-tier control activities are the responsibility of the Risk and Capital Adequacy Department which ensures that the processes, strategies and Risk Appetite Framework (RAF), yearly approved by the Bank's Board of Directors, are coherent. In the specific case of portfolios of loans to retail and corporate investors, the Risk and Capital Adequacy Department is tasked with identifying, measuring, assessing, monitoring and managing credit risk through performance monitoring of the overall portfolio, the control of the rules set forth by the Risk Appetite Framework, the drawing up of a prompt and adequate internal report to be submitted to the Bank and its corporate bodies.
Moreover, particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Department and established with the objective of always maintaining a level of risk of the portfolio that is consistent with the strategies and the risk appetite framework.

Third-tier controls are conducted by the Internal Audit Service, in accordance with the Internal Rules and Procedures.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Loans subject to Covid measures

In response to the pandemic emergency that broke out in 2020, the Group took various initiatives in support of the real economy, to inject liquidity in Italy's businesses, participating in the initiatives launched by the Government in March and April 2020 ("Cure Italy Decree" and "Liquidity Decree").

In the April 2020 sessions of the Board of Directors, the Group in fact approved:

- the possibility for customers to apply for the suspension of loan payments in application of either Articles 54 and 56 of the "Cure Italy Decree" (legislative moratoria) or an internal initiative extended to borrowers and loans not contemplated in the "Cure Italy Decree" (non legislative moratoria which were not part of the industry's agreements and/or were promoted by specific bodies and thus could not be treated according to the EBA/GL/2020/02 guidelines, as announced by the Bank of Italy itself);
- the extension of the provisions of EBA/GL/2020/02 for non-legislative moratoria at the Bank's internal initiative, in the process of classification as forborne, in particular by assessing the individual positions in relation to the pandemic emergency and the time horizon of their difficulty, thus avoiding the introduction of automated classification mechanisms;
- the commencement of operations with the Mediocredito Centrale SME Guarantee Fund to obtain the guarantees provided for in the Liquidity Decree for loans to Italian companies according to the definition provided in the Decree (companies with fewer than 500 employees, including microenterprises and independent contractors, artisans and self-employment professionals).

In 2021 the Group resolved i) to suspend the disbursement of loans falling within the scope of internal and legislative initiatives in support of the economy, and therefore including the loans secured by the SME fund, with effect from the second half of 2021, and ii) to extend the moratoria until 31 December 2021 in accordance with the Sostegni Bis decree.

For further details regarding the exposures subject to the measures applied in the light of the Covid-19 crisis, as requested by the EBA (EBA/GL/2020/07 - Final Report - Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis), see the specific disclosure provided in "Pillar 3" disclosure provided at the consolidated level, available from Banca Generali's institutional website at www.bancagenerali.com.

2. Credit Risk Management Policies

2.1 Organisational aspects

The Bank's processes provide for the retail and corporate customer credit activity to be run by the Lending Department and loans to institutional counterparties and banks to be run by Banca Generali's Finance Department.

The Lending Department is tasked with issuing loans to retail and corporate customers, since it is responsible for loan approval and outstanding loan management, as provided for in the Lending Rules and Regulations.

2.2 Management, measurement and control systems

In addition to issuing loans, the Lending Department is also charged with credit managing and first-tier control, with a special focus on the performance of doubtful loans.
Within the Lending Department, responsibility for monitoring is assigned to specialised individual units on the basis of the supervisory classification of customers (performing and non-performing). The purpose of this is to maximise the efficacy of the actions aimed at monitoring and mitigating credit risk and managing the commercial relationship.
In 2021, the early-warning IT system and the features of the electronic credit line applications were further developed in order to ensure a more streamlined and by-the-book lending process, reduce processing times and limit anomalies in loan approval and disbursement.

The Bank's loan portfolio confirmed a low incidence of non-performing loans (NPLs) in the overall portfolio, a slight increase in the NPL ratio compared to the previous year, due to past due positions, which are being carefully monitored.

In recent years, the Group has developed a portfolio monitoring system based on triggers that make it possible to identify in advance signs of difficulty affecting counterparties and apply the limits established by the Risk Appetite during the granting phase. In 2021, a project was also launched for further reinforcement of credit processes during the origination and monitoring phase, according to criteria set by the EBA Guidelines on LOM (Loan Origination and Monitoring).
The exposure to credit risk associated with the loan portfolio is mostly Italian, given the dominant presence of investments in government bonds (approximately 90%) and investment grade bank bonds. The corporate securities in the portfolio are negligible.

2.3 Expected loss measurement methods

In compliance with IFRS 9, the Bank has adopted an impairment model based on the concept of expected losses, which makes it possible to determine adjustments to loans on the basis of the parameters of PD (probability of default) and LGD (loss given default) in forward-looking and point-in-time terms, conditional upon macroeconomic scenario models. Such value adjustments are determined over a time horizon of one year in the event of positions classified to Stage 1, or on a lifetime horizon, in the event of positions classified to Stage 2.

The stage assignment criteria for the portfolio of loans to customers in the traditional form of revocable account and term loans take account of the counterparty's status, any forbearance measures, decline in creditworthiness compared with origination and limits exceeded for more than 30 days.
When calculating impairment, the probability of default is determined on the basis of the counterparty's rating class (the Bank adopts a management rating model, developed with the CSE consortium) and the residual term of the loan. The parameter LGD is largely determined on the basis of loan type and counterparty type and whether certain guarantees are present. Finally, the parameter EAD (Exposure At Default) is equal to the accounting balance for sight positions, individual contractual cash flows discounted according to the internal rate of return (IRR) for term positions and the accounting balance adjusted by the regulatory Credit Conversion Factor (CCF) for off-balance sheet exposures.

Within the debt securities portfolio, securities classified to the Held-To-Collect and the Held-To-Collect and Sell portfolios that have passed the SPPI test are tested for impairment.
When calculating impairment, it is fundamental to classify the staging of individual positions in order to identify any decline in creditworthiness (credit quality) between the purchase of the security and the reporting date. This process (stage assignment) determines the residual quantities and the date with which to associate the credit quality/rating upon purchase, to be compared with the credit quality/rating observed at the reporting date for the purposes of identifying any "significant decline" in credit quality.

The impairment of securities subject to the IFRS 9 rules is calculated according to the following variables:
> PD: the model adopted for calculating the probability of default (PD) to be applied to the proprietary portfolio within the impairment scope is based on an estimate of a term structure default probability for each security. The component representing the remuneration for operator risk is eliminated from default probability measures so as to isolate the credit component (this is known as the "real world approach");
> LGD: the estimate of the loss given default (LGD) to be applied to the portfolio is calculated according to a deterministic approach in which the LGD parameter is assumed to be constant over the financial asset's entire time horizon as a function of the ranking of the instrument and the classification of the issuer's country;
> EAD: in the case of the proprietary finance portfolio, reference is made to the nominal value, inclusive of the coupon accrued at the measurement date, discounting both values at the security's rate of return.

During the year, the Group updated its impairment model for securities by bringing the staging allocation phase into line with the regulators' instructions for managing the contingent crisis period and introducing new rules for identifying significant increases in credit risk (SICRs).

2.4 Credit Risk Mitigation Techniques
With regard to the portfolio of loans to retail and corporate customers, in order to mitigate credit risk and in line with the Bank's lending policies, primarily collateral is acquired; personal guarantees provided by individuals are only acquired to a secondary degree. This is in addition to the personal guarantees provided by the Mediocredito Centrale SME Fund to protect credit disbursed in support of the economy in the Covid-19 pandemic context.

Collateral is primarily represented by pledges of securities in the form of funds, Sicavs, discretionary mandates, assets under administration and insurance products.
As limited to customers subject to agreements, the Bank also acquires mortgages, almost exclusively in residential properties used as a primary residence.

Banca Generali also benefits from an additional master guarantee, known as an indemnity, provided by BSI S.A., now EFG Bank AG as a result of the merger of the two institutions in 2017, for the entire loan portfolio originating with Banca del Gottardo Italia acquired by BSI Italia S.p.A. on 1 October 2008.
This guarantee, which is similar to a first-demand bank guarantee, covers all loans and any associated losses sustained from acquisition until 31 December 2009. After such date, the indemnity was maintained for those positions managed with the aim of recovery and those positions that showed a default event for which payment of the indemnity was requested from the guarantor, BSI S.A., today EFG Bank AG.
At 31 December 2021, the guarantee covers bad loan positions of approximately 26 million euros, which net of adjustment declined to about 18 million euros (see paragraph 3 "Credit exposures to non-performing loans").

3. Credit exposures to non-performing loans

3.1 Management strategies and policies
Non-performing financial assets are classified into default categories in accordance with the instructions issued by the regulatory authority, as provided for in Bank of Italy Circular No. 272 dated 20 July 2008 (as subsequently amended), and pursuant to the EBA guidelines issued following the outbreak of the pandemic and concerning the management of non-performing positions and moratoria.
The process of identifying doubtful positions requires constant monitoring of positions. When limits are exceeded, various debt procedures are triggered. In general, considering that the vast majority of positions are secured by pledges of financial instruments, there are no residual debt exposures once the enforcement procedure has been concluded.

If the exposure is unsecured or there is a residual unsecured exposure, the Bank activates the process for recovering it. Expected losses are formulated specifically for each position on the basis of all relevant valuation elements (debtor's assets, earned income, date of expected recovery, etc.), with the exception of unsecured positions classified as past due and unlikely to pay of amounts less than 10 thousand euros, which are subject to impairment at a standard rate.

Net non-performing cash loans (hereinafter also referred as "NPLs") totalled 31,830 thousand euros, of which:
> net bad loans amounting to 18,971 thousand euros referring to financing, of which 18,015 thousand euros (94.9%) covered by indemnities, 921 thousand euros (4.8%) secured by mortgages and 35 thousand euros (0.2%) not secured;
> unlikely-to-pay loans of 5,757 thousand euros, of which just 239 thousand euros (4.2%) actually at risk, and the remaining 5,518 thousand euros (95.8%) secured by collateral (pledges or mortgages);
> non-performing past-due loans of 7,102 thousand euros, of which 6,034 thousand euros (84.9%) secured by collateral, and 1,068 thousand euros (15.1%) not secured.

Net non-performing loans in the form of financing may be broken down as follows:
> about 56.6% (18,015 thousand euros) of exposures referring to Banca del Gottardo Italia's customers and guaranteed by indemnity issued by the seller BSI S.A., now EFG Bank AG; as described above, these exposures do not entail any risk for the Bank. Therefore, no further adjustments were made to these positions with respect to the impairment already carried out by Banca del Gottardo Italia;
> about 43.4% (13,815 thousand euros) of exposures for which the Bank is at risk, mostly secured by pledges or mortgages.

Excluding positions covered by indemnities — which, as mentioned above, do not entail any risk for Banca Generali — non-performing cash positions amounted to 13,815 thousand euros, representing 0.2% of total net loans to customers. However, considering positions secured by collateral or similar guarantees, which at 12,473 thousand euros make up approximately 90.3% of total net non-performing loans, a residual total amount of 1,342 thousand euros of net non-performing loans are not secured by collateral, representing 4% of total net non-performing loans and an entirely marginal fraction of total net loans to customers (0.01%).
The NPL portfolio increased in 2021 compared to 2020, due to the inclusion of positions from performing categories or the inclusion of new relationships attributable to/associated with positions already classified as in default and greater drawdowns of positions already classified as non-performing.

3.2 Write-off
The Bank has not adopted any write-off policy.

3.3 Acquired or originate impaired financial assets
The Bank's portfolio does not include acquired or originated impaired financial assets.

4. Financial assets subject to commercial renegotiations and forborne exposures
A forbearance measure is an amendment of the original contractual conditions or refinancing granted to a customer in a situation of financial distress in respect of a credit position, which would not have been granted if the customer had not been in such a situation and/or that, conversely, would have resulted in default by the customer had they not been granted.

The Bank takes an individual measurement approach to each exposure. The Bank considers an exposure forborne when one of the following conditions has been met:
a) the amended contract has been fully or partially past due by more than 30 days at least once in the three months prior to the contractual amendment or would have been fully or partially past due by more than 30 days without the amendment;
b) at or around the same time as an additional loan is granted, the customer repays the principal or pays the interest on another contract fully or partially past due by 30 days at least once in the three months prior to the refinancing;
c) the Bank approves the use of contractual clauses ("embedded clauses") in which the customer is past due by 30 days or the debtor would have been past due by 30 days without the exercise of such clauses.

This assessment is performed by a specific specialised unit of the Lending Department as regards the portfolio portion of loans to customers.

At 31 December 2021, outstanding forborne exposures in the portfolio of loans to customers were mostly classified as performing positions (76%), with the remainder classified as non-performing (24%). Nearly all positions were secured by collateral (primarily pledges) or similar guarantees[10].
Exposures subject to forbearance measures at 31 December 2021 mostly consisted (approximately 83%) of exposures in amortisation and, to a lesser extent, uncommitted cash exposures. As for the impact on the net present value of the contractual cash flows of the forbearance measures granted over a period of 24 months, given the nature of the renegotiation transactions subject to forbearance measures, represented essentially by the renegotiation of the uncommitted cash exposure in amortising loans with a final variable rate, the impact of such exposures on net present value is believed not to be material.

In the period following the pandemic, the Bank continued to monitor the presence of signs of financial difficulty, assessing events and elements that could result in the granting of forbearance measures on a case-by-case basis. In the case of positions with (legislative- and non-legislative) moratoria, no automated mechanisms were adopted, but thorough assessments were carried out.

[10] "Similar guarantees" refer to authorisation to redeem insurance policies.

Quantitative information

A. Credit Quality

A.1 Credit exposures to non-performing and performing loans: balances, adjustments, performance and income breakdown

For the purposes of quantitative information about credit quality, credit exposures include the entire financial asset portfolio, regardless of the portfolio of allocation for accounting purposes, with the exception of equities and units of UCITS. For further information on credit assets underlying the Forward Fund (mainly non-performing loans to the Italian National Healthcare System), reference should be made to Section 1, Subsection E.

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets measured at amortised cost	18,971	5,757	7,102	7,308	10,744,820	10,783,958
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,525,123	2,525,123
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	19,710	19,710
5. HFS financial assets	-	-	-	-	-	-
Total at 31.12.2021	**18,971**	**5,757**	**7,102**	**7,308**	**13,289,653**	**13,328,791**
Total at 31.12.2020	**18,905**	**2,867**	**2,825**	**8,891**	**11,728,767**	**11,762,255**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

PORTFOLIOS/QUALITY	NON-PERFORMING				PERFORMING			
	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS	GROSS EXPOSURE	TOTAL ADJUSTMENTS	OVERALL PARTIAL WRITE-OFFS	TOTAL (NET EXPOSURE)
1. Financial assets measured at amortised cost	46,495	14,665	31,830	-	10,758,600	6,472	10,752,128	10,783,958
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,525,515	392	2,525,123	2,525,123
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	19,710	19,710
5. HFS financial assets	-	-	-	-	X	X	-	-
Total at 31.12.2021	**46,495**	**14,665**	**31,830**	**-**	**13,284,115**	**6,864**	**13,296,961**	**13,328,791**
Total at 31.12.2020	**39,318**	**14,721**	**24,597**	**-**	**11,721,578**	**6,633**	**11,737,658**	**11,762,255**

PORTFOLIOS/QUALITY	ASSETS WITH CLEARLY POOR CREDIT QUALITY		OTHER ASSETS
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	NET EXPOSURE
1. HFT financial assets	-	-	6,568
2. Hedging derivatives	-	-	11,357
Total at 31.12.2021	**-**	**-**	**17,925**
Total at 31.12.2020	**-**	**-**	**6,097**

A.1.3 Breakdown of financial assets by maturity brackets (book value)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3			IMPAIRED ACQUIRED OR ORIGINATED		
	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets measured at amortised cost	2,930	-	-	2,603	1,431	344	6	30	21,352	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. HFS financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2021	**2,930**	**-**	**-**	**2,603**	**1,431**	**344**	**6**	**30**	**21,352**	**-**	**-**	**-**
Total at 31.12.2020	**6,591**	**-**	**2**	**669**	**490**	**1,139**	**-**	**-**	**24,597**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued – changes in total adjustments and total provisions

CAUSES/RISK STAGES	TOTAL ADJUSTMENTS																							TOTAL PROVISIONS FOR COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED			
	ASSETS ALLOCATED TO STAGE 1						ASSETS ALLOCATED TO STAGE 2						ASSETS ALLOCATED TO STAGE 3						ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS								
	SIGHT LOANS TO BANKS AND CENTRAL BANKS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	HFS FINANCIAL ASSETS	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	SIGHT LOANS TO BANKS AND CENTRAL BANKS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	HFS FINANCIAL ASSETS	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	SIGHT LOANS TO BANKS AND CENTRAL BANKS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	HFS FINANCIAL ASSETS	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE	HFS FINANCIAL ASSETS	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	STAGE 1	STAGE 2	STAGE 3	TOTAL
Total adjustments at year-start	**56**	**5,164**	**407**	**-**	**-**	**5,627**	**-**	**936**	**70**	**-**	**-**	**1,006**	**0**	**14,721**	**-**	**-**	**14,721**	**-**	**-**	**-**	**-**	**-**	**-**	**110**	**14**	**-**	**21,478**
Increases from acquired or originated financial assets	4	1,536	188	-	-	1,728	38	536	-	-	-	574	-	-	-	-	-	-	X	X	X	X	X	6	6	-	2,314
Cancellations other than write-offs	-20	-1,179	-273	-	-	-1,472	-	-63	-70	-	-	-133	-	-600	-	-	-600	-	-	-	-	-	-	-35	-10	-	-2,250
Net adjustments/ reversals for credit risk (+/-)	6	-348	70	-	-	-272	-	-109		-	-	-109	-	1,120	-	-	1,120	-	-	-	-	-	-	-48	-1	-	690
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the assessment methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-577	-	-	-577	-	-	-	-	-	-	-	-	-	-577
Total adjustments at year-end	**46**	**5,173**	**392**	**-**	**-**	**5,611**	**38**	**1,300**	**-**	**-**	**-**	**1,338**	**-**	**14,664**	**-**	**-**	**14,664**	**-**	**-**	**-**	**-**	**-**	**-**	**33**	**9**	**-**	**21,655**
Recovery from collection of written off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs directly recognised through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	30	-	-	30	-	-	-	-	-	-	-	-	-	30

Pursuant to IFRS 7, paragraph 35H, letter b) (iii), it is reported that the final total adjustments to Stage 2 trade receivables amounted to approximately 16 thousand euros and did not change considerably from their initial levels.

Total final adjustments on the securities portfolio amounted to 5,991 thousand euros and rose by about 196 thousand euros, due to the expanded volume of investments, which was only partly offset by the lower risk level of government bonds.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued – transfers between the different credit risk stages (gross and nominal values)

	GROSS AMOUNTS/NOMINAL VALUE					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
PORTFOLIOS/RISK STAGES	FROM STAGE 1 TO STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
1. Financial assets measured at amortised cost	78,182	2,970	1,754	-	8,133	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. HFS financial assets	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	1,142	2,355	-	-	-	-
Total at 31.12.2021	**79,324**	**5,325**	**1,754**	**-**	**8,133**	**-**
Total at 31.12.2020	**9,473**	**37,350**	**1,498**	**-**	**3,916**	**2**

A.1.5 a Loans subject to Covid-19 support measures: transfers between the different credit risk stages (gross and nominal values)

Exposures subject to Covid-19 support measures transferred from Stage 1 to Stage 2 amounted to approximately 567 thousand euros, accounting for less than 1% of the total exposures subject to such measures, and relate solely to loans to small-l and medium-sized enterprises secured by the Central Guarantee Fund.

	GROSS VALUE					
	TRANSFERS BETWEEN STAGE 1 AND STAGE 2		TRANSFERS BETWEEN STAGE 2 AND STAGE 3		TRANSFERS BETWEEN STAGE 1 AND STAGE 3	
PORTFOLIOS/RISK STAGES	FROM STAGE 1 STAGE 2	FROM STAGE 2 TO STAGE 1	FROM STAGE 2 TO STAGE 3	FROM STAGE 3 TO STAGE 2	FROM STAGE 1 TO STAGE 3	FROM STAGE 3 TO STAGE 1
A. Assets measured at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Subject to forbearance measures in accordance with the GLs	-	-	-	-	-	-
A.2 Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-
A.3 Subject to other forbearance measures	-	-	-	-	-	-
A.4 Newly issued loans	567	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Subject to forbearance measures in accordance with the GLs	-	-	-	-	-	-
B.2 Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-
B.3 Subject to other forbearance measures	-	-	-	-	-	-
B.4 Newly issued loans	-	-	-	-	-	-
Total at 31.12.2021	**567**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**

A.1.6 Cash and off-balance sheet credit exposures with banks – gross and net amounts

	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS						
TYPES OF EXPOSURES/VALUES		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures												
A.1 On demand	1,572,385	1,559,913	12,472	-	-	85	46	39	-	-	1,572,300	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,572,385	1,559,913	12,472	X	-	85	46	39	X	-	1,572,300	-
A.2 Other	1,395,801	1,388,537	5,256	-	-	1,146	1,130	16	-	-	1,394,655	-
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-	-	X	-	-	-	-	-
of which:												
- forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past-due exposures	-	-	-	X	-	-	-	-	X	-	-	-
of which:												
- forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-performing exposures	1,395,801	1,388,537	5,256	X	-	1,146	1,130	16	X	-	1,394,655	-
of which:												
- forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total A	**2,968,186**	**2,948,450**	**17,728**	**-**	**-**	**1,231**	**1,176**	**55**	**-**	**-**	**2,966,955**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	12,991	-	-	X	-	-	-	-	X	-	12,991	-
Total B	**12,991**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,991**	**-**
Total (A + B)	**2,981,177**	**2,948,450**	**17,728**	**-**	**-**	**1,231**	**1,176**	**55**	**-**	**-**	**2,979,946**	**-**

Cash exposures with banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets designated at fair value and other financial assets mandatorily measured at fair value.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.

A.1.7 Cash and off-balance sheet credit exposures with customers – gross and net amounts

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	TOTAL ADJUSTMENTS AND TOTAL PROVISIONS	STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	NET EXPOSURES	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures												
a) Bad loans	31,292	X	-	31,292	-	12,321	X	-	12,321	-	18,971	-
of which:												
- *forborne exposures*	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	6,751	X	-	6,751	-	994	X	-	994	-	5,757	-
of which:												
- *forborne exposures*	*2,693*	*X*	-	*2,693*	-	*237*	*X*	-	*237*	-	*2,456*	-
c) Non-performing past-due exposures	8,451	X	-	8,451	-	1,349	X	-	1,349	-	7,102	-
of which:												
- *forborne exposures*	*1,030*	*X*	-	*1,030*	-	*18*	*X*	-	*18*	-	*1,012*	-
d) Performing past-due exposures	7,355	2,954	4,401	X	-	48	24	24	X	-	7,307	-
of which:												
- *forborne exposures*	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other non-performing exposures	11,902,678	11,638,672	244,295	X	-	5,671	4,646	1,025	X	-	11,897,007	-
of which:												
- *forborne exposures*	*11,886*	-	*11,886*	*X*	-	*23*	-	*23*	*X*	-	*11,863*	-
Total A	**11,956,527**	**11,641,626**	**248,696**	**46,494**	**-**	**20,383**	**4,670**	**1,049**	**14,664**	**-**	**11,936,144**	**-**
B. Off-balance sheet credit exposures												
a) non-performing	313	X	-	313	-	-	X	-	-	-	313	-
b) performing	1,082,652	1,077,791	1,937	X	-	43	32	11	X	-	1,082,609	-
Total B	**1,082,965**	**1,077,791**	**1,937**	**313**	**-**	**43**	**32**	**11**	**-**	**-**	**1,082,922**	**-**
Total (A + B)	**13,039,492**	**12,719,417**	**250,633**	**46,807**	**-**	**20,426**	**4,702**	**1,060**	**14,664**	**-**	**13,019,066**	**-**

Cash exposures with customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, financial assets designated at fair value and other financial assets mandatorily measured at fair value.
Off-balance sheet exposures include all financial transactions other than cash transactions, such as financial derivatives, guarantees issued and commitments, that entail the assumption of credit risk, determined on the basis of the measurement criteria established by the Bank of Italy.
All non-performing off-balance sheet exposures refer to positions entirely secured by pledges.

The classification of non-performing loans to customers relating to the HTC accounting portfolio is shown below; loans and debt

Bad loans

Gross bad loans to customers amounted to 31,292 thousand euros and included 12,321 thousand euros of value adjustments; therefore, net bad loans recognised totalled 18,971 thousand euros. Of this amount, 18,015 thousand euros (94.9% of the net bad loans alone) related to positions attributable to former Banca del Gottardo Italia's customers, fully covered by cash collateral deposits granted by BSI S.A., now EFG Bank AG, as part of the indemnity guarantee.
Excluding ex-indemnity positions, net bad loans to ordinary customers thus amounted to 956 thousand euros, equal to about 5% of total net bad loans and 0.01% of total net loans to customers. Considering bad loans secured by mortgages, which amounted to 921 thousand euros, the residual net bad loans amounted to 35 thousand euros.
The portfolio of bad loans also includes the exposure in debt instruments, amounting to 2,642 thousand euros gross, allocated to the HTC portfolio and deemed almost entirely irrecoverable.
The aggregate (see table A.1.9) declined by 384 thousand euros gross, primarily owing to realisation due to cancellations and collections totalling 1,028 thousand euros, against other increases and transfers from other non-performing categories in the total amount of 644 thousand euros.
The most significant increases related to changes in positions already classified as bad loans, primarily relating to interest accrued, amounting to 606 thousand euros, of which 465 thousand euros of exposures secured by indemnities. Decreases included realisations due to collections of 466 thousand euros and cancellations of 562 thousand euros.

Unlikely to pay

At 31 December 2021, gross unlikely-to-pay loans amounted to 6,751 thousand euros, including adjustments of 994 thousand euros, resulting in a net balance of 5,757 thousand euros, of which 5,518 thousand euros (equal to 95.8%) referred to positions secured by collateral or similar guarantees (mandate to policy-related collections).

The aggregate (see table A.1.9) increased by 2,673 thousand euros compared to 31 December 2020 as a result of:
> the increases of 5,771 thousand euros refer to positions reclassified from other performing categories for 4,038 thousand euros (forborne non perfoming), and transfers from other categories of non-performing exposures for 1,079 thousand euros and greater draw-downs from positions already classified as UTP for 654 thousand euros;
> a decline due to collections of 3,016 thousand euros, attributable to several counterparties with exposures secured by collateral or similar guarantees which were definitively recovered.

Non-performing past-due exposures

Non-performing past-due exposures amounted to 8,451 thousand euros, subject to impairment losses of 1,349 thousand euros, yielding a net balance of 7,102 thousand euros. The net aggregate mainly included:
> exposures largely secured by pledges or mortgages, totalling 6,034 thousand euros;
> other unsecured exposures with an average balance per position of approximately 608 euros.

The aggregate (see table A.1.9) increased by 4,888 thousand euros compared to 31 December 2020 as a result of:
> increases of 7,852 thousand euros, primarily attributable to new reclassifications from performing positions of 6,258 thousand euros, the inclusion of new relationships associated with positions already classified as non-performing for 882 and, for the remainder, to increases in already non-performing positions of 712 thousand euros;
> decreases of 2,964 thousand euros, primarily attributable to collections on expired positions with full repayment of the exposure for 2,690 thousand euros, return to performing status of exposures for 187 thousand euros and, for the remainder, derecognitions with direct transfer to loss totalling 23 thousand euros.

Performing past-due exposures

Performing past-due exposures include also positions past due or expired by more than 90 days, for which the outstanding amount does not exceed the materiality threshold of 5% of the overall loan granted, in compliance with the provisions set forth in Bank of Italy Circular No. 272.
In almost all cases, these are positions guaranteed by pledges found to be expired at the reporting date and currently being repaid.

Loans subject to Covid measures

The following table shows the figures relating to Covid-19 support measures. In particular, as at 31 December 2021, loans that fall into the three specific clusters (Subject to forbearance measures in accordance with EBA GLs, Subject to other forbearance measures and Newly originated loans) amounted to 126,808 thousand euros, of which 7,582 thousand euros relating to legislative moratoria no longer in accordance with the GLs and not subject to forbearance measures and 118,807 thousand euros relating to new loans to small- and medium-sized enterprises guaranteed by the Central Guarantee Fund.
The table does not show loans for which internal moratoria (non-legislative and non-EBA compliant, as explained in the above section) have been applied for and granted, until 31 December 2021, amounting to 32,798 thousand euros (156 positions).
Of these, 155 positions are classified as performing with a value of 32,723 thousand euros and one has been reclassified as unlikely-to-pay for an amount of 75 thousand euros.

A.1.7a Loans subject to Covid-19 measures: gross and net values

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE					TOTAL ADJUSTMENTS AND TOTAL PROVISIONS						
		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED		STAGE 1	STAGE 2	STAGE 3	IMPAIRED ACQUIRED OR ORIGINATED	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Bad loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely- to-pay	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	-	-	-	-	-	-	-	-	-	-	-	-
C. Non-performing past-due loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	-	-	-	-	-	-	-	-	-	-	-	-
D. Performing loans	**421**	**-**	**421**	**-**	**-**	**2**	**-**	**2**	**-**	**-**	**419**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	-	-	-	-	-	-	-	-	-	-		-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	421	-	421	-	-	2	-	2	-	-	419	-
E. Other performing loans	**126,391**	**126,246**	**145**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**126,389**	**-**
a) Subject to forbearance measures in accordance with GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium no longer in accordance with the GLs and not measured as subject to forbearance	7,583	7,583	-	-	-	1	1	-	-	-	7,582	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly issued loans	118,808	118,663	145	-	-	1	1	-	-	-	118,807	-
Total (A + B + C + D + E)	**126,812**	**126,246**	**566**	**-**	**-**	**4**	**2**	**2**	**-**	**-**	**126,808**	**-**

A.1.9 Cash credit exposures with customers – changes in gross non-performing exposures

CAUSES/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST DUE EXPOSURES
A. Gross exposure at year-start	**31,676**	**4,078**	**3,563**
- *of which: exposures transferred but non written off*	-	-	-
B. Increases	**644**	**5,771**	**7,852**
B.1 New reclassifications from performing exposures	-	4,038	6,258
B.2 New reclassifications from acquired or originated impaired financial assets	-	-	-
B.3 Transfers from other categories of non-performing exposures	38	1,079	882
B.4 Contractual changes without cancellations	-	-	-
B.5 Other increases	606	654	711
C. Decreases	**1,028**	**3,098**	**2,964**
C.1 Reclassifications to performing exposures	-	1	187
C.2 Write-offs	562	15	23
C.3 Repayments received	466	3,016	2,690
C.4 Gains on disposals	-	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	47	-
C.7 Contractual changes without cancellations	-	-	-
C.8 Other decreases	-	19	63
D. Gross exposure at year-end	**31,292**	**6,751**	**8,451**
- *of which: exposures transferred but non written off*	-	-	-

A.1.9bis Cash credit exposures with customers – changes in gross forborne exposures, broken down by credit quality

CAUSES/QUALITY	NON-PERFORMING FORBORNE EXPOSURES	PERFORMING FORBORNE EXPOSURES
A. Gross exposure at year-start	**2,333**	**21,139**
- *of which: exposures transferred but non written off*	-	-
B. Increases	**2,308**	**993**
B.1 New reclassifications from performing non-forborne exposures	2,223	866
B.2 New reclassifications from performing forborne exposures	58	X
B.3 New reclassifications from non-performing forborne exposures	X	-
B.4 Other increases	27	127
C. Decreases	**918**	**10,246**
C.1 Reclassifications to performing non-forborne exposures	X	4,750
C.2 Reclassifications to forborne performing exposures	761	X
C.3 Reclassifications to non-performing forborne exposures	X	58
C.4 Write-offs	-	-
C.5 Repayments received	157	5,396
C.6 Gains on disposals	-	-
C.7 Losses on disposals	-	-
C.8 Other decreases	-	42
D. Gross exposure at year-end	**3,723**	**11,886**
- *of which: exposures transferred but non written off*	-	-

Forborne exposures

Forborne exposures consisted mostly of performing positions, for a gross amount of 11,886 thousand euros, almost entirely secured by collateral or similar guarantees, whose decline compared to 2020 (21,139 thousand euros) was due to the reclassification of some significant positions to other categories following the closure of the forborne lines of credit or the lapse of the probation period. A residual share consisted of non-performing forborne exposures of 3,723 thousand euros gross (accounting for 24% of total performing and non-performing forborne exposures), almost all of which were fully secured by pledges (95%).

The non-performing cash forborne positions aggregate increased by 1,390 thousand euros overall (in gross terms), as a result of:

> increases due to new reclassifications from performing categories (58 thousand euros, relating to performing positions already classified as forborne), new reclassifications from other non-performing categories (past-due loans of 2,147 thousand euros and unlikely-to-pay positions of 76 thousand euros) and greater uses of positions already classified as non-performing of 27 thousand euros;

> a decline due to collection of 157 thousand euros referring to positions eliminated from the non-performing forborne category due to repayment in full of the exposure and closure of the relationships, in addition to derecognition of positions following the repayment of the single forborne exposure in the amount of 761 thousand euros.

The main component of performing forborne positions is collections, amounting to 5,396 thousand euros, attributed to positions repaid in full with the closure of the forborne lines of credit, positions transferred outside the forborne category due to the lapse of the probation period for 4,750 thousand euros, and positions transferred to the non-performing category for 58 thousand euros. The new reclassifications of 866 thousand euros refer exclusively to performing positions for which a new line of credit (new finance or restructuring of the existing debt position) with forbearance measures has been granted or a different loan measure on existing credit lines (moratorium). As indicated in the section above, classification to forborne was always based on an analysis of the individual position, and no automated mechanisms were activated for Covid-19 support measures.

A.1.11 Non-performing cash credit exposures with customers: changes in total adjustments

	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST-DUE EXPOSURES	
CAUSES/CATEGORIES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES	TOTAL	OF WHICH: FORBORNE EXPOSURES
A. Total adjustments at year-start	**12,772**	**-**	**1,211**	**390**	**738**	**-**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-
B. Increases	**164**	**-**	**183**	**141**	**840**	**18**
B.1 Adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other adjustments	112	-	175	141	833	18
B.3 Losses on disposals	14	-	8	-	7	-
B.4 Transfers from other categories of non-performing exposures	38	-	-	-	-	-
B.5 Contractual changes without derecognitions	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**615**	**-**	**400**	**294**	**229**	**-**
C.1 Reversal of adjustments	18	-	323	293	29	-
C.2 Reversal of collections	35	-	24	1	177	-
C.3 Gains on disposals	-	-	-	-	-	-
C.4 Write-offs	562	-	15	-	23	-
C.5 Transfers to other categories of non-performing exposures	-	-	38	-	-	-
C.6 Contractual changes without derecognitions	-	X	-	X	-	X
C.7 Other decreases	-	-	-	-	-	-
D. Total adjustment at year-end	**12,321**	**-**	**994**	**237**	**1,349**	**18**
- *of which: exposures transferred but not written off*	-	-	-	-	-	-

Besides the exposures included in the previous tables, other non-performing positions are recognised in the Financial Statements for a net amount of 1,807 thousand euros, attributable to operating receivables not involving lending transactions, mostly relating to disputes and pre-dispute positions against former Financial Advisors (terminated or expired contracts).

OPERATING RECEIVABLES UNDER DISPUTE	31.12.2021		
	GROSS	WRITE-DOWNS	NET
Receivables related to FA litigation	2,788	984	1,804
Advances to FAs	79	79	-
Write-downs of receivables from FAs	**2,867**	**1,063**	**1,804**
Write-downs of operating receivables	986	983	3
Write-downs of operating receivables	**986**	**983**	**3**
Total write-downs	**3,853**	**2,046**	**1,807**

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued based on internal and external rating

Banca Generali has always regarded lending as instrumental to its ability to attract and manage its customers' assets. Accordingly, the Bank has not traditionally used an internal rating system to assess its customers' creditworthiness. The Bank therefore uses ratings published by the main rating companies (Moody's, S&P and Fitch) in making decisions regarding its trading activities.

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by rating classes (gross values)

EXPOSURES	EXTERNAL RATING CLASSES						WITHOUT RATING	TOTAL
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-		
A. Financial assets measured at amortised cost	**937,992**	**677,473**	**5,988,540**	**34,168**	**-**	**27,824**	**3,139,100**	**10,805,096**
- Stage 1	931,918	677,473	5,988,540	34,168	-	27,824	2,844,727	10,504,649
- Stage 2	6,074	-	-	-	-	-	247,878	253,952
- Stage 3	-	-	-	-	-	-	46,495	46,495
- impaired acquired or originated	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**245,078**	**221,877**	**1,858,179**	**200,381**	**-**	**-**	**-**	**2,525,515**
- Stage 1	245,078	221,877	1,858,179	200,381	-	-	-	2,525,515
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-		-
- impaired acquired or originated	-	-	-	-	-	-	-	-
C. Commitments to disburse funds and financial guarantees issued	-	-	-	-	-	-	-	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- impaired acquired or originated	-	-	-	-	-	-	-	-
Total (A + B + C)	**1,183,070**	**899,350**	**7,846,719**	**234,549**	**-**	**27,824**	**3,139,100**	**13,330,611**
D. Commitments to disburse funds and financial guarantees issued								
- Stage 1	-	-	1,094	-	-	-	63,923	65,017
- Stage 2	-	-	-	-	-	-	1,938	1,938
- Stage 3	-	-	-	-	-	-	313	313
- impaired acquired or originated	-	-	-	-	-	-	-	-
Total D	**-**	**-**	**1,094**	**-**	**-**	**-**	**66,174**	**67,268**
Total (A + B + C + D)	**1,183,070**	**899,350**	**7,847,813**	**234,549**	**-**	**27,824**	**3,205,274**	**13,397,879**

Financial assets measured at amortised cost without rating include trade receivables and advances to Financial Advisors totalling 136,894 thousand euros.

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Guaranteed cash and off-balance sheet credit exposures with banks

	GROSS EXPOSURE	NET EXPOSURE	COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)									TOTAL (1) + (2)
							CREDIT DERIVATIVES					SIGNATURE LOANS				
								OTHER DERIVATIVES								
			BUILDINGS – MORTGAGES	BUILDINGS - FINANCE LEASE	SECURITIES	OTHER COLLATERALISED GUARANTEES	CLN	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	PUBLIC ADMINISTRATION BODIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	
1. Guaranteed cash credit exposures	**199,849**	**199,805**	**-**	**-**	**199,805**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**199,805**
1.1 Totally guaranteed	199,849	199,805	-	-	199,805	-	-	-	-	-	-	-	-	-	-	199,805
- *of which: non performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Totally guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- *of which: non performing*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Guaranteed cash and off-balance sheet credit exposures with customers

	GROSS EXPOSURE	NET EXPOSURE	COLLATERALISED GUARANTEES (1)				PERSONAL GUARANTEES (2)									TOTAL (1) + (2)
							CREDIT DERIVATIVES					SIGNATURE LOANS				
								OTHER DERIVATIVES								
			BUILDINGS – MORTGAGES	BUILDINGS - FINANCE LEASE	SECURITIES	OTHER COLLATERALISED GUARANTEES	CLN	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	PUBLIC ADMINISTRATION BODIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES	
1. Guaranteed cash credit exposures	**2,329,124**	**2,316,709**	**355,706**	**-**	**1,536,621**	**292,006**	**-**	**-**	**-**	**-**	**-**	**113,661**	**600**	**159**	**9,333**	**2,308,086**
1.1 Totally guaranteed	2,279,213	2,267,127	352,757	-	1,524,088	281,419	-	-	-	-	-	99,730	-	157	8,973	2,267,124
- *of which: non performing*	*39,284*	*30,260*	*11,956*	-	*9,408*	*8,620*	-	-	-	-	-	-	-	-	*276*	*30,260*
1.2 Partially guaranteed	49,911	49,582	2,949	-	12,533	10,587	-	-	-	-	-	13,931	600	2	360	40,962
- *of which: non performing*	*684*	*406*	-	-	*222*	*18*	-	-	-	-	-	-	-	-	*154*	*394*
2. Guaranteed off-balance sheet credit exposures	**764,553**	**764,514**	**107**	**-**	**568,845**	**183,491**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**213**	**456**	**753,112**
2.1 Totally guaranteed	734,213	734,174	4	-	557,785	176,087	-	-	-	-	-	-	-	-	298	734,174
- *of which: non performing*	*5,954*	*5,954*	-	-	*5,654*	*300*	-	-	-	-	-	-	-	-	-	*5,954*
2.2 Partially guaranteed	30,340	30,340	103	-	11,060	7,404	-	-	-	-	-	-	-	213	158	18,938
- *of which: non performing*	*15*	*15*	-	-	-	-	-	-	-	-	-	-	-	-	*15*	*15*

All assets held as guarantee (whether financial or non-financial) may only be liquidated in the event of default by the primary debtor, subject to formal notification of the guarantor. Accordingly, the Bank cannot sell or reuse as collateral such assets unless the debtor defaults.

B. Breakdown and concentration of credit exposures

B.1 Sector breakdown of cash and off-balance sheet credit exposures with customers

EXPOSURES/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
A. Cash exposures		
1. Public administration bodies	**8,801,279**	**1,551**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	-	-
- *of which: forborne exposures*	-	-
A.4 Performing exposures	8,801,279	1,551
- *of which: forborne exposures*	-	-
2. Financial companies	**592,218**	**1,134**
A.1 Bad loans	5,636	79
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	151	35
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	407	177
- *of which: forborne exposures*	-	-
A.4 Performing exposures	586,024	843
- *of which: forborne exposures*	-	-
3. Financial companies (of which insurance companies)	**41,944**	**3**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	3	3
- *of which: forborne exposures*	-	-
A.4 Performing exposures	41,941	-
- *of which: forborne exposures*	-	-
4. Non-financial companies	**506,098**	**12,024**
A.1 Bad loans	11,248	11,454
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	29
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	179	119
- *of which: forborne exposures*	-	-
A.4 Performing exposures	494,671	422
- *of which: forborne exposures*	*3,927*	*8*
5. Households	**1,994,606**	**5,670**
A.1 Bad loans	2,087	788
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	5,606	931
- *of which: forborne exposures*	*2,457*	*237*
A.3 Non-performing past-due exposures	6,513	1,048
- *of which: forborne exposures*	*1,011*	-
A.4 Performing exposures	1,980,400	2,903
- *of which: forborne exposures*	*7,936*	*15*
Total A – Cash exposures	**11,936,145**	**20,382**

EXPOSURES/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
B. Off-balance sheet exposures		
1. Public administration bodies	**-**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	-	-
2. Financial companies	**149,526**	**1**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	149,526	1
3. Financial companies (of which insurance companies)	**2,293**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	2,293	-
4. Non-financial companies	**147,744**	**20**
B.1 Non-performing exposures	313	-
B.2 Performing exposures	147,431	20
5. Households	**783,358**	**22**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	783,358	22
Total B – Off-balance sheet exposures	**1,082,921**	**43**

	NET EXPOSURE	TOTAL ADJUSTMENTS
Public administration bodies	8,801,279	1,551
Financial companies	741,744	1,135
Financial companies (of which insurance companies)	44,237	3
Non-financial companies	653,842	12,044
Households	2,777,964	5,692
Overall total (A + B) at 31 December 2021	**13,019,066**	**20,425**
Overall total (A + B) at 31 December 2020	**10,973,151**	**20,919**

B.2 Geographical breakdown of cash and off-balance-sheet credit exposures with customers

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
EXPOSURES/GEOGRAPHICAL AREA	NET EXPOSURE	TOTAL VALUE. ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE. ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE. ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE. ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE. ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	18,970	11,622	-	698	-	-	-	-	-	-
A.2 Unlikely to pay	5,757	994	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	5,353	1,331	1,748	17	1	1	-	-	-	-
A.4 Other performing exposures	8,236,591	4,884	3,343,776	714	75,001	80	65,653	18	183,293	23
Total A	**8,266,671**	**18,831**	**3,345,524**	**1,429**	**75,002**	**81**	**65,653**	**18**	**183,293**	**23**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	313	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,075,528	43	5,685	-	955	-	305	-	137	-
Total B	**1,075,841**	**43**	**5,685**	**-**	**955**	**-**	**305**	**-**	**137**	**-**
Total at 31.12.2021	**9,342,512**	**18,874**	**3,351,209**	**1,429**	**75,957**	**81**	**65,958**	**18**	**183,430**	**23**
Total at 31.12.2020	**8,486,334**	**19,819**	**2,412,827**	**1,046**	**46,071**	**37**	**14,143**	**12**	**13,774**	**4**

B.3 Geographical breakdown of cash and off-balance-sheet credit exposures with banks

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
EXPOSURES/GEOGRAPHICAL AREA	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposure	2,129,718	888	764,087	325	29,207	14	5,034	1	38,909	3
Total A	**2,129,718**	**888**	**764,087**	**325**	**29,207**	**14**	**5,034**	**1**	**38,909**	**3**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	11,357	-	1,634	-	-	-	-	-	-	-
Total B	**11,357**	**-**	**1,634**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2021	**2,141,075**	**888**	**765,721**	**325**	**29,207**	**14**	**5,034**	**1**	**38,909**	**3**
Total at 31.12.2020	**1,087,216**	**439**	**281,817**	**102**	**35,110**	**14**	**7,555**	**3**	**5,036**	**1**

B.4 Large exposures

Regulation (EU) No. 575/2013 (CRR) and Directive No. 2013/36/EU (CRD IV), published on the Official Journal of the European Union on 27 June 2013, enacted the new rules defined by the Basel Committee on banking supervision. On 17 December 2013, the Bank of Italy applied the above provisions by issuing Circular No. 285 "New Prudential Supervisory Provisions Concerning Banks" — further amended in various years (latest update, No. 37, dated 24 November 2021) — and Circular No. 286 "Instructions for the Compilation of Prudential Reports for Banks and Securities Brokerage Companies".
Also the latter was subject to several amendments during the years (latest update, No. 14, on 23 June 2020). In detail, according to the new rules, exposure values of a bank to a counterparty or to a group of connected counterparties must be defined as a "large exposure" if it is equal to or above 10% of the bank's Tier 1 capital.
Based on CRR 575/2013, "Tier 1 capital" is defined as the sum of Total Common Equity Tier 1 capital and Additional Tier 1 capital of the entity.

The exposure value of an asset item shall be its accounting value and not its weighted value. Therefore, the positions which fall within the meaning of "Large Exposure" are recognised at both book value and weighted value.

BIG RISKS	31.12.2021	31.12.2020
a) Amount of the exposure	10,575,570	8,907,557
b) Weighted amount	289,072	466,213
c) Number	16	12

Securitisation

Qualitative information

In light of the increasing importance of its assets and the current market context of interest rates that remain negative, Banca Generali decided to diversify the investments in its proprietary portfolio by allocating a minimal portion of it (1.74% of the total banking book) to the purchase of complex products represented by securitised instruments. All investments were directed towards the most senior tranches of the securitised structures.

Quantitative information

C.2 Breakdown of exposures resulting from main third-party securitisations by type of securitised assets and type of exposure

	CASH EXPOSURES						CASH EXPOSURES						CASH EXPOSURES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
TYPE OF UNDERLYING ASSETS/EXPOSURES	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS
GIM NL LUX 12/06/2018	20,131	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRADO VIII FRN 2055	3,564	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRISMA SPV FRN 2039	16,980	109	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CREDIMI 20/07/2026	63,001	425	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LANTERNA M FRN 2065	12,109	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROG QUIN 36 A 1 FR	3,074	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ERIDANO II SPV FRN 3	6,018	56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CARLYLE GMS FRN 16/0	4,416	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORDATUS VIII FRN 34	7,512	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EURO-GAL VII FRN 35	7,510	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AQUEDUCT EUROPE-AN CL	6,206	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RRME 2X A1R	6,010	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AURIUM VIII FRN 2034	7,498	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
INVESCO VI FRN 2035	7,530	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PENTA 2019 VI FRN 34	5,634	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

D. Information on structured entities (other than securitisation vehicle companies) not consolidated for accounting purposes

For qualitative and quantitative information on other structured entities, reference should be made to Part E, Section 1 – Accounting consolidation risks – B. Information on structured entities - B.2.2 Other structured entities.

E. Transfers

E.1 Prudential consolidation – Transferred financial assets fully recognised and related financial liabilities: book value

	TRANSFERRED FINANCIAL ASSETS FULLY RECOGNISED				RELATED FINANCIAL LIABILITIES		
	BOOK VALUE	OF WHICH: SECURITISED	OF WHICH: REVERSE REPURCHASE AGREEMENTS	OF WHICH: NON-PERFORMING	BOOK VALUE	OF WHICH: SECURITISED	OF WHICH: REVERSE REPURCHASE AGREEMENTS
A. HFT financial assets	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	12,228	-	12,228	-	11,752	-	11,752
1. Debt securities	12,228	-	12,228	-	11,752	-	11,752
2. Loans	-	-	-	-	-	-	-
Total at 31.12.2021	**12,228**	**-**	**12,228**	**-**	**11,752**	**-**	**11,752**
Total at 31.12.2020	**147,649**	**-**	**147,649**	**-**	**150,951**	**-**	**150,951**

In the year, the Bank transferred securitised senior notes, acquired from customers, to a newly formed Italian fund (AIF), the “Forward Fund”, for an amount of 377.7 million euros.

A detailed analysis of the transaction and the related accounting treatment, the reader is referred to the information provided in “Part E – Information on Risks and Risk Hedging Policies”, Section 1 “Credit risks”, Subsection E “Sale transactions”, paragraph C “Financial assets sold and fully derecognised”.

C. Transferred financial assets fully derecognised

In accordance with the Bank of Italy Communication of 23 December 2019, this section contains information regarding the restructuring of a portfolio of senior notes issued by SPVs in the securitisation of healthcare receivables by Banca Generali in 2021 as it is considered to constitute the transfer of a loan portfolio to a mutual investment fund with concurrent subscription of the units by the transferring intermediary.

The healthcare receivable restructuring operation

In 2021, Banca Generali performed an extensive restructuring of a portfolio of senior notes issued by an SPV securitising healthcare receivables, with a notional amount of 478.5 million euros, held by its professional clients, in order to protect them against a potential loss on the investments concerned. In particular, the restructuring of the portfolio entailed the following:

1. the purchase of the senior securitised notes from the clients for an amount of 457.6 million euros;
2. the simultaneous sale of the notes so purchased to a newly formed Italian fund (AIF), the "Forward Fund", managed by Gardant Investor SGR, for 377.7 million euros, with the Bank recognising a trading loss of 79.9 million euros;
3. the subscription by the Bank of the majority of the shares of the above Fund, with a 98% stake, equal to 490 million euros (A shares), of which 378 million euros already paid at the time of purchase of the notes, whereas the remaining 10 million euros (B shares) were subscribed by Gardant S.p.A., the parent company of the management firm that promoted the formation and assumed full, independent management of the fund.

To carry out the transaction, on 27 July 2021 the Board of Directors of Banca Generali promoted a purchase offer addressed to all interested clients in reference to the full outstanding amount of the senior notes relating to the **Astrea Due, Astrea Tre, Astrea Quattro and Chiron Due** and **Argo** securitisations for consideration of 95% of the principal amount outstanding (97.5% for Argo)[11]. The offer was successfully completed on 30 September 2021 with all clients adhering to the initiative and was settled on 7 October 2021, concurrently with the transfer of the notes to the fund and the subscription of the fund units.

The average price at which those notes were concurrently sold to the Fund was approximately 79% of the principal amount outstanding of the notes, as discussed in the following paragraph.

ISIN	SECURITISATION	MATURITY DATE	TOTAL OUTSTANDING	JUNIOR & MEZZANINE SECURITIES	SENIOR SECURITIES	REDEMPTION PRICE	FAIR VALUE	REDEMPTION VALUE	REALISABLE VALUE	DELTA
IT0005326902	Astrea 2	14.03.2022	192.02	23.54	168.48	95.0	72.5	160.05	122.18	37.87
IT0005365785	Astrea 3	14.04.2022	84.21	4.21	80.00	95.0	69.6	76.00	55.70	20.30
IT0005377343	Astrea 4	14.07.2022	104.22	5.22	99.00	95.0	80.9	94.05	80.10	13.95
IT0005405805	Argo	14.04.2025	148.47	29.92	118.54	97.5	91.5	115.58	108.47	7.11
IT0005380495	Chiron 2	18.07.2022	13.16	0.66	12.5	95.0	90.0	11.88	11.25	0.63
			542.08	**63.55**	**478.52**			**457.60**	**377.70**	**79.90**

The strategic goal of the restructuring was thus essentially to transfer the aforementioned notes from the Bank's customers to a specialised, independent professional operator with specific expertise in managing illiquid portfolios and the servicing of securitisations, capable of optimising the process of recovering the cash flows generated by the notes by restructuring their maturities and ensuring better management of the repayment of the underlying receivables and concurrent reinvestment of the proceeds of such payments.

The portfolio of transferred receivables

The securitisations subject to transfer do not refer to underlying transactions originated by Banca Generali and were not previously held by the Bank. Rather, the Bank only acquired title to them on an entirely temporary basis at the time of the twofold transfer.

In fact, the Bank has acted only as Placement Agent in these securitisation transactions, however it has nonetheless decided to undertake the restructuring operation to protect its Clients and strengthen its trust-based relationship with them.

The decision was taken in light of certain critical issues in the procedures for the recovery of the healthcare receivables — also partly related to the pandemic situation —, and in light of the outcome of an analysis of the receivables portfolio carried out with the support of a sector specialist that gave a lower-than-expected valuation.

On the basis of the due diligence performed, the healthcare receivables transferred to the securitisations were not found to conform to what was indicated in their prospectuses and were found to include types of receivables with a high risk profile, some of which derived from multiple securitisations. In particular, the underlying assets had an underlying par value of approximately 595.6 million euros, divided as follows:

- cash and a revolving component of 112.6 million euros;
- in-budget healthcare receivables amounting to 50.5 million euros;
- Out-of-budget healthcare receivables amounting to 270.2 million euros;
- receivables referring solely to late payment interest on past-due healthcare receivables amounting to 162.5 million euros, of which 62.0 million euros transferred without the underlying receivables (stripped).

[11] The total outstanding amount of the securitisations amounted to 542 million euros, inclusive of mezzanine notes not distributed to customers of the Bank and junior notes held by the arranger of the transaction, CFE (Compagnie Financiere Europeenne).

SECURITISATION (€ MILLION)	OUTSTANDING AMOUNT SENIOR NOTES	TOTAL UNDERLYING ASSETS	CASH BALANCE	REVOLVING RECEIVABLES	IN BUDGET AND OUT-OF-BUDGET RECEIVABLES (HIGH YIELD)	RECEIVABLES FOR LATE PAYMENT INTEREST
Astrea 2	168.5	149.2	35.5	20.8	46.7	46.2
Astrea 3	80.0	219.0	5.2	-	154.6	59.3
Astrea 4	99.0	97.2	7.1	3.4	54.6	32.2
Argo	118.5	114.8	17.8	16.5	61.0	19.5
Chiron 2	12.5	15.4	2.9	3.4	3.8	5.3
	478.5	**595.6**	**68.5**	**44.1**	**320.7**	**162.5**

The assets underlying the securitisations mostly relate to healthcare receivables from local health authorities, with a residual share consisting of receivables from the Italian Public Administration (e.g., municipalities, regions, ministries, etc.). At the geographical level, exposures mainly consist of receivables from healthcare companies based in Campania and Lazio, which account for 77% of the total outstanding.

In addition, on the basis of the analyses conducted most of the receivables underlying the securitisations are believed to be non-performing as past due or in litigation, with the exception of the liquidity and revolving loans component.

When preparing the Fund's initial business plan, the management company (SGR) concluded that the assets underlying the five securitisations could be recovered over a period of five years (2022-2026), generating net cash flows of approximately 420 million euros.
The consideration for the transfer of the securitisations to the Fund was therefore determined according to a DCF (discounted cash flow) financial model to come to a total of 377.9 million euros, on the basis of the estimated recovery flows for each securitisation and appropriate discount factors formulated according to the different risk level of the types of healthcare receivables indicated above[12][13].

The Forward Fund
The overall structure of the restructuring transaction is governed by the Framework Agreement of 27 July 2021 entered into by Banca Generali with the nascent Gardant group, formed by spinning off the Italian loan servicing and investment business (debt purchasing) originating with the Credito Fondiario Group. Under those agreements, following the authorisation received on 2 August 2021, Gardant Investor SGR S.p.A. formed a new reserved, closed-end Italian alternative investment fund (AIF) named the "Forward Fund", the Regulation for which was approved by its Board of Directors on 10 September 2021.

The structure and functioning of the transaction are subject to, including in terms of governance, the Fund Regulation, under which the two classes of units that grant their holders different economic and governance prerogatives have been issued:
> class A units, subscribed by Banca Generali, in the total amount of 490 million euros, of which 378 million euros paid in cash upon the purchase of the senior notes by the fund[14],
> class B units, subscribed by Gardant S.p.A., the parent company of the asset management company, in the total amount of 10 million euros.

The fund, which has a duration of 15 years[15], pursues the twofold goal of:
> optimising the process of recovering the cash flows generated by them, through the restructuring of maturities and better management of repayment of the underlying receivables and concurrent reinvestment of the proceeds of those receivables;
> managing a complex portfolio of alternative investments, also including infrastructure and corporate lending investments[16], up to a maximum investment of 550 million euros, in order to achieve an expected total return of between 2% and 3% over the life of the Fund.

The A and B units enjoy the same economic rights, except for the right of the B investor to an increase, by way of incentive, of 15% of the fund's return in excess of 3%, with effect from the fifth year and solely on the investments undertaken directly by the management company.

12 In order to determine the fair value of the various notes, both the cash and revolving components were discounted at a rate of 2.25%, whereas the other components were discounted at a rate of 5.5%, based on prices of CLOs (collateralised loan obligations), equal to a weighted average rate of 4.47%.
13 In relation to the securitisations in question, it was assumed that all flows from collections on the underlying portfolio of receivables would be used to repay the senior notes.
14 The Fund's units were subscribed on 30 September 2021. On 1 October 2021, the management company then drew down its commitments for the subscription of the first 378 of the 490 units subscribed by Banca Generali with settlement date of 7 October 2021.
15 The Fund has an overall duration of 15 years, subject to extension by a maximum of two years, with a first investment period with a duration of eight years and a management and collection period of seven years.
16 In particular, the Fund's investment policy calls for the cash flows from the repayment of the senior notes and the additional share of 120 million euros of the commitments entered into by the subscribers be invested in:
(i) fundamental infrastructure funds and networks; and
(ii) lending activities to:
a) corporate lending with a focus on secured lending to Italian companies with adequate guarantees of cash generation not reclassified as non-performing and, possibly,
b) performing senior real estate lending with adequate guarantees (first-degree mortgage with advance level of up to 60% of the market value of the asset).

With reference to the **Governance**, the Fund Rules provide that within the framework of the guidelines established, all powers relating to relevant decisions regarding management of the fund be irrevocably transferred to the management company, which may therefore operate in full autonomy, reserving only rights of a protective nature for the bank, as the A investor.

Gardant Investor SGR is therefore granted full powers and authority in relation to the Fund's affairs and is responsible for the functions of management and control of the Fund's activities, in accordance with the terms and conditions set out in the Rules. In particular, the management company may carry out all acts and enter into and perform all contracts and other undertakings that it deems necessary and has full power and discretion to exercise, in the name and on the account of the Fund, all rights and powers necessary or appropriate to achieving its purpose, including the right to bring civil suits connected to title to the Senior Notes.
The management company's Board of Directors, which does not include any representatives appointed by Banca Generali, is responsible for implementing the investment policy.

An Advisory Committee appointed by the management company and composed of three independent experts is to be formed. However, the Committee is solely responsible for supervising the restriction against the Fund entering into transactions with connected parties and formulating binding opinions on transactions in conflict of interest, without prejudice to the possibility of an advisory opinion on other types of transactions submitted to the management company.

As the A investor, Banca Generali is entitled to:
i) dismiss the management company, but solely for just cause, and express its approval of any replacement of the management company, resolved on by the B investor;
ii) resolve on the early liquidation of the Fund, together with the B investor;
iii) express its rejection of amendments to the fund Rules resolved on by the management company and approved in advance by the B investor, where they relate to the administrative or economic rights of the units, the asset classes subject to investment and the investment guidelines, worsening the risk profile of the fund or entailing an increase in management fees.

In this framework, the position taken by the Bank was essentially that of passive investor in a broader financial instrument, fully compliant with its investment policies.

Accounting treatment

Derecognition

Upon the transfer of the senior notes to the Forward Fund the conditions established by IFRS 9 for derecognition of the assets were verified, including on the basis of a specific accounting opinion by a major international auditing firm, applying the flow chart provided in the Standard[17].

By means of the transfer to the fund, Banca Generali definitively transferred all contractual rights to receive the cash flows from the financial instruments and all risks and benefits associated with owning them.

On the first point, it should be noted that the transfer was undertaken through an unconditional sale, without any warranty as to their performance (including the risk of default), which was assessed autonomously by the management company, nor any undertaking to repurchase them or indemnify the Fund against any losses incurred. With regard to the requirement of the transfer of substantially all risks and benefits of ownership, in view of the specific nature of the transaction, it was nonetheless decided to proceed with further analyses of both a qualitative and quantitative nature (risk and reward test) pursuant to paragraph 3.2.7 of IFRS 9, comparing the transferring entity's exposure to the variability of the amounts and timing of the net cash flows of the transferred asset, before and after transfer.
The subsequent paragraph 3.2.8 requires that a quantitative test be performed to measure the residual exposure to the variability of the present value of future net cash flows after transfer on the basis of a scenario analysis and adequate discounting rates.

Two discount models were developed for such testing:
> an analysis of the relationship between the variability of the future net cash flows from the transferred notes (ex-ante scenario) and the variability of the future net cash flows from the Fund's assets (ex-post scenario), where the latter are determined on the basis of the policies for managing the Fund's collections and reinvestments in the asset classes envisaged in the Rules. This methodological approach takes account of the effect of diversification on flows and collection times, as well as of the returns relating to reinvestments, as the elements characterising the risk profile for the A Unit;
> analysis of the relationship between the variability of future net cash flows from the transferred notes only, determined, in the ex-ante scenario, on the basis of the timescales and cash flows of banking management, and in the post-transfer scenario, on the basis of management of the Fund, while eliminating from both scenarios the policy of reinvesting the amounts collected on the Senior Notes. This methodological approach does not consider the different underlying risk profile, but only the different management, in terms of timing and amounts of the cash flows from collection of senior notes, by the Bank and Fund.

The results of the tests performed using both models support the conclusion that substantially all risks and benefits associated with ownership have been transferred.

17 For the purposes of the analysis, reference was also made, to the extent applicable, to the Bank of Italy/Consob/IVASS Document 8 regarding the treatment in the financial statements of the sale of unlikely-to-pay ("UTP") positions in exchange for units of investment funds.

In particular, in the former case ex-post variability is significantly higher than ex-ante variability, indicative of the fact that the risks and benefits assumed by the Bank by subscribing the A Units of the Fund are considerably higher than those transferred to the Fund with the senior notes. This leads to the belief that the instrument acquired is substantially different in terms of its risk profile from that transferred.
In the latter case, the ex-post variability ranges between 70% and 80%, indicative that the risks and benefits associated with the senior note flows only, due to the transfer to the Fund, have not been either fully transferred or retained.
In this latter case, derecognition is only allowed if the bank has ceded control of the transferred assets, or the transferee has the practical ability to sell the Senior Notes, if it is able to sell them unilaterally and without conditions to an unrelated third party.
In the case at hand, the control test is also considered passed as the Fund acquired full title as bearer of the senior notes and in respect of the rights, including compensation rights, transferred to it, as cited in the Framework Agreement, and therefore may order their sale unilaterally.

Effects of possible non-derecognition
Finally, even if the Bank had not derecognised the debt securities acquired by customers, the impact on the 2021 financial statements would have been limited.
In view of the strategic objectives and method of implementation of the transaction, through unconditional sale, Banca Generali's aim from the outset was not, in any event, to acquire, including through an SPE, a portfolio of senior notes to collect the contractual cash flows generated by those notes, but to undertake an investment of a different kind. Accordingly, on the basis of the clear tenor of authoritative international theory, it is believed that Banca Generali could have defined the most appropriate policy for the case at hand and thus allocated the financial instruments to a hold-to-sell portfolio, measured at fair value through profit or loss.
The senior notes would therefore have been classified to item 20 c). Financial assets measured at fair value through profit or loss - financial assets mandatorily measured at fair value, as is the case, as will be seen below, for the units of the Forward Fund, without an appreciable change in overall disclosure in the financial statements.

Consolidation of the Forward Fund
With regard to the information provided in "Part A – Accounting policies" regarding the requirements established by the accounting standard IFRS 10 for control of an entity, the test performed upon subscription and then when preparing the financial statements indicated that control did not exist.

As stated above, both parties to the transaction, the Bank and the management company, participated actively in formulating the objectives of the transaction and structuring it according to the Framework Agreement and Fund Rules.

In particular, from the outset Banca Generali's goal was to invest in a newly set up fund managed by a specialised, independent operator with specific expertise in managing illiquid portfolios, capable of optimising, in full autonomy, the process of recovering the cash flows generated by the senior notes transferred and achieving a return objective in the medium/long term through management of other financial asset classes of an illiquid nature. The position voluntarily taken by the Bank was essentially that of passive investor in a broader financial instrument, fully compliant with its investment policies.
The Fund was thus structured, through the Rules, in such a way that the Bank irrevocably transferred, and thus did not merely delegate, all powers of management of the Fund to Gardant Investor SGR S.p.A., reserving for itself only limited rights of a protective nature.

As a result, having concluded that the Bank's rights are protective in nature, and not being able to attribute to the Bank the rights borne by the management Company as irrevocably transferred to the latter and not merely delegated, it is believed that Banca Generali does not have the power and, therefore, in the presence of significant exposure to the fund's variability, does not exercise control over the Fund.

Fair Value
As indicated in Part A.4 – Fair value, in the financial statements the units of the Forward Fund have been classified to item of the balance sheet 20 c), "Financial assets measured at fair value through profit or loss - financial assets mandatorily measured at fair value".
Units of the Fund have been measured according to a methodology substantially similar to that used to determine the consideration paid by the Fund to acquire the portfolio of senior notes[18].
The fair value of the Fund was determined using a financial model of the DCF (discounted cash flow) type, where expected cash flows are estimated using the most recent business plan for recoveries envisaged by the management company for each securitisation and applying to such flows discount factors differentiated according to the different risk levels of the types of underlying health receivables. As at 31 December 2021, the update to the Business Plan by the management company estimates the total

[18] At the measurement date, the Forward Fund's investments consist exclusively of the five senior notes relating to the securitisations of the senior healthcare receivables transferred. The model used includes — in addition to the sum of the discounted cash flows from those notes (370.2 million euros), without considering reinvestments and any cash commitment — an estimate of the coupons set to accrue, net of the management fees accrued to the management company as at the reporting date. Over the life of the transaction, the model will be revised to take account of the new investment flows associated with the strategy implemented.

net cash flows arising from repayment of the underlying in the total amount of approximately 397 million euros, inclusive of cash balances of 86 million euros. The plan's original assumptions were essentially confirmed, except for the interruption of the reinvestment of the cash generated by the collection of the revolving loans.

The coupons paid on the notes during the period and Fund management costs were also taken into account when determining the Fund's fair value.

	31.12.2021			
(€ MILLION)	GROSS BOOK VALUE	ADJUSTMENTS	RECOVERABLE FLOWS	FAIR VALUE
Cash	86.0	-	86.0	86.0
Revolving receivables	28.2	-3.7	24.5	24.4
In-budget High Yield receivables	50.5	-16.1	34.4	32.4
Crediti High Yield Extra Budget	268.0	-108.5	159.5	144.6
Receivables for late payment interest	162.4	-69.8	92.6	82.9
of which "stripped"	*100.4*	*-51.0*	*49.4*	*44.0*
of which "accrued"	*62.0*	*-31.6*	*30.4*	*27.0*
of which from cut-off	-	-	*12.8*	*11.9*
Coupons collected and recovered amounts from parties involved, net of management costs	-	-	-	7.1
Total	**595.1**	**-198.1**	**397.0**	**377.3**

The discount rate used was thus determined as the weighted average of the different rates estimated for each of the underlying asset classes identified, as shown in the following table, and was therefore set at 4.93%.

TYPE OF UNDERLYING RECEIVABLES	TYPE OF DISCOUNT RATE	DISCOUNT RATE	WEIGHTING OF UNDERLYING ASSET CLASSES	DISCOUNT RATE WEIGHTED
Cash e Revolving	Medium-term yields of 5-year BTP	0.42%	9%	0.04%
In budget	Average rate [1M; 6M; 12M] calculated based on four Bloomberg benchmarks and the related high yield/below investment grade indices (see the following table)	3.24%	11%	0.36%
Out-of-budget	Previously described rate plus 200 bps	5.24%	51%	2.68%
Late payment interest	Previously described mean rate plus a further 100 bps	6.24%	30%	1.85%
Weighted discount rate				**4.93%**

CONTENTS	DESCRIPTION	AVG 1M	AVG 6M	AVG 12M
EUOHHYTO Index	Option Adjusted Spread (weighted by market value) of the Euro High Yield All Cash Bonds sector	2.77%	2.55%	2.57%
IBOXXMJA Index	Markit iBoxx EUR Liquid High Yield Index TRI	2.13%	2.13%	2.12%
I11005EU Index	Bloomberg Pan European below investment grade Corporate 2.5% Issuer Constraint Index	3.86%	3.87%	3.83%
LP01TREU Index	Bloomberg Pan European below investment grade Index	4.37%	4.37%	4.33%
	Average [1M; 6M; 12M]	3.28%	3.23%	3.21%
Average			**3.24%**	

Fair value at 31 December 2021 was 377.3 million euros, whereas the initial fair value amounted to the consideration of 378 million euros, with a valuation capital loss of about 0.7 million euros.

In view of the nature of the financial instruments, represented by units of a reserved, closed-ended, unlisted mutual fund (illiquid) and the mark-to-model approach, based on unobservable inputs, used to measure their fair value, a Level 3 fair value was assigned to them.

The Fund's fair value may be influenced to a significant degree by the changes in the unobservable inputs used for measurement, including the change in the discount rates used, and the estimate of the recovery cash flows and their timing.
Accordingly, on the basis of IFRS 13, paragraph 94 h), a sensitivity analysis was performed, assuming a change in the discount rate of +/-100bps and a change in the collection of receivables of +/- 5%.
The analysis indicated values within a range of 372 million euros to 382 million euros in relation to the change in discount rates and within a range of 363 million euros to 391 million euros in relation to the recovery of receivables.

Section 2 – Market risks

The Bank's exposure to market risk is mainly due to the trading of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a financial instrument or a portfolio of financial instruments associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

The Bank monitors market risks with reference both to the banking book and the trading book. Specifically as regards monitoring this risk the Risk and Capital Adequacy Department applies the regulatory method to the trading book whilst the rate risk on the banking book follows the regulations specified in annex C of Bank of Italy Circular No. 285/2013 and subsequent updates.
With regard to market risk management, the Bank has formally defined a financial portfolio risk management policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority. The Finance Department conducts first-tier management and monitoring of Banca Generali's exposure to market risk in accordance with predefined operating limits detailed in the Parent Company's Regulation of limits and escalation process.
Second-tier checks are a responsibility of the Risk and Capital Adequacy Department, as is the monitoring of operating limits with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

The Internal Audit Department conducts independent controls (third-tier checks) on transactions undertaken by the Departments/Functions involved in the management of market risk in accordance with the Parent Company's Internal Rules and Procedures.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the credit risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

The emergency relating to the mutation of Covid-19 continued in 2021, yet with different impacts than in the previous year, due to the impressive vaccination campaign implemented in Italy (and the rest of the world). In any event, the ECB continued its programmes in support of the European economy. Especially in the second half of the year, almost all rates climbed, due to the control of the pandemic crisis (Omicron variant), which, despite the high number of new cases, was contained by vaccines, avoiding the need to shut down the economy (lockdowns). Although 2021 was the year of higher commodities prices (above all for oil) and inflationary pressures, equity markets saw considerable growth across all main markets — growth that also brought considerable volatility to the markets. This year as well, in line with the path undertaken, the Bank reacted by increasing the diversification policy for its portfolio and continuing in the direction of containing the exposure to interest rate risk by adopting a policy of transforming risk through the use of hedging instruments (such as asset swaps). The aforementioned management policy was deemed necessary in light of the rising economic instability, as well as very uncertain forecasts of the future.

The own bond portfolio is mainly invested in European government securities (mainly Italian), securities issued by domestic and international banks and, to a lesser extent, in securities of corporate issuers and ABSs.

In support of its market risk analyses, the Bank increased the frequency of its scenario analyses by both exploiting the macroeconomic forecasts published by institutions and research centres and drawing on internal calculations and management tools.

The portfolio's exposure to the equities market is limited compared to the bond component. Exposure to non-OECD issuers and entities is limited.

The exposure in derivatives is attributable to the inception of interest rate derivatives (asset swaps) to cover the risk of changes in the fair value of the banking book due to the fluctuation of the interest rate curve.

The main objective of exchange rate operations is to contain open positions in foreign currencies. Regarding the rate activity, the main objective is to align balance sheet assets and liabilities.
Banca Generali holds marginal amounts of securities denominated in foreign currencies.

2.1 Interest Rate and Price Risk – Regulatory Trading Book

Qualitative information

A. General Aspects

The main activities of the Bank that increase its exposure to interest rate risk relating to its trading book include:
> management of the portfolio of financial and corporate bonds;
> residual transactions in UCITS and equity instruments.

As the majority of financial products and services are distributed by the sales network, the objectives assigned to the Finance Department in relation to the trading book are aimed at the minimisation of risks.

Management of the trading book is therefore based on the following strategies:

- supporting the activities of the sales network in relation to placing repurchase agreements for customers;
- supporting secondary market trading for the financial instruments placed with customers, such as structured bonds.

B. Management processes and interest rate and price risk measurement techniques

Market risks are measured for management purposes according to a daily sensitivity analysis, prudentially monitored at the level of the Bank's entire proprietary portfolio with the aim of identifying interest rate and spread risk. These are supplemented by the monitoring of deterministic measurements (level measurements such as the notional and Mark to Market values) defined in the Bank's "Regulation of limits and escalation process".

In detail, the model adopted by the Risk and Capital Adequacy Department to conduct the sensitivity analysis is based on the Fundamental Review of Trading Book rules and has been developed to calculate sensitivity:

- on interest-rate risk: the possibility of calculating sensitivity according to a full-evaluation approach, based on shocks to the base risk-free curve in foreign currency;
- on country risk: the possibility of calculating sensitivity according to a full-evaluation approach, based on shocks to loan/sector curves.

The sensitivities of the two components described above are calculated as a parallel shock of +100 bps on all nodes of the curve, with regard to both the interest-rate risk and country risk portions.

The following table shows the interest-rate risk sensitivity of the entire proprietary portfolioat 31 December 2021:

(€ THOUSAND)	HTS PORTFOLIO
Interest-rate risk sensitivity	-4.3

Quantitative information

1. Regulatory trading book: breakdown by time-to-maturity (repricing date) of cash financial assets and liabilities and financial derivatives

TYPE/TIME TO MATURITY	ON-DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY
1. Cash assets	**-**	**2,006**	**-**	**-**	**2**	**-**	**-**	**-**
1.1 Debt securities	-	2,006	-	-	2	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	2,006	-	-	2	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**65,172**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	65,172	-	-	-	-	-	-
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	32,586	-	-	-	-	-	-
+ short positions	-	32,586	-	-	-	-	-	-

2. Regulatory trading book: breakdown of exposures in equity securities and stock indices by main countries on the market of listing

Price risk consists of the risk that the fair value or future cash flows of a given financial instrument may fluctuate as a result of changes in market prices (other than changes triggered by **interest-rate risk** or **exchange-rate risk**), regardless of whether such changes are the result of factors specific to the instrument or issuer in question, or are due to factors that influence all similar financial instruments traded on the market.

"Price risk" arises mainly as a result of the trading of shares, stock-index and/or stock futures, stock-index and/or stock options, warrants, covered warrants, option rights, etc. and in relation to UCITS units held in the portfolio.

However, the Bank's exposure to this risk is moderate given the limited weight of such securities in its portfolio of financial assets held for trading.

	LISTED				
TYPE OF TRANSACTION/INDEX	ITALY	USA	GERMANY	OTHER	NOT LISTED
A. Equity securities					
- long positions	-	1	8	2	-
- short positions	-	-	-	-	-
B. Equity security purchases/sales to be settled					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
C. Other derivatives on equity securities					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-
D. Stock index derivatives					
- long positions	-	-	-	-	-
- short positions	-	-	-	-	-

3. Regulatory trading book: internal models and other methods of sensitivity analysis

Sensitivity analysis was also employed to assess the market risks originating in the trading book.
This sort of analysis quantifies the change in the value of a financial portfolio as a result of variation in the primarily risk factors, which for Banca Generali are interest rate and price risk.
In calculating interest-rate risk, the analysis assumed a parallel, uniform shift of +100/-100 basis points in the rate curve.
The next stage involves establishing the potential effects on the profit and loss account both in terms of the point change in the fair value of the portfolio under analysis on the reporting date and the change in the net interest income for the current year.
In calculating the price risk associated with equities, a 10% change in market prices was considered. On this basis, the point impact of such a change on the current equities portfolio was then determined.

On the whole, a change in market prices of +10%/-10% would result in the recognition through profit and loss of capital gains/losses of 1/-1 thousand euros, gross of the tax effect, on the portfolio of equity securities held for trading.

A change in interest rates of +100/-100 basis points would have an overall effect on the fair value of the portfolio of debt securities held for trading of -4.35/+4.34 thousand euros, gross of the tax effect.

(€ THOUSAND)	HTS
FV equity delta (+10%)	1
FV equity delta (-10%)	-1
FV bonds delta (+1%)	-4.35
FV bonds delta (-1%)	+4.34

2.2 Interest Rate and Price Risk – Banking Book

Qualitative information

A. General Aspects, Management procedures and Interest Rate and Price Risk Measurement Techniques

The interest rate risk to which the banking book is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.

This risk is generated by the gaps between the maturities and time required to reset the interest rate on the Bank's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net income, and therefore projected profit, as well as variations in the market value of the assets and liabilities, and, in turn, the value of net equity.

With regard to the management of the interest rate risk of the banking book, the Bank has formally defined a Banking Book Interest Rate Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department and Lending Department conduct first-tier controls on the management of interest rate risk.
The Risk and Capital Adequacy Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the interest rate risk to which the banking book is exposed. It is also responsible for updating the models and metrics, including on the basis of analyses of legal requirements, market best practices and the contributions of the business functions involved (and the Finance Department in particular).
The Internal Audit Department is responsible for third-tier controls of loans and net inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the management and control system for interest rate risk in the banking book and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

During the year the Bank incorporated changes in regulations into its regulatory framework for monitoring regulatory interest rate risk, adjusting its method for calculating the capital requirement, which made it possible to better capture some peculiarities relating to a core component of the Bank's business, net inflows, while also extending the monitoring of a potential impact of changes in interest rates to net interest income as well.

Most of the interest rate risk in the Bank's banking book arises from:
- trading on the interbank deposits market;
- customer lending activities; and
- investment operations of the debt securities portfolio held as treasury investment, which can cause a mismatch in the repricing dates and currencies of asset and liability items of net inflows, with a negative impact on the Group's objectives in terms of net interest income.

B. Fair value and cash flow hedging

The Bank currently uses fair value hedging strategies to contain the interest rate risk on the banking book. These strategies are formulated according to the Bank's Risk Appetite and are designed to keep banking book's duration within the established limits by using hedging derivative instruments such as interest rate swaps.

In particular, by establishing hedging relationships, the Bank seeks to stabilise the fair value of the bond in respect of changes in interest rates and to decrease the duration of the hedged bond.

All derivative instruments are designated as hedges against the specific risk hedged, as identified for each hedging relationship and pursuant to IFRS 9.

There are currently no cash flow hedging transactions generated by the Bank's operations.

Quantitative information

1. Banking book: breakdown by time-to-maturity (by repricing date) of financial assets and liabilities

TYPE/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS UP TO 6 MONTHS	OVER 6 MONTHS UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEARS	OVER 5 YEARS UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY
1. Cash assets	**2,757,050**	**2,495,569**	**2,886,164**	**1,101,160**	**2,702,889**	**1,123,654**	**262,305**	**-**
1.1 Debt securities	-	2,147,305	2,883,726	1,097,205	2,699,169	1,120,554	262,305	-
- with early repayment option	-	54,015	14,063	10,009	20,604	24,902	21,414	-
- other	-	2,093,290	2,869,663	1,087,196	2,678,565	1,095,652	240,891	-
1.2 Loans to banks	186,742	347,630	-	-	-	-	-	-
1.3 Loans to customers:	2,570,308	634	2,438	3,955	3,720	3,100	-	-
- current accounts	1,564,486	10	194	2,471	16	-	-	-
- other	1,005,822	624	2,244	1,484	3,704	3,100	-	-
- with early repayment option	826,352	572	131	154	1,758	3,100	-	-
- other	179,470	52	2,113	1,330	1,946	-	-	-
2. Cash liabilities	**13,728,714**	**11,752**	**-**	**-**	**690,725**	**-**	**-**	**-**
2.1 Due to customers:	13,612,457	-	-	-	-	-	-	-
- current accounts	13,283,649	-	-	-	-	-	-	-
- other payables	328,808	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	328,808	-	-	-	-	-	-	-
2.2 Due to banks:	116,257	11,752	-	-	690,725	-	-	-
- current accounts	88,470	-	-	-	-	-	-	-
- other	27,787	11,752	-	-	690,725	-	-	-
2.3 Debt securities:	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities:	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**336,000**	**3,228,000**	**321,000**	**375,500**	**583,000**	**243,500**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	336,000	3,228,000	321,000	375,500	583,000	243,500	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	336,000	3,228,000	321,000	375,500	583,000	243,500	-
+ long positions	-	286,000	1,923,000	176,000	158,500	-	-	-
+ short positions	-	50,000	1,305,000	145,000	217,000	583,000	243,500	-
4. Other off-balance sheet transactions	**306**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	153	-	-	-	-	-	-	-
+ short positions	153	-	-	-	-	-	-	-

2. Banking book: internal models and other methods of sensitivity analysis

The sensitivity analysis was conducted only for the interest rate risk component also for the banking book, with regard to the portfolio of financial assets measured at fair value through other comprehensive income, the portfolio of financial assets measured at amortised cost, and the portfolio of loans to customers and banks.

As regards the price risk, a change of +100/-100 basis points would yield a change in the valuation reserves on debt securities in the HTCS category of -15.8/+15.7 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the HTCS portfolio would amount to -14.4/+14.3 million euros as a result of the hypothesised shift in the rate curve, or about 90% of the fair value delta of the entire HTCS bond portfolio.

To provide a complete information, the following table shows the effect of a similar price shock in the fair value of portfolios recognised at amortised cost.

(€ THOUSAND)	HTCS	HTC	LOANS (*)	TOTAL
FV bonds delta (+1%)	-15,816	-135,820	-14,997	-166,633
- *of which: government bonds*	*-14,436*	*-99,421*	-	*-113,857*
FV bonds delta (-1%)	15,729	117,280	15,011	148,020
- *of which: government bonds*	*14,383*	*82,361*	-	*96,743*

(*) Loans to banks and Loans to customers.

The same criteria were also applied to a sensitivity analysis of net interest income of the entire banking book. It resulted in a potential impact on the Profit and Loss Account of +63.3 million euros, gross of the tax effect in case of increase of interest rates by 1%, and -27.1 million euros in case of decrease by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	77,486	-14,218	63,268
Net interest income delta (-1%)	-32,555	5,484	-27,071

2.3 Foreign exchange risk

Qualitative information

A. General Aspect, Management Processes and Exchange Rate Risk Measurement Techniques

Exchange-rate risk is the possibility of incurring losses due to adverse fluctuations in the value of foreign currencies on all positions held by the Bank, regardless of the portfolio to which they have been allocated.
With regard to exchange risk management, the Group has formally defined a Financial Portfolio Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department performs first-tier controls of exchange-rate risk management.
The Risk and Capital Adequacy Department is responsible for second-tier controls with the aim of conducting specific independent measurement, control and monitoring of the exchange rate risk.
The Internal Audit Department is responsible for third-tier controls of loans and net inflows in foreign currency.
The Risk Committee is a collegial body responsible for a shared vision of the global performance of the exchange rate risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Most of the exchange-rate risk arises from:
> trading of securities and other financial assets in foreign currency;
> interest to be collected and/or paid, reimbursements, fees or dividends in foreign currency;
> bank transfers in foreign currency to customers (institutional and retail customers);
> currency trading on behalf of customers.

The main objective of exchange rate operations is to contain open positions in foreign currencies and limited to currency account currencies.
Exchange rate risk is mitigated through funding activities in the same currency as that of lending transactions.

Quantitative information

1. Breakdown by currency of denomination for assets, liabilities, and derivatives

ITEMS	CURRENCIES US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	CANADIAN DOLLAR	AUSTRALIAN DOLLAR	OTHER CURRENCIES
A. Financial assets	**50,943**	**-**	**1,822**	**-**	**-**	**-**	**-**
A.1 Debt securities	27,919	-	-	-	-	-	-
A.2 Equity securities	5,376	-	-	-	-	-	-
A.3 Loans to banks	17,641	-	-	-	-	-	-
A.4 Loans to customers	7	-	1,822	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**86,836**	**858**	**15,251**	**10,895**	**2,344**	**1,371**	**1,723**
C.1 Due to banks	-	-	-	-	-	-	748
C.2 Due to customers	86,836	858	15,251	10,895	2,344	1,371	975
C.3 Debt securities	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	-	**-**
E. Financial derivatives	**330**	**14**	**-4**	**-8**	**39**	**103**	**18**
- Options	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
- Other derivatives	330	14	-4	-8	39	103	18
- long positions	4,208	43	60	148	70	138	11,872
- short positions	3,878	29	64	156	31	35	11,854
Total assets	**55,151**	**43**	**1,882**	**148**	**70**	**138**	**11,872**
Total liabilities	**90,714**	**887**	**15,315**	**11,051**	**2,375**	**1,406**	**13,577**
Excess	**-35,563**	**-844**	**-13,433**	**-10,903**	**-2,305**	**-1,268**	**-1,705**

2. Internal models and other methods of sensitivity analysis

The sensitivity analysis discussed in the foregoing paragraph has been also conducted on assets and liabilities denominated in currencies other than the euro, regardless of the portfolio to which they have been allocated.

A shock of +/- 10% on equity instruments denominated in currencies other than the euro would have an effect on the fair value of approximately +553/-676 thousand euros, whereas a shock of +100/-100 bps in rates would have an effect on the fair value of bonds and securities other than equities in foreign currency of -1.2/+1.4 million euros, gross of the tax effect.

(€ THOUSAND)	ASSETS
FV equity delta (+10%)	553
FV equity delta (-10%)	-676
FV non-equity delta (+1%)	-1,255
FV non-equity delta (-1%)	1,396

By contrast, an interest rate movement of +100/-100 basis points would have an effect of -397/+341 thousand euros on the flow of interest on assets and liabilities denominated in currencies other than the euro.

(€ THOUSAND)	TOTAL ITEMS
Net interest income delta (+1%)	-397
Net interest income delta (-1%)	+341

Section 3 – Derivatives and hedging policies

3.1 Trading derivatives

A. Financial derivatives

A.1 HFT financial derivatives: notional amounts at year-end

UNDERLYING ASSETS/ TYPES OF DERIVATIVES	31.12.2021				31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**20,758**	**-**	**-**	**-**	**31,676**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	20,758	-	-	-	31,676	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**20,758**	**-**	**-**	**-**	**31,676**	**-**

A.2 HFT financial derivatives: positive and negative gross fair value – breakdown by products

	31.12.2021				31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
TYPES OF DERIVATIVES	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	4,558	-	-	-	1,551	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**4,558**	**-**	**-**	**-**	**1,551**	**-**
1. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	4,551	-	-	-	1,551	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**4,551**	**-**	**-**	**-**	**1,551**	**-**

A.3 OTC HFT financial derivatives: breakdown of notional values, positive and negative gross fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts other than netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	10,384	-	10,374
- positive fair value	X	1,634	-	2,924
- negative fair value	X	2,922	-	1,629
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other values				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts within the scope of netting arrangements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other values				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Time-to-maturity of OTC HFT financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	20,758	-	-	20,758
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2021	**20,758**	**-**	**-**	**20,758**
Total at 31.12.2020	**31,676**	**-**	**-**	**31,676**

3.2 Hedging instruments

The proprietary portfolio managed by the Bank includes hedging derivatives entered into both through a central counterparty (CCP) clearing house and on a bilateral basis under a CSA, affected by the benchmark interest rate reform introduced by Regulation (EU) 34 of 15 January 2020.
For such contracts, which normally call for the use of Eonia rates, the transition to the new overnight rate, €STR, was therefore completed in 2021.

Specifically, for derivatives cleared via a CCP, the transition was completed between 24-27 July 2020 by replacing the discount curve used to calculate net present value (NPV), previously based on EONIA rates, with the new curve based on €STR rates. This transaction entailed the exchange of cash compensation as the result of the difference between NPVs calculated according to the two different curves.
For bilateral contracts, the transition — which also took place in 2020 — was completed by 31 December 2021, with the negotiation of specific amendment agreements with each counterparty, within which the effective date of transition to the discount curves based on the new market benchmarks was defined.
In this case as well, the value of the cash compensation was defined, as determined by the difference between the NPVs calculated with the two different curves and its settlement date.
The process was handled by the Finance Department, which conducted a prior assessment of the impacts on profit and loss and agreed on the netting values with the counterparties.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: notional amounts at year-end

	31.12.2021				31.12.2020			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
UNDERLYING ASSETS/ TYPES OF DERIVATIVES	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS
1. Debt securities and interest rates	**-**	**2,543,500**	**-**	**-**	**-**	**1,709,000**	**125,000**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	2,543,500	-	-	-	1,709,000	125,000	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**2,543,500**	**-**	**-**	**-**	**1,709,000**	**125,000**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value — breakdown by products

TYPES OF DERIVATIVES	31.12.2021				31.12.2020				CHANGE IN THE VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	
	OVER THE COUNTER				OVER THE COUNTER					
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES				
	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	CENTRAL COUNTER-PARTIES	WITH NETTING ARRANGE-MENTS	WITHOUT NETTING ARRANGE-MENTS	ORGANISED MARKETS	31.12.2021	31.12.2020
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	11,357	-	-	-	2,486	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**11,357**	**-**	**-**	**-**	**2,486**	**-**	**-**	**-**	**-**
1. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	167,320	-	-	-	61,523	6,330	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**167,320**	**-**	**-**	**-**	**61,523**	**6,330**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: breakdown of notional values, positive and negative gross fair value by counterparties

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts other than netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts within the scope of netting arrangements				
1) Debt securities and interest rates				
- notional value	-	2,343,500	200,000	-
- positive fair value	-	11,357	-	-
- negative fair value	-	135,104	32,216	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Time-to-maturity of OTC hedging financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	UP TO 1 YEAR	OVER 1 YEAR AND UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	170,000	997,000	1,376,000	2,543,000
A.2 Financial derivatives on equity securities and stock indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2021	**170,000**	**997,000**	**1,376,000**	**2,543,000**
Total at 31.12.2020	**50,000**	**680,000**	**1,104,000**	**1,834,000**

D. Hedged instruments

D.1 Fair value hedges

	SPECIFIC HEDGES: CARRYING AMOUNT	SPECIFIC HEDGES – NET POSITIONS: CARRYING AMOUNT OF ASSETS OR LIABILITIES (BEFORE NETTING)	SPECIFIC HEDGES			GENERIC HEDGES: CARRYING AMOUNT
			CUMULATIVE FAIR VALUE CHANGES OF THE HEDGED INSTRUMENT	TERMINATION OF HEDGING POSITION: RESIDUAL CUMULATIVE FAIR VALUE CHANGES	CHANGE IN VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging of:	322,048	-	87,927	-	-	
1.1 Debt securities and interest rates	322,048	-	87,927	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost – hedging of:	2,395,094	-	3,981	-	-	
1.1 Debt securities and interest rates	2,395,094	-	3,981	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total 31.12.2021	**2,717,142**	**-**	**91,908**	**-**	**-**	
Total 31.12.2020	**1,915,761**	**-**	**38,768**	**-**	**-**	
B. Liabilities						
1. Financial liabilities measured at amortised cost – hedging of:	-	-	-	-	-	
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31.12.2021	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**

3.3 Other information on derivatives (held for trading and for hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: breakdown of net fair value by counterparties

	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
A. Financial derivatives				
1) Debt securities and interest-rates				
- notional value	-	2,343,500	200,000	-
- positive fair value	-	11,357	-	-
- negative fair value	-	135,104	32,216	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	10,384	-	10,374
- positive fair value	-	1,634	-	2,924
- negative fair value	-	2,922	-	1,629
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sale and protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Section 4 – Liquidity risk

Qualitative information

A. General Aspect, Management Processes and Liquidity Risk Measurement Techniques

Exposure to liquidity risk derives from funding and lending transactions in the course of the Bank's normal business, as well as from the presence of unlisted financial instruments in its proprietary portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

The Bank's liquidity risk governance model is based on "centralised" management for all Group companies. As the Parent Company, the Bank:

- is responsible for the liquidity policy;
- manages liquidity risk.

The structure of the liquidity risk management system is intended to ensure sound and prudent management of liquidity and liquidity risk and purses the following goals:
> ensuring that the Bank remains solvent in both the normal course of business and crisis conditions;
> complying with instructions from the supervisory authority and the guidelines on banking supervision issued by the various international authorities, while also taking account of the specificity of the Bank's business;
> maintaining a liquidity profile that is consistent with the risk tolerance statements issued by its governing bodies;
> ensuring liquidity levels capable of allowing the Group to fulfil its contractual commitments at any times, maximising the cost of funding with respect to current and forecast market conditions.

In particular, the liquidity risk management and monitoring policy implemented by the Group at the consolidated level is in turn divided into:
> managing operating liquidity risk, i.e., events that affect the Group's liquidity position on the short-term time horizon, with the primary objective of maintaining the Group's capacity to meet its ordinary and extraordinary payment obligations, while minimising the related costs;
> managing **structural liquidity** risk, i.e., all events that affect the Group's liquidity position, including in the medium/long term, with the primary objective of maintaining an adequate relationship between liabilities and assets on the various time horizons. In particular, the management of structural liquidity allows:
  – pressure on current and prospective sources of liquidity to be avoided;
  – the cost of funding to be optimised.

Both risk profiles are measured on a going concern basis and in stress scenarios and are analysed from a current and a prospective standpoint.

With regard to liquidity risk management, the Bank has formally defined a policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department is responsible for first-tier controls and managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, secondly, where present, through extraordinary measures provided by the ECB. The Group also holds a portfolio of highly liquid, listed financial instruments in order to react to possible crisis scenarios involving a sudden interruption of funding flows.

The Risk and Capital Adequacy Department is responsible for second-tier controls. Liquidity risk is managed within appropriate short-term and structural (beyond one year) limits, monitored by the Department, assuming that financial markets will continue to function normally and in conditions of particular stress, aimed at ensuring that the risk level expressed is consistent with the strategies and risk appetite established by the Board of Directors.

The Internal Audit Department is responsible for third-tier controls of loans and net inflows transactions.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the liquidity risk management and control system and for deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

The Group has also implemented a Contingency Funding Plan that sets out a framework for monitoring and managing unexpected liquidity stress events, which may be systemic or specific to the Bank, in order to ensure protection of the Group's assets in situation of liquidity drain through the preparation of crisis management strategies and procedures for procuring sources of funding in the event of an emergency.

The liquidity risk is monitored using a maturity ladder designed on the basis of the guidelines set out in the prudential supervisory provisions governing the measurement of net financial position. Through the maturity ladder the bank assesses the matching of expected cash flows, by balancing assets and liabilities whose maturity falls within each maturity range; the balances and therefore the mismatches between expected inflows and outflows within each maturity range allows, through the construction of cumulative mismatches, the calculation of the net balance of funding requirement (or surplus) over the holding period considered.

Commission Implementing Regulation (EU) No. 2016/322, which contains the Implementing Technical Standards for the liquidity coverage ratio, was published in the Official Journal of the European Union on 10 March 2016. With effect from 30 September 2016, the Bank is required to report this ratio on a monthly basis according to the new reporting framework.
The Bank's LCR at 31 December 2021 amounted to 378%, far in excess of the current mandatory minimum level, thanks to high quality liquid assets ("HQLAs") of approximately 9.8 billion euros, primarily Italian government bonds, offsetting the estimated net cash outflows in the following 30 days.

During the year, the structural regulatory indicator, the net stable funding ratio, also remained consistently above the established limits, amounting to 222% as at 31 December 2021, due to long-term stable funding in excess of the on-balance sheet assets requiring such long-term stable funding. With regard to the net stable funding ratio, with effect from June 2021 the Bank adopted the modifications relating to the production and monitoring of reports of the NSFR structural indicator in response to the changes introduced by the new provisions of Regulation (EU) No 2019/876 of the European Parliament (CRR2)

As a participant in payment, settlement and netting systems, the Group is exposed to intraday liquidity risk due to a mismatch in the timing of daily payment inflows and outflows, which may in turn give rise to potentially large temporary imbalances than expected at the end of the day.
Intraday liquidity management is the responsibility of the Treasury and Portfolio Management Service and seeks to ensure that available liquidity is constantly sufficient to cover cash outflows. The Risk and Capital Adequacy Department is responsible for ex-post second-tier controls.

Structural liquidity risk is also measured by adopting Additional Liquidity Monitoring Metrics (pursuant to Article 415, paragraph 3(b), of Regulation (EU) No. 575/2013), involving an analysis of the concentration of borrowings by counterparty and product type. These analyses enable a more complete vision of the liquidity risk profile, providing the level of diversification of sources of funding in the wholesale and retail markets in order to emphasise excessive dependency on individual product types, which could be subject to severe outflows during a liquidity crisis.
During the year, faced with the continuing health emergency, the Bank constantly monitored the short- and long-term liquidity profile by applying its control framework.

Quantitative information

1. Breakdown of financial assets and liabilities by time to contractual maturity

ITEMS/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS TO 15 DAYS	OVER 15 DAYS TO 1 MONTH	OVER 1 MONTH TO 3 MONTHS	OVER 3 MONTHS TO 6 MONTHS	OVER 6 MONTHS TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	UNSPECIFIED MATURITY
A. Cash assets										
A.1 Government securities	93	33,926	28,984	42,286	155,963	612,899	1,486,815	4,719,864	1,602,900	-
A.2 Other debt securities	-	39	199	24,209	55,373	33,497	45,936	729,199	510,893	-
A.3 UCITS units	382,856	-	-	-	-	-	-	-	-	-
A.4 Financing	1,938,285	17,661	9,545	199,940	22,503	45,113	83,623	392,342	287,668	130,138
- to banks	186,895	17,658	-	199,896	-	-	-	-	-	130,138
- to customers	1,751,390	3	9,545	44	22,503	45,113	83,623	392,342	287,668	-
Total	**2,321,234**	**51,626**	**38,728**	**266,435**	**233,839**	**691,509**	**1,616,374**	**5,841,405**	**2,401,461**	**130,138**
B. Cash liabilities										
B.1 Deposits and current accounts	13,379,672	-	-	-	-	-	-	690,725	-	-
- from banks	96,022	-	-	-	-	-	-	690,725	-	-
- from customers	13,283,649	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	367,273	614	-	-	11,138	-	-	-	-	-
Total	**13,746,945**	**614**	**-**	**-**	**11,138**	**-**	**-**	**690,725**	**-**	**-**
C. Off-balance sheet transactions										
C.1 Financial derivatives with capital swap	-	23,656	-	-	41,516	-	-	-	-	-
- long positions	-	11,828	-	-	20,758	-		-	-	-
- short positions	-	11,828	-	-	20,758	-		-	-	-
C.2 Financial derivatives without capital swap	-	7	-	-	1,729	4,830	7,935	-	-	-
- long positions	-	7	-	-	709	2,668	2,393	-	-	-
- short positions	-	-	-	-	1,020	2,162	5,542	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	76,695	-	5	-	-	25	606	568	412	-
- long positions	37,540	-	5	-	-	25	606	568	412	-
- short positions	39,155	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	8,215	-	-	62	400	537	4,375	11,231	6,208	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital swap	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital swap	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
Total	**84,910**	**23,663**	**5**	**62**	**43,645**	**5,392**	**12,916**	**11,799**	**6,620**	**-**

Section 5 – Operating risks

Qualitative information

A. General Aspect, Management Processes and Operating Risk Measurement Techniques

The exposure to operating risks is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advisors) and the direct involvement of all employees in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, inter alia, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.

With regard to operating risk management, the Bank has formally defined an Operation Risk Management Policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The functions dealing with Organisation, IT Management and Security guarantee the efficient functioning of application procedures and information systems that support organisational processes. It also evaluates the physical and logical security conditions within the Bank and, if necessary, implements measures to guarantee a higher general level of security.
The Risk and Capital Adequacy Department carries out risk assessment and scoring activities, monitors incidents/operating risk events and the related and loss data collection processes, it monitors the action plans adopted to mitigate material risks, and has defined and controls KRIs (Key Risk Indicators) instrumental to monitoring of the areas of highest risk.
The Internal Auditing function supervises the regular conduct of the Bank's operations and processes, and assesses the efficacy and efficiency of the overall internal control system established to monitor activities exposed to risk.

The Risk Committee is a collegial body responsible for a shared vision of the global performance of the operating risk management and control system and deciding which actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments conducted by the Risk and Capital Adequacy Department.

Moreover, Banca Generali has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services and has approved a Business Continuity Plan.

During the year there were no operating discontinuities relating to the health emergency since the Bank succeeded in guaranteeing all services. In confirmation of this, there were no operating losses directly attributable to the impact of Covid-19.

Quantitative information

The impact of operating losses in 2021 is broken down below by event type (€ thousand):

BUSINESS LINE	ET 01 - INTERNAL FRAUD	ET 02 - EXTERNAL FRAUD	ET 03 - EMPLOYMENT AND WORKPLACE SAFETY	ET 04 - CUSTOMERS PRODUCTS AND BUSINESS PRACTICES	ET 05 - DAMAGES DUE TO EXTERNAL EVENTS	ET 06 - INTERRUPTION OF - OPERATIONS AND IT SYSTEM MALFUNC-TIONS	ET 07 - PROCESS EXECUTION, DELIVERY AND MANAGEMENT	TOTAL
Asset management	-	-	-	40	-	-	14	**54**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	83,354	-	-	-	**83,354**
Corporate Items	274	97	641	-69	-	98	21	**1,062**
Payment and Settlement	33	13	-	5	-	-	-	**51**
Retail Banking	-12	-	-	-70	-	-	2	**-80**
Retail Brokerage	5,054	-	-	2	-	-	105	**5,162**
Trading and Sales	-120	-	-	-	-	-	112	**-8**
Overall total	**5,229**	**110**	**641**	**83,262**	**-**	**98**	**255**	

Breakdown of frequency ratio by business line and type of event:

BUSINESS LINE	ET 01 - INTERNAL FRAUD	ET 02 - EXTERNAL FRAUD	ET 03 - EMPLOYMENT AND WORKPLACE SAFETY	ET 04 - CUSTOMERS PRODUCTS AND BUSINESS PRACTICES	ET 05 - DAMAGES DUE TO EXTERNAL EVENTS	ET 06 - INTERRUPTION OF - OPERATIONS AND IT SYSTEM MALFUNC-TIONS	ET 07 - PROCESS EXECUTION, DELIVERY AND MANAGEMENT	TOTAL
Asset Management	-	-	-	1	-	-	3	**4**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	7	-	-	-	**7**
Corporate Items	1	7	4	1	-	2	5	**20**
Payment and Settlement	1	3	-	1	-	-	-	**5**
Retail Banking	2	-	-	-	-	-	4	**6**
Retail Brokerage	10	-	-	1	-	-	14	**25**
Trading and Sales	-	-	-	-	-	-	3	**3**
Overall total	**14**	**10**	**4**	**11**	**-**	**2**	**29**	

The event type on which the greatest impact was seen was “ET 04 - Customers, products and business practices”, specifically attributable to the losses associated with the transaction to repurchase securitised notes with underlying healthcare receivables. In general, this category includes losses associated with breach of professional obligations towards customers by the Bank or its Financial Advisors committed involuntarily or due to negligence.

Significant impact is also attributable to “ET 01 – Internal fraud”, which includes losses due to fraud, misappropriation or evasion of laws, regulations or company directives by internal staff, including Financial Advisors, in the performance of their duties and which also involves the Bank in that it is liable for the actions of its employees. The Bank carefully examines the individual disputes and complaints and, where necessary, makes an appropriate provision for the risk of legal disputes and continually monitors any developments, adjusting the amount set aside as circumstances change.

Event type ET 03 - Employment relationships and workplace safety includes the losses associated with the termination of relationships with former Financial Advisors following litigation relating to liquidation amounts.

Another source of risk is attributable to “ET 07 – Process execution, delivery and management” resulting from deficiencies in completing transactions and managing processes linked to activities carried out by the Bank and from relations with commercial counterparts and suppliers, which showed the highest frequency ratio.

The cases reported under “ET 02 – External fraud” relating to cases of fraud, misappropriation or infringement of laws by persons outside the Bank are mostly attributable to counterfeit of payment instruments and cyber risks (smishing/vishing).

Losses from event type “Interruption of operations and IT system malfunctions” are not material, whereas there are no losses due to damaging or destruction of tangible assets due to natural disasters.

PART F – INFORMATION ON NET EQUITY

Section 1 – Net equity

A. Qualitative Information

The Bank's capital management strategy mainly aims is to ensure that the capital and ratios are consistent with its risk profile and regulatory requirements.
The Bank is subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by European Union and applied by the Bank of Italy.

Such rules envisage the specific concept of "Own Funds", which is separate from the net equity stated in the financial statements. Own funds are calculated as the sum of positive and negative items, which are included in the calculation based on the quality of capital attributed to them.

Compliance with minimum capital requirements is monitored by the Risk Management Service, whereas the Regulatory Reporting function is responsible for calculating and disclosing of own funds and capital requirements on a regular basis, as well as safeguarding the related databases (historical regulatory archive).

The Parent Company's compliance with capital adequacy ratios is monitored throughout the year and on a quarterly basis, and the necessary measures are taken to ensure control over the balance sheet items.
Additional analyses and control of the capital adequacy is also carried out upon any extraordinary transactions (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the supervisory authorities are planned.

2020 dividend distribution

Last year, in light of the economic uncertainty due to the Covid-19 pandemic, the Bank of Italy, in accordance with the Recommendation issued by the ECB on 15 December 2020, had recommended that less significant Italian banks until 30 September 2021:
i) refrain from deciding on or paying out dividends or limit these dividends to no more than 15% of the accumulated profit for the financial years 2019 and 2020, or no more than 20 basis points in terms of CET1 ratio (in any event, whichever is lower);
ii) refrain from deciding on or paying out provisional dividends in relation to profit for 2021;
iii) exercise extreme prudence in calculating variable remuneration.

Banca Generali had thus temporarily suspended the dividend distribution, subjecting it to the following conditions: (i) the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; (ii) guaranteeing a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively.

In accordance with the applicable 2019-2021 dividend policy, on 22 April 2021 the General Shareholders' Meeting of Banca Generali approved the proposal formulated by the Board of Directors on 5 March 2021 to distribute a dividend of 3.30 euros per share in a total maximum amount of 385.6 million euros, corresponding to a payout ratio of 70.5%, calculated on the total cumulated net profit for the years 2019 and 2020.

On 23 July 2021, the ECB published a press release in which it confirmed its decision not to extend the recommendation to limit dividends beyond 30 September 2021. On 27 July, the Bank of Italy published a press release aligned with the ECB's decision, while clarifying, for less significant banks, that a prudent approach should be taken in deciding share distribution and buy-back policies.

On 29 September 2021, the Board of Directors verified the satisfaction of the conditions and resolved the dividend payment in two tranches, namely on 22 November 2021 and 21 February 2022.
The first tranche was paid in the amount of 283.1 million euros.

B. Quantitative information

At 31 December 2021, net equity, including net profit for the year, amounted to 1,011.2 million euros compared to 1,071.6 million euros at the end of the previous year.

(€ THOUSAND)	31.12.2021	31.12.2020	CHANGE AMOUNT	CHANGE %
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	55,866	57,062	-1,196	-2.1%
3. Reserves	511,451	599,493	-88,042	-14.7%
4. (Treasury shares)	-64,822	-45,185	-19,637	43.5%
5. Valuation reserves	-384	4,158	-4,542	-109.2%
6. Equity instruments	50,000	50,000	-	-
7. Net equity attributable to minority interests	-	-	-	n,a
8. Net profit (loss) for the year	342,247	289,207	53,040	18.3%
Total net equity	**1,011,210**	**1,071,587**	**-60,377**	**-5.6%**

The -60.4 million euro reduction in net equity in 2021 was influenced both by the distribution of 2020 dividend, as already mentioned, and by the plan to buy-back treasury shares ended in late September, the negative performance of fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and other reserves included in other comprehensive income, the change in reserves for share-based payments (IFRS 2), and net profit for the year, as shown in the following table.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 248,207 treasury shares, with a value of 6,347 thousand euros, were allotted to employees and Financial Advisors falling within the category of Key Personnel and to network managers.

On 22 April 2021, the General Shareholders' Meeting authorised the buy-back of a maximum of 700,000 treasury shares in service of remuneration plans for Key Personnel for 2021, the fifth cycle of the Loyalty Programme for 2021 and the new Long Term Incentive Plan for the three-year period 2020-2022.
The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 01 July 2021, was launched on 28 July and completed in September.

At 31 December 2021, the Parent Company, Banca Generali, thus held 2,219,469 treasury shares, with a value of 64,822 thousand euros.

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 4.7 million euros, primarily due to the portfolio of government bonds, for which net reserves amounted to +2.0 million euros compared to +5.0 million euros at the end of the previous year.

	31.12.2021	31.12.2020
Net equity at year-start	**1,071,587**	**791,597**
Merger of Nextam SGR and Nextam S.p.A.	-	-803
Dividends approved and distributed	-379,549	-
Dividend on AT1 equity instruments	-1,631	-1,631
Buy-back/disposal of treasury shares	-25,788	-12,688
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	8,715	5,554
Matured IFRS 2 reserves on the AG Group's IFRS 2-related plans	171	192
Change in OCI valuation reserves	-4,542	159
Net profit for the year	342,247	289,207
Net equity at year-end	**1,011,210**	**1,071,587**
Change	**-60,377**	**279,990**

B.1 Breakdown of net equity

ITEMS/VALUES	31.12.2021	31.12.2020
1 Share capital	116,852	116,852
2. Share premium reserve	55,866	57,062
3. Reserves	511,451	599,493
- retained earnings	482,165	574,138
a) legal reserve	23,370	23,370
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	458,795	550,768
- Other	29,286	25,355
4. Equity instruments	50,000	50,000
5. (Treasury shares)	-64,822	-45,185
6. Valuation reserves	-384	4,158
- Equity securities designated at fair value through other comprehensive income	-837	-510
- Equity security hedges designated at fair value through OCI	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	2,694	7,030
- Property and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash-flow hedges	-	-
- Hedging instruments		
- Exchange differences	-	-
- Non-current assets available for sale and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (change in own creditworthiness)	-	-
- Actuarial gains (losses) from defined benefit plans	-2,241	-2,362
- Share of valuation reserves of investee companies valued at equity	-	-
- Special revaluation laws	-	-
7. Net profit (loss) for the year	342,247	289,207
Total net equity	**1,011,210**	**1,071,587**

B.2 Breakdown of valuation reserves of financial assets at fair value through other comprehensive income

Valuation reserves of financial assets at fair value through other comprehensive income (OCI) measure the unrealised capital gains and losses, net of the associated tax effect, on the assets allocated to that portfolio and recognised at fair value.
The change in these reserves contributes to determining the overall company performance in relation to OCI, without passing through Profit and Loss.
However, when gains or losses are realised or an impairment loss is recognised, the cumulative amount of the reserve is reclassified to the Profit and Loss Account in the year of reference.

Fair value valuation reserves of the portfolio of financial assets at fair value through OCI decreased compared to the end of the previous year, primarily due to the reduction in debt securities reserves.

The aggregate had an overall positive balance of 1.9 million euros, down 4.7 million euros compared to year-end 2020.
This decrease was influenced by the portfolio of Italian government bonds, for which net reserves amounted to 2.0 million euros compared to 5.0 million euros at year-end 2020.

	31.12.2021		31.12.2020	
ASSETS/VALUES (€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	3,623	-929	7,305	-275
2. Equity securities	415	-1,252	-	-510
3. Financing	-	-	-	-
Total	**4,038**	**-2,181**	**7,305**	**-785**

B.3 Valuation reserves of financial assets at fair value through other comprehensive income: year changes

Valuation reserves on the HTCS portfolio showed a net reduction of 4.7 million euros in 2021, as a result of the following factors:

- a decrease in net valuation capital gains totalling -3.4 million euros, net of approximately 0.1 million euros referring to reversal of collective reserves;
- the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-3.3 million euros);
- a positive net tax effect (+2.0 million euros) associated with the above changes and mainly resulting from a net reduction in DTLs.

	31.12.2021				
	DEBT SECURITIES				
(€ THOUSAND)	CORPORATE	GOVERNMENT	EQUITY SECURITIES	FINANCING	TOTAL
1. Amount at year-start	**2,032**	**4,998**	**-510**	**-**	**6,520**
Adjustment of opening balances	**-5**	**5**	**-**	**-**	**-**
1. Amount at year-start	**2,027**	**5,003**	**-510**	**-**	**6,520**
2. Increases	**805**	**3,156**	**503**	**-**	**4,464**
2.1 Fair value increases	41	1,459	494	-	1,994
2.2 Adjustments for credit risk	-	16	X	-	16
2.3 Transfer to Profit and Loss Account of negative reserves: due to disposal	119	247	X	-	366
2.4 transfer to other net equity components (equity securities)	-	-	-	-	-
2.5 Other changes	645	1,434	9	-	2,088
3. Decreases	**2,126**	**6,171**	**830**	**-**	**9,127**
3.1 Fair value decreases	587	3,914	805	-	5,306
3.2 Reversals for credit risk	102	-	-	-	102
3.3 Transfer to Profit and Loss Account of positive reserves: due to disposal	1,417	2,252	X	-	3,669
3.4 transfer to other net equity components (equity securities)	-	-	-	-	-
3.5 Other changes	20	5	25	-	50
4. Amount at year-end	**706**	**1,988**	**-837**	**-**	**1,857**

B.4 Valuation reserves relating to defined benefit plans: year changes

	31.12.2021		
	RESERVE	DTAS	NET RESERVE
1. Amount at year-start	**-3,219**	**857**	**-2,362**
2. Increases	168	-47	121
Decreases of actuarial losses	168	-47	121
Other increases	-	-	-
3. Decreases	-	-	-
Increases of actuarial losses	-	-	-
Other decreases	-	-	-
4. Amount at year-end	**-3,051**	**810**	**-2,241**

Section 2 – Own funds and regulatory ratios

In accordance with Circular No. 262 of 22 December 2005, 7th update of 29 October 2021, for the details of Own Funds and regulatory capital ratios, reference is made to the information regarding own funds and capital adequacy provided in the Pillar 3 Disclosure provided at the consolidated level, available from Banca Generali's corporate website at the address www.bancagenerali.com.

PART G – BUSINESS COMBINATIONS OF COMPANIES OR BUSINESS UNITS

This section includes both transactions within the scope of IFRS 3 and business combinations between entities under common control.
The results of impairment testing of the Banking Group's goodwill are also stated in the interest of consistency of presentation.

Section 1 – Transactions undertaken during the year

In 2021, two business combination transactions were undertaken:
> On **8 October 2021**, through an initial contribution of CHF 10 million, the Lugano-based **BG Suisse S.A.** was incorporated with a view to obtaining a Swiss banking licence and creating a new cross-border private service hub to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services;
> on **16 October 2021**, the purchase from **Binck Bank N.V.**, a Danish lending institution owned by the Danish Group SAXO Bank, as described more in detail in the following paragraph.

Acquisition of the Binck Bank business unit

The transaction is part of a more complex reorganisation of the Italian branch of Binck Bank NV, a Dutch bank specialised in online trading acquired by the Danish SAXO Bank A/S group in 2020, within which:
> Banca Generali acquired the retail banking business unit of the Italian branch, made up of about 6,000 securities and current account deposits and instrumental to said securities deposits;
> BG SAXO SIM acquired the RTO service business unit.

The clients acquired by Banca Generali will therefore continue to benefit from the services offered by BG SAXO's cutting-edge trading platform.

The acquisition contributed overall net inflows of **528 million euros**, of which **109 million euros** represented by current accounts deposits and about **419 million euros** corresponding to the value of the securities portfolios.
The business unit also includes an employee of the branch.
The consideration resulting from the base of the AUM transferred on the closing date amounts to 1.1 million euros, taken entirely to goodwill.

Section 2 – Transactions after the close of the period

No business combination transactions were undertaken after 31 December 2021 and until the date of approval of Banca Generali's Financial Statements by the Board of Directors.

However, the sale of an 80.1% equity interest in the subsidiary Nextam Partners SIM to a group of investors, also including some of the Nextam Group's former shareholders, was finalised on **20 January 2022**.
On that date, settlement agreements became effective that aim to identify any amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to permit the termination of the relationship of employment between Banca Generali and the main key manager of the acquired group, whereas the relationship of employment with the other two key managers will be maintained.

Section 3 – Retrospective Adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2021 pursuant to paragraphs 61 and B7 of IFRS 3.
The latter provision also requires that the amount of goodwill during the year be reconciled, including an indication of any impairment of goodwill recognised.

At 31 December 2021, the Banca Generali's goodwill totalled 79.4 million euros, with an increase of 1.1 million euros compared to the previous year due to the aforementioned acquisition of the Binck Bank business unit.

(€ THOUSAND)	31.12.2021	31.12.2020
Merger of Prime Consult SIM and INA SIM	2,991	2,991
Merger of Banca del Gottardo	31,352	31,352
Acquisition of Credit Suisse Italy's business unit	27,432	27,432
Merger of BG Fiduciaria SIM S.p.A.	4,290	4,290
Merger of Nextam SGR and Nextam S.p.A.	12,201	12,201
Acquisition of Binck Bank Italia business unit	1,100	-
Total	**79,366**	**78,266**

Impairment test

In accordance with IAS 36, goodwill is no longer amortised, but is reviewed at least annually for impairment.
For the purposes of impairment testing, goodwill must be allocated to cash-generating units (CGUs), which may be no larger than the segments identified, pursuant to IFRS 8, for management reporting.

The identification of CGUs must reflect the reporting methods used by the management of the Parent Company and its management characteristics. In particular, Banca Generali's management has adopted an integrated model that applies without regard to the structure of the individual legal entities and that aggregates into larger CGUs the activities of these entities together with the operating activities carried out directly by the Parent Company.

The CGUs identified by the Bank are therefore
> the Wealth Management CGU ("WM CGU"), formed by the part of the activities of Banca Generali and all the Group's management companies serving the WM sales network that comprised all Financial Advisors with total customer assets of more than 50 million euros;
> the Private Banking CGU ("PB CGU"), consisting of the part of the activities of Banca Generali and all the Group's management companies serving the sales networks formed by the other Financial Advisors and employed Relationship Managers.

The impairment testing of goodwill at the consolidated level is therefore also relevant at the parent company level. For information regarding impairment testing of goodwill, see Part G, Section 3, of the Notes and Comments to the Consolidated Financial Statements.

If the goodwill attributable to a certain CGU is found to have become impaired at the consolidated level, the impairment loss must be allocated at the parent company level to assets attributable to the same CGU that have not already been separately tested, or the goodwill must be recognised directly or reflected in the carrying amounts of the controlling interests.

As described in Part G, Section 3, of the Notes and Comments to the Consolidated Financial Statements, there was not found to be any need for impairment at the CGU level in the Consolidated Financial Statements. Accordingly, on the basis of the results of the impairment testing at the consolidated level, there was not found to be any need for impairment at the parent company level.

PART H – RELATED PARTY TRANSACTIONS

Procedural aspects

In accordance with Article 2391-*bis* of the Italian Civil Code, the Regulation containing provisions relating to transactions with related parties[19] and the provisions of Part III, Chapter 11, of Bank of Italy Circular No. 285 of 17 December 2013 (33rd update), which resulted in the repeal of Chapter 5, Title V, of Bank of Italy Circular No. 263 of 27 December 2006, Banca Generali's Board of Directors approved its "Procedure for Related Party and Connected Party Transactions", which entered into effect on 1 January 2011 and was last updated on 22 June 2021 with effect from 1 July 2021. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, at the Banking Group level, rules on transactions with related parties and connected parties, governing the related investigation, approval, reporting and disclosure activities.
Moreover, since Banca Generali belongs to the Generali Group, any and all transactions effected with related parties of the parent company Assicurazioni Generali must be identified and managed in accordance with the provisions of the Procedures adopted by Assicurazioni Generali in such regard, with the result that in certain cases, the said transactions may be subject to prior approval by the Parent Company, where necessary.

The related party perimeter

Based on Consob Regulation, the Provisions issued by the supervisory authority, and the Procedure, the following parties are considered as Banca Generali's related parties:
> subsidiaries of the Banking Group;
> the ultimate parent Assicurazioni Generali S.p.A., its subsidiaries (companies subject to common control), including the direct parent Generali Italia S.p.A., and pension funds established for the benefit of the Generali Group companies' employees;
> Managers with Strategic Responsibilities of the Bank and the parent company Assicurazioni Generali (Key Personnel), close relatives of the above personnel and the related relevant subsidiaries (entities in which one of these persons exercises control, joint control or significant influence or holds, directly or indirectly, a significant shareholding of no less than 20% of the voting rights).

Under IAS 24, whose revised version is in force since 1 January 2011, the associate companies of the Banking Group and the Insurance Generali Group are also considered related parties.

With specific regard to **Key Managers**, the following persons have been designated as such:
> the Directors and the members of the Board of Statutory Auditors of the Banking Group's companies;
> the members of the Top Management, as defined in the Remuneration Policies of the Banking Group[20], namely the General Manager and the two Deputy General Managers[21];
> representatives of the parent company Assicurazioni Generali S.p.A. identified as Managers with Strategic Responsibilities in the corresponding procedure regarding transactions with related parties adopted by the Insurance Group.

Significance thresholds of Related Party transactions

The procedure lays down specific provisions on decision-making authority, obligation to provide justification and documentation to be prepared depending on the type of transaction.

More specifically:
> **Highly Significant Transactions** — that is, transactions exceeding the threshold of 5% of at least one of the significance indicators of the countervalue of the transaction, as provided by Consob Resolution No. 17221, reduced to 2.5% for transactions carried out with the parent company that is listed on regulated markets or with undertakings thereto related which are in turn related to the Company — must be approved by the Board of Directors, upon the binding favourable opinion of the Internal Control Committee;
> **Moderately Significant RP Transactions** — that is transactions with related parties the amount of which falls between the Modest amount transactions and the Highly Significant Transactions — are approved pursuant to the system of delegated powers in force from time to time, only after hearing the non-binding opinion of the Internal Control Committee. The aforesaid transactions must be presented with a full and in-depth information about the reasons underlying each and every transaction in question, as well as the advisability of proceeding with the latter in light of the substantive propriety of the related terms and conditions;
> **Low Value transactions**, whose value, defined pursuant to the Bank of Italy's Provisions, cannot exceed the amount of **250,000 euros** for banks with Own Funds below 1 million euros, and are excluded from the scope of application of the regulation on approval and disclosure transparency.

[19] Adopted by Consob by Resolution No. 17221 of 12 March 2010, as subsequently amended by Resolution No. 17389 of 23 June 2010 and most recently by Consob Resolution No. 21624 of 10 December 2020, transposing, at the level of secondary legislation, the contents of Directive (EU) 2017/828 ("Shareholders' Right Directive II") as regards the encouragement of long-term shareholder engagement.
[20] Banking Group's Remuneration and Incentive Policies approved by the General Shareholders' Meeting on 22 April 2021.
[21] Chief Executive Officer/General Manager, Deputy General Manager Wealth Management Markets and Products, Deputy General Manager Commercial Networks, Alternative and Support Channels.

In addition to low value transactions, in accordance with Consob Regulation, there are additional circumstances which are not subject to the specific approval procedures:

> **share-based remuneration plans** approved by the General Shareholders' Meeting within the meaning of Article 114-bis of TUF, and related implementing transactions;
> **resolutions regarding the remuneration of Directors** entrusted with specific tasks other than those determined on an overall basis pursuant to Article 2389, paragraph 3, of the Italian Civil Code, and resolutions regarding the remuneration of Key Management Personnel, provided that the Company has adopted a remuneration policy with certain characteristics;
> **ordinary transactions** that are part of the ordinary operations and any and all related financial activities, and effected at arm's-length or standard terms or conditions. Pursuant to the Bank of Italy's provisions, all transactions that exceed the Highly Significant threshold, even if carried out on an arms' length basis or standard conditions, should be considered as non-ordinary transactions;
> **transactions with or between Subsidiaries and Associates**, provided that none of the Company's other related parties holds any significant interest in the Subsidiaries or Associates in question.

On the basis of the indicator consisting of the consolidated Own funds, the threshold of transactions of greater importance currently stands at around **38 million** euros, reduced to 19 million euros for transactions with the parent company Assicurazioni Generali and the latter's related parties.

Moreover, the provisions issued by the Bank of Italy impose prudential restrictions, based on Own funds, on risk assets in respect of Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk assets carried out with entities qualifying as non-financial related parties. Exposure in respect of the Generali Group's connected parties, on the other hand, is capped at 7.5% of consolidated Own funds.
Even if the aforesaid consolidated cap is not exceeded, Banca Generali's exposure in respect of any given set of associated undertakings may in no event exceed **20%** of individual Own Funds.

1. Disclosure of remuneration of Directors and Executives

As required by IAS 24, the total remuneration recorded in the Profit and Loss Account for the year is disclosed below, broken down by personnel category and type.

	31.12.2021					
	DIRECTORS	STATUTORY AUDITORS	MANAGERS WITH STRATEGIC RESPONSIBILITIES	TOTAL	31.12.2020	CHANGE
Short-term benefits (current remuneration and social security charges) (1)	879	255	2,029	3,163	2,962	201
Post-employment benefits (2)	-	-	274	274	259	15
Other long-term benefits (3)	-	-	315	315	289	26
Share-based payments (4)	-	-	1,516	1,516	1,271	245
Total	**879**	**255**	**4,134**	**5,268**	**4,781**	**487**
Total at 31.12.2020	**793**	**241**	**3,488**	**4,522**	**-**	**-**

(1) Includes current remuneration and the related social security charges payable by the Company and short-term benefits.
(2) Includes the Company's pension fund contribution and allocation to the provision for post-retirement benefits provided for by the law and company regulations.
(3) Includes 40% of the bonus with access gate.
(4) Includes the estimated cost for share-based payment plans, determined based on IFRS 2 criteria and recognised in the financial statements.

The table presents the total expenses recognised in the Profit and Loss Account presented in the Financial Statements on the basis of the application of IASs/IFRSs. It therefore also includes the social security charges for which the Company is liable, the allocation to the provision for post-employment benefits, the expenses associated with share-based payment plan determined in accordance with IFRS 2, and the estimate of the variable remuneration accrued during the year on the basis of the Remuneration and Incentivisation Policy for the Key Personnel of the Banking Group.
It should also be noted that the amounts are net of recoverable remuneration associated with services rendered to other companies.

In further detail, the item "Other long-term benefits" includes the estimate of the 40% share of variable remuneration for the year in excess of 75,000 euros payable on a deferred basis over the next two years, contingent upon specific access gate conditions being met, in accordance with the aforementioned Remuneration Policy.
The item "Short-term benefits" includes the fixed remuneration and the 60% share of variable remuneration accrued in the reporting year and payable in the following one.
Beginning in 2015, a 25% portion of the variable remuneration — both current and deferred — is paid in Banca Generali shares. Therefore, the item "Share-based payments" accounts for the costs associated with IFRS 2 accrued in the year and regarding:

> the three LTI Plans based on Banca Generali S.p.A.'s shares implemented as of 2018 for a total of 1.3 million euros;
> the share-based payments envisaged in the Remuneration Policy for 0.2 million euros.

The plan for payments based on own financial instruments are analysed in further detail in Part I to these Notes and Comments. For detailed information concerning Remuneration Policies, the reader is therefore referred to the specific document concerning Remuneration Policies instituted by Consob Resolution No. 18049 of 23 December 2011.

Disclosure of Related Party Transactions

As part of its normal business operations, Banca Generali carries out numerous financial and commercial transactions with related parties included in the scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group's operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali, in compliance with IAS 24.

In the banking area, such relationships include current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.

As regard the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisors network's placement of asset management and insurance products, as well as banking products and services. To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

Finally, as part of its normal operations, the Bank also maintains relationships pertaining to outsourcing of IT and administration services, insurance and leasing relationships, as well as other minor relationships with Generali Group companies.
Transactions with related parties outside the Generali Group are mostly confined to direct and indirect funding activities and loans to Key Management Personnel (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm's length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

2.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions
There were no atypical and/or unusual transactions to be reported in 2021, nor were such transactions undertaken with parties other than related parties such as intra-group entities or third parties.
Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, atypical and unusual transactions are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly Significant Transactions
In 2021, the Banking Group did not undertake any transaction qualifying as "highly significant".

Intra-group highly significant transactions of the Bank
With respect to intra-group highly significant transactions of the Bank — which, pursuant to the Procedure on Related Party Transactions, are exempt from the escalated decision-making process and the obligation to publish a market disclosure document, unless there are significant interests in the subsidiary by other related parties — no transaction was made in the reporting year.

Other significant transactions
In 2021, some transactions were approved qualifying as "low value" transactions, which are subject to the prior non-binding opinion of the Internal Audit and Risk Committee; in this regard, the reader is referred to the dedicated section of the Report on Operations.

2.2 Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in 2021 with related parties fall within the Group's ordinary course of business and are usually carried out at arm's length and in any case based on mutual economic advantage, in compliance with the internal procedures mentioned above.
As regard these transactions, there were no changes in the situation of related party transactions, which might have a material effect on the financial situation and the results of the Company and the Banking Group compared to 2020.

The developments of ordinary transactions with related parties during 2021 are presented in the following sections.

Transactions with Assicurazioni Generali Group

Balance Sheet data

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	31.12.2021	31.12.2020	WEIGHT % 2021
Financial assets measured at fair value through profit or loss:	-	1,151	-	1,151	883	0.3%
c) other financial assets mandatorily measured at fair value	-	1,151	-	1,151	883	0.3%
Financial assets measured at fair value through OCI	-	246	-	246	246	-
Financial assets measured at amortised cost:	32,977	25,780	1,138	59,895	64,815	0.6%
b) Loans to customers	32,977	25,780	1,138	59,895	64,815	0.6%
Equity investments	22,973	-	2,599	25,572	16,827	100.0%
Tax assets	7,908	-	-	7,908	-	11.1%
Property, equipment and intangible assets	-	72,687	-	72,687	66,421	26.1%
Assets held for sale	1,115	-	-	1,115	-	100.0%
Other assets	1,295	583	-	1,878	238	0.1%
Total assets	**66,268**	**100,447**	**3,737**	**170,452**	**149,430**	**1.1%**
Financial liabilities measured at amortised cost:	52,309	570,003	10,238	632,550	403,179	4.4%
b) due to customers	52,309	570,003	10,238	632,550	403,179	4.6%
Other liabilities	659	3,731	-	4,390	6,496	1.9%
Tax liabilities	-	-	-	-	5,287	-
Equity instruments	-	50,000	-	50,000	50,000	100.0%
Total liabilities	**52,968**	**623,734**	**10,238**	**686,940**	**464,962**	**4.3%**
Guarantees issued	**-**	**2,142**	**-**	**2,142**	**2,300**	**3.7%**

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 100.4 million euros, compared to the 104.1 million euros recognised at the end of 2020, equal to 0.6% of Banca Generali's total balance sheet assets.
The increase was mainly due to the recognition among intangible assets of the net value of rights of use (ROU) of 72.7 million euros (relating primarily to the lease payments for the Milan and Trieste administrative offices and the commercial network offices), following the introduction of the IFRS 16 with effect from 1 January 2019.
By contrast, the total debt position reached 623.7 million euros, accounting for 3.9% of liabilities, up by 232.5 million euros (+59.4%) compared to the end of the previous year.
Following the introduction of IFRS 16 with effect from 1 January 2019, amounts due to customers include 75.7 million euros due to the recognition of the corresponding lease liabilities.

As part of assets, **financial assets mandatorily measured at fair value through other comprehensive income (FV OCI)** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolio of Banca Generali.
As part of the **financial assets measured at fair value through other comprehensive income (HTCS)** portfolio, shareholdings in subsidiaries of the Generali Insurance Group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions).

In 2021, the item **Equity investments** changed due to the following significant events:

a) On 8 October 2021, BG Suisse S.A, a joint-stock company under Swiss law based in Lugano, was incorporated by Banca Generali through an initial contribution of CHF 10 million with the aim of creating a new cross-border private service hub able to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services.
To this end, in January 2022, the company filed with the Swiss Financial Market Supervisory Authority (FINMA) an application to obtain the banking licence necessary to operate on the Swiss market;

b) On 5 March 2021, Banca Generali's Board of Directors approved the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group.
After having received the prior authorisation by the Bank of Italy, the disposal transaction was finalised on 20 January 2022. Banca Generali thus remains the holder of a 19.9% equity interest in the company, qualifying as an associate.
In accordance with IFRS 5, at 31 December 2021 the equity investment in the Company was reclassified to Item 110 of the balance sheet assets. Non-current assets available for sale and disposal group.

The item "Associates subject to joint control or significant influence" includes the 19.9% interest in BG SAXO SIM that was acquired on 31 October 2019.
The value of the equity investment in BG SAXO SIM S.p.A. changed during the first half of 2021 as a result of the company's capital increase authorised in May and subscribed by Banca Generali S.p.A. for the relevant share equal to 597 thousand euros.

Exposures to Generali Group companies recognised as **loans to customers** amounted to 25.8 million euros and refer to the following transactions:

			31.12.2021		31.12.2020	
COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT	REVENUES	AMOUNT	REVENUES
Genertellife	Subsidiaries of the AG Group	Operating loans	22,131	-	31,911	-
Assicurazioni Generali	Parent company	Operating loans	-	-	-	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Operating loans	2,832	-	3,520	-
Other companies of the Generali Group	Subsidiaries of the AG Group	Medium/Short-term loans	801	18	933	19
Other exposures with Group companies	Subsidiaries of the AG Group	Temporary current account exposures	16	1,166	11	1,178
Total			**25,780**	**1,184**	**36,375**	**1,197**

Operating receivables are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies.

Amounts due to customers attributable to Generali Group's related parties totalled approximately 570.0 million euros and included amounts due to the parent company Assicurazioni Generali S.p.A. for 38.8 million euros, and amounts due to Generali Italia S.p.A. for 89.9 million euros, of which 44.8 million euros relating to lease liabilities arising from the lease contracts for the administrative offices and the commercial network offices.

Amounts receivable from the Parent Company and classified as **tax assets** consisted of Banca Generali S.p.A.'s net tax assets resulting from the balance between tax prepayments, withholdings and credits and the IRES tax calculated at the end of the year.

It should also be noted that on 23 December 2019 Banca Generali finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros, which under IAS 32 is considered an **equity instrument** and meets the requirements under regulatory capital rules for being included among Additional Tier 1 instruments in the Issuer's financial statements. The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer's sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent Supervisory Authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years. In 2021, the third and fourth payments were made for a total amount of 2,250 thousand euros.

Finally, a total of 2.1 million euros in personal guarantees was issued for Generali Group companies, of which 1.1 million euros on behalf of Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 31 December 2021, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 259.0 million euros, or 71.6% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2021	2020	WEIGHT % 2021
Interest income	321	1,184	9	1,514	1,402	1.6%
Interest expense	-	-1,690	-	-1,690	-1,583	19.9%
Net interest income	**321**	**-506**	**9**	**-176**	**-181**	**-0.2%**
Fee income	124,509	277,903	2,766	405,178	356,712	54.7%
Fee expense	-	-	-280	-280	-150	0.1%
Net fees	**124,509**	**277,903**	**2,486**	**404,898**	**356,562**	**134.0%**
Dividends	-	91	-	91	31	8.4%
Operating income	**124,830**	**277,488**	**2,495**	**404,813**	**356,412**	**121.1%**
Staff expenses	541	408	41	990	990	-1.0%
General and administrative expenses	-910	-11,939	-	-12,849	-14,808	6.4%
Net adjustments/reversals of property and equipment	-	-6,932	-	-6,932	-7,379	20.5%
Other net operating income	1,355	22	31	1,408	195	1.6%
Net operating expenses	**986**	**-18,441**	**72**	**-17,383**	**-21,002**	**7.3%**
Operating result	**125,816**	**259,047**	**2,567**	**387,430**	**335,410**	**n.a.**
Dividends and income from equity investments	333,550	-	-	333,550	238,320	100.0%
Operating profit	**459,366**	**259,047**	**2,567**	**720,980**	**573,730**	**199.3%**
Net profit for the year	**459,366**	**259,047**	**2,567**	**720,980**	**573,730**	**210.7%**
Net profit (loss) for the year attributable to the Parent Company	**459,366**	**259,047**	**2,567**	**720,980**	**573,730**	**210.7%**

Overall **net interest income** accrued in dealings with members of the Insurance Group was negative at 0.5 million euros overall. By convention, interest income also includes the negative interest expense applied to the deposits of Generali Group companies starting in June 2016, calculated according to the average one-month Euribor for the month prior to the month of calculation. Interest expense amounted to 1.7 million euros, equal to 19.9% of the total amount recognised in the Profit and Loss Account and chiefly refers to the interest accrued on the IFRS 16-related liability, whereas the interest income from other companies of the Generali Group was absolutely negligible due to the persistence of negative short-term interest rates.

Fee income paid back by companies of the Insurance Group amounted to 277.9 million euros, equal to 37.5% of the aggregate amount and was broken down as follows:

	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2021	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2020	ABSOLUTE CHANGE	%
UCITS placement	124,497	3,100	-	127,597	99,353	1,667	-	101,020	26,577	26.3%
Fees for distribution of insurance products	-	266,309	-	266,309	-	246,708	-	246,708	19,601	7.9%
Distribution of discretionary mandates	12	1,096	-	1,108	20	926	-	946	162	17.1%
Advisory fees	-	7,173	-	7,173	-	6,183	-	6,183	990	16.0%
Other banking fees	-	225	2,766	2,991	-	226	1,629	1,855	1,136	61.2%
	124,509	**277,903**	**2,766**	**405,178**	**99,373**	**255,710**	**1,629**	**356,712**	**48,466**	**13.6%**

The most significant component consists of fees for the **distribution of insurance products** paid back by **Genertellife**, reaching 266.3 million euros, up by 7.9% compared to the same period of the previous year.

Fees for the placement of units of UCITS of the Insurance Group were largely related to the fee income on the distribution of GI Focus funds, promoted by Generali Insurance Asset Management S.p.A. SGR.

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2021 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 7.2 million euros.

Other bank fees refer both to SDD collection activity on behalf of Group companies and current account keeping fees.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the Banking and Insurance Group. Such fees are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.

The Bank also directly collects from customers — through the correspondent bank — underwriting fees for the Sicavs promoted by the Group (Lux IM Sicav, BG Selection Sicav, Generali Investments Sicav).

	BANKING GROUP	GENERALI GROUP	2021	BANKING GROUP	GENERALI GROUP	2020	CHANGE ABSOLUTE	CHANGE %
Sicav underwriting fees	7,552	67	7,619	5,816	16	5,832	1,787	30.6%
Trading fees on funds and Sicavs	7,363	1,025	8,388	3,755	1,146	4,901	3,487	71.1%
	14,915	**1,092**	**16,007**	**9,571**	**1,162**	**10,733**	**5,274**	**49.1%**

Net operating expenses recognised by the Bank in relation to transactions with related parties of the Generali Group amounted to 18.4 million euros, equal to 7.8% of the aggregate total and refer to outsourced services in the insurance, leasing, administrative and IT sectors.

	BANKING GROUP	GENERALI GROUP	2021	BANKING GROUP	GENERALI GROUP	2020	CHANGE ABSOLUTE	CHANGE %
Insurance services	-	2,634	2,634	-	2,709	2,709	-75	-2.8%
Property services	-	588	588	-	995	995	-407	-40.9%
Administration, IT and logistics services	-445	8,695	8,250	800	10,110	10,910	-2,660	-24.4%
Staff services	-541	-408	-949	-681	-309	-990	41	-4.1%
Depreciation of ROUs (IFRS 16)	-	6,932	6,932	-	7,379	7,379	-447	-6.1%
Total administrative expenses	**-986**	**18,441**	**17,455**	**119**	**20,884**	**21,003**	**-3,548**	**-16.9%**

As a result of the change in the accounting treatment of lease and rental payments following the introduction of IFRS 16, property services relate solely to additional costs of leases and rentals of motor vehicles and ATMs (former condominium fees, VAT and sundry additional expenses).
Administrative expenses incurred in relation to Generali Italia S.p.A. amounted to 2.6 million euros and refer almost exclusively to insurance services.

Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

The 6.9 million euro value adjustments of property and equipment refers to the amortisation of the IFRS 16-related right of use.

Transactions with other related parties

Exposures in respect of **Key Managers** of the Bank and its parent company Assicurazioni Generali mainly referred to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other Executives of the Banking and Insurance Group.

Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the Banking and Insurance Group.

(€ THOUSAND)	MANAGERS WITH STRATEGIC RESPONSIBILITIES
Loans to customers	4,337
Amounts due to customers	8,198
Other liabilities	41
Interest income	12
Interest expense	-3
Guarantees issued	45

Transactions with the Banking Group's companies

Within the Banking Group, the exposure to subsidiaries amounted to 66.3 million euros, of which 23 million euros refers to the Parent Company's equity investments and 33 million euros to operating receivables associated with financial product distribution activity.

Net inflows from Group companies amounted to 52.3 million euros and consist almost solely of the balances of current account deposits.

The profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Banking group amounted to 459.4 million euros and primarily consist of:
> negative interest expense applied to the deposits of the Luxembourg-based subsidiary BGFML (317 thousand euros);
> fee income given back to the Group's management companies in connection with the distribution of financial products and services by such companies (124.5 million euros);
> dividends distributed by the Luxembourg-based subsidiary BGFML (333.6 million euros).

With respect to aggregate operating expenses, the services rendered by the Parent Company to members of the banking group are highly limited and refer essentially to the exchange of staff and the outsourcing of major administrative services.

Direction and Coordination

Pursuant to Article 2497-bis of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

A summary of the main items of this company's latest Financial Statements is reported hereunder.

2020 highlights of Assicurazioni Generali

The highlights of the Parent Company Assicurazioni Generali S.p.A shown above were taken from the company's Financial Statements for the year ended 31 December 2020. These are available together with the Independent Auditors' Report as provided for by the law. Consequently, these figures of the Parent Company are not subject to audit performed by the auditing firm engaged by Banca Generali.

(€ MILLION)	2020
Net profit	**2,969.9**
Aggregate dividend	2,315.0
Increase	53.01%
Total net premiums	2,058.9
Total gross premiums	3,203.0
Total gross premiums from direct business	661.4
Increase on equivalent terms (a)	
Total gross premiums from indirect business	2,541.6
Increase on equivalent terms (a)	
Acquisition and administration costs	390.9
Expense ratio (b)	19.00%
Life business	
Life net premiums	1,099.7
Life gross premiums	1,518.7
Increase on equivalent terms (a)	
Life gross premiums from direct business	179.3
Increase on equivalent terms (a)	
Life gross premiums from indirect business	1,339.4
Increase on equivalent terms (a)	
Life acquisition and administration costs	175.9
Expense ratio (b)	16.00%
Non-life business	
Non-life net premiums	959.2
Non-life gross premiums	1,684.2
Increase on equivalent terms (a)	
Non-life gross premiums from direct business	482.1
Increase on equivalent terms (a)	
Non-life gross premiums from indirect business	1,202.2
Increase on equivalent terms (a)	
Non-life acquisition and administration costs	215.0
Expense ratio (b)	22.40%
Loss ratio (c)	69.7%
Combined ratio (d)	92.1%
Current financial result	**4,107.8**
Technical provisions	6,414.7
Life segment technical provisions	4,613.5
Non-life segment technical provisions	1,801.3
Investments	43,795.3
Capital and reserves	14,221.3

(a) At constant exchange rates.
(b) Ratio of administration cost to total premiums.
(c) Ratio of accrued claims to accrued premiums.
(d) Total (b) + (c).

PART I – PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

At 31 December 2021, Banca Generali activated the following payment agreements based on own equity instruments:
- the plans launched with respect to the Banca Generali Group's Remuneration and Incentivisation Policy, in effect from time to time, which calls for a part of the variable remuneration of Key Personnel to be paid by assigning Banca Generali's own financial instruments;
- the plans launched in service of the Framework Loyalty Programme 2017-2026, approved by the General Shareholders' Meeting on 20 April 2017 and now in its fifth annual cycle (2021-2026), which calls for a maximum of 50% of the indemnity accrued to be paid using own financial instruments;
- the new LTI (Long-Term Incentive) plans for the Banking Group's top management, based on Banca Generali shares, launched in 2018.

Qualitative Information

1. Share-based payment plans linked to the variable portion of remuneration based on performance objectives

The Remuneration and Incentivisation Policy for the Key Personnel of the Banca Generali Group — adopted in compliance with the Supervisory Provisions[22] currently in force — requires a portion of the variable component of remuneration, both current and deferred, to be paid by assigning Banca Generali's own financial instruments, based on the rules annually submitted for approval to the General Shareholders' Meeting.

In detail, for Key Personnel, including the main Network Managers, 25% of the variable remuneration linked to short-term objectives will be paid in Banca Generali shares, according to a retention mechanism until the end of the year of assignment[23].

If the bonus accrued falls above the threshold of 75 thousand euros, the following assignment and retention mechanism applies:
- 60% of the bonus is paid up-front during the year after that of reference, 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period until the end of the year of assignment;
- 20% paid up-front, deferred for one year: 75% in cash, and 25% in Banca Generali shares, subject to a retention period until the end of the year of assignment;
- the remaining 20% is deferred by two years: 75% in cash, and 25% in Banca Generali shares, subject to a retention period until the end of the year of assignment.

In calculating the number of shares to be assigned, a method is applied where:
- the numerator is the portion of variable remuneration subject to payment in shares accrued in relation to the achievement of objectives set for the year in question; and
- the denominator is equal to the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that in which the cycle in question begins.

The payment in shares is executed after the Board of Directors verifies the earnings results for the year in question and is conditional not only upon the achievement of the pre-set objectives[24], but also to the satisfaction of access gates established by the Banking Group (TCR - Total Capital Ratio, LCR - Liquidity Coverage Ratio) for the year in which the remuneration is accrued and, where appropriate, for the following two-year period of deferral.

The Banking Group's Remuneration Policies for the reference year together with the authorisation to buy back treasury shares to be used to service them are submitted annually to the General Shareholders' Meeting that approves the previous year's financial statements. The resolution authorising the buy-back of treasury shares is also subject to authorisation by the Bank of Italy.

These plan categories also include any other compensation paid in the form of shares related to:
- ordinary sales incentives and recruitment plan for Financial Advisors other than the main network managers and employed sales personnel;
- agreements entered into in view or upon the early termination of the employment or agency relationship, with regard to the beneficiaries falling within the category of Key Personnel.

[22] Bank of Italy Circular No. 285/2013, "Supervisory Provisions for Banks", Part I, Title IV, Chapter 2, Remuneration and Incentivisation Policies and Procedures.
[23] During the retention period, voting and dividend rights are unrestricted; however, plans referring to years prior to 2019 did not envisage any dividend rights.
[24] Provided for by the Management by Objectives (MBO) mechanism or by specific incentive/recruitment plans.

1.1 Measurement of fair value and accounting treatment

The mechanisms to recognise variable remuneration — discussed in the previous section — are considered as equity-settled share-based payment transactions, falling within the scope of application of IFRS 2 – Share-based Payments.

The accounting treatment set forth for these transactions requires an entity to reflect in its accounts, under the most appropriate items (staff expenses, fee expense), the estimated expense associated with services received, determined on the basis of the fair value of the rights grated (stock options/stock grants), and allocate a specific equity reserve as offsetting entry.

As the agreements relating to share-based payments based on the above-mentioned plans do not call for an exercise price, they can be considered similar to a stock grant and recognised in compliance with the rules set forth for this category of transactions. The overall expense regarding said agreements is therefore determined based on the number of shares expected to be assigned, multiplied by the fair value of the Banca Generali stock at the date of assignment.

The fair value of Banca Generali stock at the assignment date is measured based on the market price reported at the date of the General Shareholders' Meeting that is called annually to approve the Remuneration Policy for the year of reference, adjusted to account for the estimate of expected dividends, that will not be received by the beneficiaries during the deferral period.

The recognition through the equity reserve of the value of the plans — determined as described above — is measured pro-rata temporis, based on the vesting conditions, i.e., the period between assignment and final maturity of the right to receive the shares, likewise taking into account the probability that exercise conditions will not be realised for all recipients.
Since the plans are generally organised into different tranches with differentiated vesting periods, each plan is valued separately. In detail, if the share assignment is effected in three tranches, with a first tranche (60%) paid up-front after the approval of the Financial Statements for the year of reference, and two annual tranches (40%) to be deferred and subject to both the continuation of service and the satisfaction of access gates established on an annual basis the vesting period for the tranche paid up-front lasts from 1 January to 31 December of the year of reference of the remuneration (12 months), whereas for the two deferred tranches the vesting period is extended up to 31 December of the first subsequent year (24 months) and of the second subsequent year (36 months)[25].

However, the number of shares actually granted to beneficiaries may change based on the assessment of satisfaction of the individual objectives.

The IFRS 2 expense relating to any beneficiaries belonging to the Banking Group's companies other than the Banca Generali parent company is recognised directly by those companies. However, when the treasury shares bought back are actually assigned to them, the Bank charges back to the companies involved an amount corresponding to the fair value of the relevant plans[26].

1.2 Information on the share-based payment plans in connection to the Remuneration Policies

At 31 December 2021, there are three active cycles of share-based plans in connection to the Remuneration Policies relating to 2019, 2020 and 2021, whereas the 2018 cycle ended in the year, with the payment of the second deferred tranche. Moreover, a limited number of non-standardised entry plans envisaging a longer, multi-year deferment are active.

The main features of the share-based plan, linked to **2018** Remuneration Polices and approved by the General Shareholders' Meeting on **12 April 2018**, are as follows:

> for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 28 December 2017 to 1 March 2018, was determined to be **28.57 euros**;
> the fair value of Banca Generali stock at the assignment date was equal to the market price (approximately **27.00 euros**) reported on 12 April 2018, subsequently adjusted to account for the loss of dividends expected in the deferral period.

At the end of that cycle, the shares definitively assigned to Key Personnel totalled **133,844**, of which **116,247** were awarded to Network Managers and to ordinary incentives and entry bonuses for Financial Advisors falling within Key Personnel on the basis of the fee volume accrued, **16,180** to employees, and **1,417** to the subsidiary BGFML, for a total fair value amounting to approximately **3.2 million euros.**
This aggregate also includes a settlement agreement was also reached with a former Employee which, based on the current Remuneration Policy, provided for the granting of a portion of the indemnity, amounting to 2,975 Banca Generali shares, the third and last tranche of which was paid in late 2020.

[25] Since 2018, IFRS 2-related charges regarding ordinary incentives accrued by Financial Advisors and linked to objectives of net inflows or acquisition of new customers, where paid in shares, are expensed over the longer time period of 5 years. In addition, share grants relating to various recruitment plans for Financial Advisors who are included among Key Personnel only after the plan is concluded may be covered by previous provisions for risks and charges.
[26] They include, in particular, the bonuses paid in shares to Key Personnel and some managers of the subsidiary BGFML and the Key Personnel of BG Valeur.

The main features of the share-based plan, linked to **2019** Remuneration Polices and approved by the General Shareholders' Meeting on **18 April 2019**, are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 10 December 2018 to 8 March 2019, was determined to be approximately **20.25 euros;**
- the fair value of Banca Generali stock at the assignment date was equal to the market price (approximately **24.23 euros**) reported on 18 April 2019, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the shares to be assigned to Key Personnel totalled **215,254**, of which **186,100** were awarded to Network Managers and to ordinary incentives and entry bonuses paid to Financial Advisors falling within the category of Key Personnel on the basis of the fee volume accrued, **24,057** to employees, and **5,097** referred to the subsidiary BGFML, for a total fair value amounting to approximately **4.7 million** euros.

The main features of the share-based plan, linked to **2020** Remuneration Polices and approved by the General Shareholders' Meeting on **23 April 2020,** are as follows:

- for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 9 December 2019 to 9 March 2020, was determined to be **29.71 euros**;
- the fair value of Banca Generali stock at the assignment date was equal to the market price (approximately **20.76 euros**) reported on 23 April 2020, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the shares to be assigned to Key Personnel totalled **155,631**, of which **129,713** were awarded to Network Managers and to ordinary incentives and entry bonuses paid to Financial Advisors falling within Key Personnel on the basis of the fee volume accrued, **19,765** to employees, and **6,153** referred to the subsidiary BGFML and BG Valeur, for a total fair value amounting to approximately **3.1 million euros**.

The main features of the share-based plan, linked to 2021 Remuneration Polices and approved by the General Shareholders' Meeting on **22 April 2021**, are as follows:
for the purpose of determining the number of shares to be assigned, the price of reference of Banca Generali shares, calculated as the average official market price during the period 07 December 2020 to 5 March 2021, was determined to be about 27.58 euros;
the fair value of Banca Generali stock at the assignment date was equal to the market price (approximately **30.69 euros**) reported on 22 April 2021, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In respect of the assessment of the achievement by Key Personnel of the objectives set for 2021, it was estimated that the portion of variable remuneration subject to share-based payment amounted to approximately **153 thousand** shares, for a total plan fair value of **4.0 million euros**.

Other plans

In addition, two shared-based plans were launched as part of the Remuneration Policies in force from time to time, in which the shares assigned are subject to a longer long-term deferral period:

- a recruitment plan launched in 2016 that envisages the assignment of ten annual variable instalments to be paid from 2016 to 2025, also conditional upon deferral and payment in shares according to the Remuneration Policy in force from time to time. Accordingly, the plan's last instalment shall be paid in 2028;
- a recruitment plan launched in 2020 that envisages the assignment of twelve annual variable instalments to be paid from 2020 to 2031, also conditional upon deferral and payment in shares according to the Remuneration Policy in force from time to time. Accordingly, the plan's last instalment shall be paid in 2033.

In both cases, the granting of the bonus is also subject to the maintenance of the net inflow targets initially achieved, in addition to the continuation of service.

In 2017, a settlement agreement was also reached with a former Area Manager who, based on the current Remuneration Policy, provided for the granting of a portion of the indemnity in Banca Generali shares. In 2020, the assignment of shares envisaged in the plan was suspended.

Quantitative information

In the reporting period, on the basis of the achievement of the performance objectives set out in the 2018, 2019 and 2020 Remuneration Policy, **165,523** treasury shares were awarded to company managers and network managers, of which **137,845** shares to Area Managers and Financial Advisors, **20,701** shares to employees, and **5,155** shares to other beneficiaries of Banking Group's companies.
In particular, the shares assigned for 2018 and 2019 related, respectively, to the first and second tranches deferred by one year (20%), whereas the shares assigned for 2020 related to the upfront amount (60%); a residual amount of shares were granted under previous years' plans with different deferral mechanisms (plans for former employees and Financial Advisors).

(THOUSANDS OF SHARES)	DATE OF SHARE-HOLDERS' MEETING	BANK OF ITALY'S AUTHORISATION	ASSIGNMENT PRICE	WEIGHTED AVERAGE FV	TOTAL SHARES (/000)	SHARES ALREADY ASSIGNED (/000)	OF WHICH: ASSIGNED 2021	SHARES TO BE ASSIGNED (/000)	OF WHICH: SHARES VESTED	PLAN'S FAIR VALUE (€ MILLION)
Year 2018	12.04.2018	11.06.2018	28.57	23.54	133.8	133.8	25.2	-	-	3.2
Year 2019	18.04.2019	21.06.2019	20.25	21.80	215.3	187.5	41.5	27.7	27.7	4.7
Year 2020	23.04.2020	16.07.2020	29.71	18.06	155.6	108.6	96.3	47.0	22.2	3.1
Year 2021	22.04.2021	01.07.2021	27.58	26.43	152.9	-	-	152.9	92.6	4.0
Other long-term plans				15.36	47.1	23.2	2.5	23.9	2.8	0.7
Total					**704.8**	**453.2**	**165.5**	**251.6**	**145.3**	**15.7**

2. Framework Loyalty Programme for the Sales Network 2017-2026

The Framework Loyalty Programme for the Sales Network 2017-2026 was approved by the Board of Directors on 21 March 2017 and ratified by the General Shareholders' Meeting on 20 April 2017.

The Framework Loyalty Programme is divided into eight annual individual plans, all set to expire on 31 December 2026 and of decreasing lengths, to be activated following prior authorisation by the General Shareholders' Meeting of Banca Generali.
The indemnities accrued over the term of the Programme will be, in any event, paid out in one tranche, within 60 days from the General Shareholders' Meeting called to approve the 2026 Financial Statements.

For each plan, a portion of the accrued indemnity may be paid out in Banca Generali shares (up to a maximum of 50%), following an assessment of the potential effects at the level of capital ratios and floating capital by the Corporate Bodies (Board of Directors and General Shareholders' Meeting).

Participation in each of the plans envisaged by the Programme is reserved for Financial Advisors and Relationship Managers who have at least five years of company seniority by 31 December of the financial year before the reference year for each plan.

To be eligible to access the benefits of the plans activated it is necessary:
- to achieve at the end of the reference year a minimum volume of total AUM and qualified AUM increasing over time and with non-negative net inflows (vesting condition);
- to be regularly employed and not in a notice period on the disbursement date, except when the termination of employment is caused by death or permanent incapacity, retirement or withdrawal from the relationship by Banca Generali not for cause (condition of service).

In the event of death, the indemnities accrued are understood to be permanently acquired but are payable to the heirs under the same conditions specified for the other beneficiaries.

Finally, the accrued indemnity is commensurate for each individual plan with a rate for verified AUM and is differentiated according to the type of person (Financial Advisor/RM) and service seniority until a cap is reached.
Recognition of the indemnities on the disbursement date is also subject to the Banking Group's access gates being exceeded as defined in the Remuneration Policies applicable from time to time and the rules of propriety.

The number of Banca Generali shares due is determined in the same way as for the share-based payment plans connected with the Remuneration Policies, namely based on the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that in which the annual plan of reference begins.

2.1 Measurement of fair value and accounting treatment

Without prejudice to the accounting framework already analysed in point 1.1 above, set out below are the specific details of the share-based payment plans that can be activated as part of the Loyalty Programme.

The fair value of the Banca Generali share for plan valuation purposes is determined starting from the market stock price reported on the date of the General Shareholders' Meeting that approves their activation, adjusted to take account of the estimate of expected dividends that the Bank will distribute along all the time horizon, decreasing for each successive plan, running up to the date the shares are actually assigned.

The plans' impact on the profit and loss account is measured pro-rata temporis based on the vesting period, which decreases for each successive plan, i.e., the period between the year of reference and final maturity of the right to receive the shares, taking into account the probability that the vesting conditions for the year will not be realised for all beneficiaries.

2.2 Information on the share-based payment plans linked to the Framework Loyalty Programme

For all the annual plans launched up to the reporting date, 50% of the indemnity accrued can be paid out in shares.

The accrued indemnity value was determined based on the AUM of the plan's potential beneficiaries at end of the year of reference, whilst the number of financial instruments to be assigned was determined based on the same reference value as the Banca Generali stock applied for the Remuneration Policies in force in the respective years.

Overall, the total number of shares, either assigned or in the process of accruing, in service of the five plans amounted to about 1,444 thousand (1,345 thousand net of the estimated turnover), for a total value of 20.7 million euros, of which 5.4 already recognised through profit and loss.

	MAXIMUM NO. OF SHARES	NO. OF SHARES NET OF THE ESTIMATED TURNOVER	PLAN'S FAIR VALUE	IFRS 2 RESERVE
	THOUSANDS OF SHARES		€ MILLION	
2017-2026 Plan	208	194	2.5	1.1
2018-2026 Plan	164	153	2.3	0.9
2019-2026 Plan	338	315	4.5	1.5
2020-2026 Plan	282	262	2.7	0.7
2021-2026 Plan	452	421	8.7	1.2
Total	**1,444**	**1,345**	**20.7**	**5.4**

3. Long Term Incentive (LTI) plans

Since 2018, Banca Generali has been launching, each year, long-term incentive plans for the Banking Group's top management based exclusively on Banca Generali S.p.A. shares.

The new plans have features similar to those of the plans that the parent company Assicurazioni Generali activates yearly and are based on the assignment of its shares. However, these plans are mainly aimed at increasing the value of Banca Generali shares, by strengthening the link between the remuneration of beneficiaries and performance of the Banking Group, without prejudice to the consistency required with the expected results set forth in the Insurance Group's strategic plan.

In light of the above, the new incentivisation plans call for:
1. assignment of Banca Generali shares acquired on the market to the beneficiaries instead of Assicurazioni Generali shares directly assigned by the latter;
2. increased weight of the Banking Group's objectives, equal to 80%.

The key characteristics of the plan are as follows[27]:
> the maximum number of the shares to be granted is determined at the beginning of the period of reference using a multiplier of the beneficiary's current remuneration[28] and is divided into three notional instalments, respectively referring to each of the three years of the plan;
> each year, once it has been determined that the access gate conditions of the Banking Group and of the Insurance Group have been met, Banca Generali's Board of Directors assesses the attainment of the targets set at the beginning of the three-year period and determines the exact number of shares that can potentially be allotted for the instalment in question;
> at the end of the three-year period, after having assessed that the access gates have been achieved and provided that the beneficiary's work relationship with one of the Banking Group companies is still in force (service condition), the total number of shares accrued are paid through the free granting to the beneficiaries of own ordinary shares, repurchased on the market (stock granting), as follows:
  - for the 2018 and 2019 plans, in one tranche, with 50% of shares not vesting for 2 years;
  - starting from the 2020 plan, 50% of the shares is assigned immediately, whereas the remaining 50% do not vest for an additional two years, without prejudice, for both tranches, to a retention period of one year;
> 50% of the shares assigned vest immediately upon assignment, whereas the remaining 50% do not vest for an additional two years;
> the plan does not include dividend equivalent mechanisms, in accordance with the law and common practice in the banking sector;
> the plans envisage the customary malus and claw-back clauses.

The level of achievement of objectives, expressed in percent terms, is determined separately for each basket, consisting in an indicator and the weight assigned to it, using the linear interpolation method on the basis of the reference levels set at the outset of the plan (minimum, target and maximum)[29].

[27] Further information on the LTI plans' terms and conditions are included in the Remuneration Policy, approved annually by the Shareholders' Meeting of Banca Generali (Section 2 – Banking Group's Remuneration and Incentive Policies).
[28] The potential maximum bonus to be paid in shares corresponds to 175% of the gross annual remuneration of the plan participants for top managers and to 87.5% for other beneficiaries.
[29] In particular, the maximum performance level is associated with a percentage of 175%.

Here below is a presentation of the performance indicators defined for the plans activated up to now.

3.1 Measurement of fair value and accounting treatment

Without prejudice to the accounting framework already analysed in point 1.1 above, set out below are the specific details of the share-based payment plans that can be activated as part of the LTI plans launched by Banca Generali.

The number of shares due shall be valued separately for each plan year and for each of the weighted baskets linked to the objectives of the Banking Group and the Insurance Group.

In particular, baskets tied to the performance indicator formed by the Insurance Group's rTSR contain a market condition, whereas the other baskets are based on achievement of performance conditions.

	WEIGHT OF BANKING/ INSURANCE GROUP'S KPIS	BANKING GROUP'S ACCESS GATES	INSURANCE GROUP'S ACCESS GATES	BANKING GROUP'S OBJECTIVES	INSURANCE GROUP'S OBJECTIVES
2018 LTI	80% -20%	Total Capital Ratio (TCR), Liquidity Coverage Ratio (LCR) [*]	Regulatory Solvency ratio	1. tROE, 2. EVA	1. Operating ROE, 2. rTSR
2019 LTI	80% -20%			1. tROE, 2. Recurring net profit [b], 3. Adjusted EVA	1. Average net ROE, 2. EPS growth, 3. rTSR
LTI 2020	80% -20%			1. tROE, 2. adjusted EVA	1. Net Holding cash flow, 2. rTSR
LTI 2021	80% -20%			1. tROE, 2. adjusted EVA, 3. AUM ESG [g]	1. Net Holding cash flow, 2. rTSR 3. Sustainability indicators (MSCI ESG rating and S&P Global Corporate Sustainability Assessment Percentile)

(a) tROE (tangible – Return on equity): the ratio of net profit and average net equity, net of net profit for the year, intangible assets and, for the 2018 Plan, the OCI component.
(b) Recurring income: net profit less the following one-off components: gains/losses on the securities portfolio, performance fees, one-off component of the contributions to the FITD/BRRD bank rescue funds and the income and costs related to the extraordinary transactions completed during that period.
(c) EVA – Embedded value added: an indicator that expresses the value creation as the difference between recurring net profit (as defined above) and the cost of capital (ke x average absorbed capital).
(d) Net ROE (return on equity): ratio of consolidated net result and IFRS consolidated net equity of the Generali Group (excluding item "Other Comprehensive Income").
(e) Earnings Per Share Growth: the percentage change (compound average) of the EPS of Generali stock with reference to the net result normalised by gains/losses on disposal.
(f) rTSR: relative Total Shareholder Return, compared to a peer group of competitors included in the STOXX Euro Insurance index.
(g) Assets Under Management (AUM) of retail funds and insurance and financial underlying with ESG (Enviromental, Social e Governance) rating by an external provider. The parameter is applied as a multiplier from 0.8 to 1.2 based on the period-end volume of the ESG component of AUM (in a range of 8%-13% of the AUM of reference.
(*) In detail, the 2021 banking access gates are: TCR >=13% and LCR >=130%, the insurance access gate is TRR >150%.

Market conditions are assessed solely at the assignment date on the basis of a statistical model that estimates the probable future positioning of the rTSR for Generali shares compared to a peer group identified by the STOXX Euro Insurance Index for each plan year. The fair value of the rights associated with this plan component is thus determined by multiplying the fair value of a Banca Generali share at the assignment date by the level of achievement of the objective associated with the resulting positioning.

Baskets associated with the achievement of performance conditions are assessed on the basis of the fair value of a Banca Generali share and the number of shares potentially assignable.

In this case as well, the fair value of the Banca Generali share used for evaluating the plans is determined starting from the market stock price reported on the date of the General Shareholders' Meeting that approves their activation, adjusted to take account of the estimate of expected dividends that the Bank will distribute along all the time horizon, running up to the date the shares are actually assigned.

The total cost of the LTI plans is therefore equal to the sum of the cost calculated for each basket on the basis of the fair value of rights assigned, determined according to the above methods, multiplied by the number of shares that may potentially be granted in respect of the level of achievement of the performance condition, the market condition, the likelihood that the service condition will be met and the achievement of the minimum eligibility threshold.
That cost is allocated over a three-year vesting period starting from the year in which the plan is approved and until the end of the last year of the reference three-year period, with a balancing entry to a specific equity reserve.

3.2 Information on the share-based payment plans linked to the BG LTI plans

In 2021, the shares relating to the first 2018 -2020 LTI Plan were assigned. In detail, based on the objectives reached, a total of 82,684 shares were assigned out of a maximum number of shares that could be assigned of
90,185.
The overall Plan value for the LTI 2018 was 1.8 million euros, entirely recognised in the profit and loss account in the three-year vesting period.

Overall, the total number of shares, either assigned or in the process of accruing, for the three plans amounted to about 343 thousand, for a total value of 6.1 million euros, of which 3.7 already recognised through profit or loss (3.6 million euros for 2020).

	MAX NO. OF SHARES (THOUSANDS OF SHARES)	PLAN'S FAIR VALUE (€ MILLION)	IFRS 2 RESERVE (€ MILLION)
Plans ended			
2018-2020 Plan	82.7	1.8	1.8
Vesting plans			
2018-2020 Plan	129.7	2.3	2.3
2019-2021 Plan	90.4	1.2	0.6
2020-2022 Plan	123.4	2.6	0.7
Total plans underway	**343.5**	**6.1**	**3.7**

Quantitative Information

The value of treasury shares assigned during the year was 6.3 million euros, against IFRS 2 reserves totalling 5.1 million euros, with a negative net effect on the share premium reserve of about 1.2 million euros.
New provisions have also been made to the reserve totalling 8.8 million euros.

At 31 December 2021, total IFRS 2 reserves allocated therefore amounted to 14.1 million euros, of which:

> 5.0 million euros in relation to the Remuneration Policies;
> 5.4 million euros in relation to the Loyalty Programme;
> 3.7 million euros in relation to the BG LTI plan.

PART M – INFORMATION ON LEASES

Section 1 – Lessee

Qualitative information

With regard to qualitative information required pursuant to paragraphs 59 and 60 of IFRS 16, reference should be made to Part A, namely Part A.2 – Main Financial Statements Aggregates, Point 15 – Other information of these Notes and Comments.

Quantitative information

As regards quantitative information, reference should be made to the details given in these Notes and Comments, and in particular:

- Rights of use acquired through leases in Part B, Section 8 – Property and equipment – Item 80, Table 8.1 Breakdown of operating property and equipment: assets valued at cost;
- Lease debts in Part B, Section 1 – Financial liabilities measured at amortised cost – Item 10, Table 1.6 Lease debts;
- Interest expense on lease liabilities/debts in Part C, Section 1 – Interests – Items 10 and 20, Table 1.3 Breakdown of interest expense and similar charges;
- Other costs associated with rights of use acquired through leases in Part C, Section 10 General and administrative expenses – Item 160;
- 10.5 Breakdown of other general and administrative;
- Amortisation charges of rights of use acquired through leases in Part C, Section 12 – Net adjustments/reversals of property and equipment – Item 180, Table 12.1 Breakdown of net adjustments of property and equipment.

Trieste, 9 March 2022

The Board of Directors

Independent Auditors' Report on the Financial Statements

KPMG S.p.A.
Revisione e organizzazione contabile
Via Pierluigi da Palestrina, 12
34133 TRIESTE TS
Telefono +39 040 3480285
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying translated separate financial statements of Banca Generali S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Banca Generali S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Banca Generali S.p.A. (the "bank"), which comprise the statement of financial position as at 31 December 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Banca Generali S.p.A. as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of financial assets and liabilities at fair value

Notes to the separate financial statements "Part A – Accounting policies": paragraphs A.2.1 "Financial assets measured at fair value through profit or loss (FVTPL)", A.2.2 "Financial assets at fair value through other comprehensive income (FVOCI)", A.2.4 "Hedging transactions", A.2.12 "Financial liabilities held for trading" and A.4 "Information on fair value"

Notes to the separate financial statements "Part B - Information on the statement of financial position - Assets": sections 2 "Financial assets measured at fair value through profit or loss ", 3 "Financial assets at fair value through other comprehensive income" and 5 "Hedging derivatives"

Notes to the separate financial statements "Part B - Information on the statement of financial position - Liabilities": sections 2 "Financial liabilities held for trading" and 4 "Hedging derivatives"

Notes to the separate financial statements "Part C - Information on the income statement": sections 4 "Net trading income (loss)", 5 "Net hedging income (loss)" and 7 "Net gains (losses) on other financial assets and liabilities measured at fair value through profit or loss"

Notes to the separate financial statements "Part E - Information on risks and risk hedging policies": sections 1 "Credit risk - subsection E "Transfers" - paragraph C "Transferred financial assets fully derecognised", 2 "Market risks" and 3 "Derivatives and hedging policies"

Key audit matter	Audit procedures addressing the key audit matter
Trading in and holding financial instruments are one of the bank's core activities. The separate financial statements at 31 December 2021 include financial assets and financial liabilities at fair value totalling €2,970.0 million and €171.9 million, respectively. These financial assets and liabilities comprise assets and liabilities measured at fair value of €452.5 million and €171.9 million, respectively, for which there is no quoted price on an active market and which the bank's directors have classified at levels 2 and 3 of the fair value hierarchy. Classifying and, especially, measuring fair value levels 2 and 3 financial instruments require a high level of judgement in relation to the complexity of the models and parameters used.	Our audit procedures included: — gaining an understanding of the bank's processes and IT environment in relation to the trading, classification and measurement of financial instruments; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the classification and measurement of financial instruments with fair value levels 2 and 3. We carried out these procedures with the assistance of experts of the KPMG network; — checking, on a sample basis, that the financial instruments had been correctly

Banca Generali S.p.A.
Independent auditors' report
31 December 2021

For the above reasons, we believe that the classification and measurement of financial assets and liabilities at fair value are a key audit matter.	classified on the basis of their fair value level; — for a sample of financial instruments with fair value levels 2 and 3, assessing the reasonableness of the main parameters used by the directors for their measurement. We carried out this procedure with the assistance of experts of the KPMG network; — analysing the changes in the composition of the financial instrument portfolios compared to the previous year end and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about financial instruments and related fair value levels.

Measurement of provisions for liabilities and contingencies

Notes to the separate financial statements "Part A - Accounting policies": section 10 "Provisions for liabilities and contingencies"

Notes to the separate financial statements "Part B - Information on the statement of financial position - Liabilities": section 10 "Provisions for liabilities and contingencies"

Notes to the separate financial statements "Part C - Information on the income statement": section 11 "Net provisions for liabilities and contingencies"

Key audit matter	**Audit procedures addressing the key audit matter**
The separate financial statements at 31 December 2021 include provisions for liabilities and contingencies of €223.3 million. These include €24.1 million relating to pending legal and tax disputes and €178.3 million relating to financial advisors' termination indemnities and incentive schemes. Measuring provisions for pending legal and tax disputes is a complex activity, with a high degree of uncertainty, and entails directors' estimates about the outcome of the dispute, the risk of losing and the timing for its settlement. Measuring provisions for the financial advisors' termination indemnities and incentive schemes is a complex activity, with a high degree of uncertainty, and entails directors' actuarial-based estimates about the probability of payments, the expected payment timing and other historical and statistical parameters relating to the financial advisors. For the above reasons, we believe that measuring provisions for liabilities and contingencies is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of the provisions for liabilities and contingencies, assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — analysing the discrepancies between past years' estimates of the provisions for liabilities and contingencies and actual figures resulting from the subsequent settlement of legal disputes, in order to check the accuracy of the estimation process; — sending written requests for information to the legal advisors assisting the bank about the assessment of the risk of losing pending legal disputes and the quantification of the related liability and checking the consistency of the information obtained with the elements considered by the directors to measure the provisions for liabilities and contingencies; — analysing the reasonableness of the assumptions used to measure the

	provisions for liabilities and contingencies relating to the main legal disputes through discussions with the relevant internal departments and analysis of the supporting documentation; — analysing the reasonableness of the assumptions, actuarial assumptions and methods used by the directors to estimate the liability for personal financial advisors' termination indemnities and incentive schemes. We carried out these procedures with the assistance of experts of the KPMG network; — assessing the appropriateness of the disclosures about the provisions for liabilities and contingencies.

Other matters – Comparative figures

The bank's 2020 separate financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 29 March 2021.

Other matters – Management and coordination

As required by the law, the bank disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Banca Generali S.p.A. does not extend to such data.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Banca Generali S.p.A.
Independent auditors' report
31 December 2021

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Banca Generali S.p.A.
Independent auditors' report
31 December 2021

Other information required by article 10 of Regulation (EU) no. 537/14

On 22 April 2021, the bank's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The bank's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The bank's directors are responsible for the preparation of the reports on operations and on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's separate financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's separate financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

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With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Trieste, 29 March 2022

KPMG S.p.A.

(signed on the original)

Pietro Dalle Vedove
Director of Audit

Report of the Board of Statutory Auditors

pursuant to Article 153 of Legislative Decree No. 58/1998,

Shareholders,

The Board of Statutory Auditors (the “Board”) is required to report to the General Shareholders’ Meeting of Banca Generali S.p.A. (hereinafter also “Banca Generali”, the “Bank” or the “Company”), convened to approve the Financial Statements for the year ended 31 December 2021, on the supervisory activity performed and any omissions and censurable facts identified, pursuant to Article 153 of Legislative Decree No. 58/1998 (the “TUF”). This activity was carried out in accordance with the code of conduct recommended by the Roll of Certified Public Accountants and Commercial Experts, while also taking account of the provisions issued by Consob and the Bank of Italy, the instructions set out in the Corporate Governance Code and the provisions of Article 19 of Legislative Decree No. 39/10. The following information also takes account of the Consob recommendations contained in Communication No. 1025564/2001.
It bears recalling that on 22 April 2021 the General Shareholders’ Meeting of Banca Generali appointed this Board of Statutory Auditors until the approval of the Financial Statements for the year ending 31 December 2023, in the persons of Natale Freddi (Chairman), Flavia Minutillo and Mario Anaclerio (Acting Auditors), the latter of whom were already included in the previous composition of the Board of Statutory Auditors. The Board of Directors also granted the Board of Statutory Auditors the functions attributed to the Supervisory Board pursuant to Article 6 of Legislative Decree No. 231/2001 on that same date.
During the year, the Board of Statutory Auditors, in its current and previous composition, met 22 times. It also took part in 13 meetings of the Board of Directors, 13 meetings of the Internal Audit and Risks Committee, 9 meetings of the Remuneration Committee, 9 meetings of the Nomination, Governance and Sustainability Committee and 7 meetings of the Credit Committee. The Board of Statutory Auditors also took part in the induction programme for members of the Bank’s corporate bodies, in addition to specific sessions illustrating the three-year Industrial Plan, then approved by the Board of Directors on 14 February 2022.

1. Supervisory activity concerning compliance with the law and the Articles of Association

The Board of Statutory Auditors periodically obtained information from the Directors — including by participating in the meetings of the Board of Directors and its Board Committees — regarding the activity carried out and management acts undertaken. On the basis of the information available, it may reasonably confirm that those activities and acts are compliant with the law and the Articles of Association.
The material events during the year that the Board of Statutory Auditors deems appropriate for mention in light of their importance include:

- the work that resulted in the approval of the new 2022-2024 three-year plan on 14 February 2022;
- the restructuring of a portfolio of senior notes arising from the securitisation of healthcare receivables in the fourth quarter of the year, which involved the concurrent purchase of those notes from customers in the amount of 457.6 million euros and the simultaneous sale of the notes to a newly formed Italian fund (AIF) for 377.7 million euros, with the recognition by the Bank of a trading loss of 80 million euros and the subscription by the Bank of the majority of the units of the aforementioned fund for a total of 378 million euros, equal to a 98% interest;
- the incorporation of BG (Suisse) S.A., a company based in Lugano, which filed a specific application with the competent Swiss supervisory authority for a banking licence;
- the acquisition from Binck Bank N.V. of the retail banking business unit of the Italian branch, as part of a more complex transaction in which the associate company BG SAXO SIM acquired the RTO service business unit.

At 31 December 2021, CET1 ratio was 16.3% and Total Capital Ratio (TCR) was 17.4%, compared to SREP binding requirements of 7.8% and 11.8%, respectively. The prudential regulatory provisions for banks concerning capital requirements are illustrated in the Pillar 3 disclosures prepared pursuant to Part VIII of Regulation (EU) No. 575/2013.
In the first few months of the year, Russia’s invasion of Ukraine, with the resulting severe sanctions levied on major sectors of its economy, the uncertain outcome of the conflict and its macroeconomic consequences gave rise to considerable uncertainty, which in turn translated into increased volatility and general price declines, particularly for equity asset classes. Banca Generali is not exposed to the countries involved in the conflict, either with its own securities portfolio, or with the customer loans portfolio. According to preliminary estimates, the exposure of the Bank’s clients is also quite limited.
With regard to relations with the supervisory authorities, the Board of Statutory Auditors was updated by the responsible company functions regarding the requests and inquiries made and the responses given. In turn, when requested, it provided responses to the above authorities on specific issues relating to the audits carried out by the Board of Statutory Auditors.

2. Supervisory activity concerning adherence to the principles of sound management

The Board of Statutory Auditors acquired information regarding and supervised the compliance with the principles of sound management by obtaining information from the Heads of the competent control functions and the Manager in Charge of preparing the Company’s financial reports, as well as from meetings with the Independent Auditors as part of the mutual exchange of relevant data and information. It also met on several occasions during the year with the Chief Executive Officer and the Deputy

General Managers to obtain information regarding operating performance, the internal control system and main company risks. During such meetings, the Board of Statutory Auditors observed the regular, constant flow of information from the main corporate operating functions and, in the case of the Board of Directors, its constant updating.
The Board of Statutory Auditors may therefore reasonably state that the transactions carried out are inspired by the principles of sound management, and that management decisions were made on the basis of adequate flows of information and awareness of their risk level.
In particular, as regard the most significant economic, financial and equity transactions implemented by the Bank, subject to supervisory activity, the Board of Statutory Auditors may reasonably confirm that they are compliant with the law and the Articles of Association and are not manifestly imprudent, risky, in conflict with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets. The transactions in which Directors had an interest were approved in accordance with the law, regulations and Articles of Association. With regard to the disclosure on the preparation of the annual and half-yearly financial statements, the information pursuant to Article 150 of TUF is provided not only by the Chief Executive Officer, but also by the Manager in charge of preparing the Company's financial reports.
In addition, the Board of Statutory Auditors determined that there had been no atypical and/or unusual transactions with companies of the Banca Generali Group (the "Group"), third parties or related parties, i.e., transactions that, in view of their characteristics, may give rise to doubt as to the correctness/completeness of the information in the financial statements, conflict of interest, integrity of company assets and the protection of minority shareholders.
No critical issues came to light from the meetings held with the Chairman of the Board of Statutory Auditors of Generfid S.p.A. and the control bodies of BG Fund Management Luxembourg S.A. and BG Valeur S.A. or from the examination of the Directors' reports included in the financial statements. Moreover, no issues relating to the activities carried out as Supervisory Body pursuant to Legislative Decree No. 231/2001 were reported at such meetings.

3. Supervisory activity concerning adequacy of the organisational structure

The Board of Statutory Auditors supervised the adequacy of the Bank's organisational structure by holding meetings with the Bank's operating functions, and in particular with the COO & Innovation Area and the Organisation Department, in order to verify the adequacy of the company structure, system of delegated powers, internal control and risk management system and information flows.
The Bank's organisational structure did not change substantially during the year, although the process of rationalising some of its internal structures continued, including, in particular:

- the reorganisation of the COO & Innovation Area, undertaken with the aim of setting up an innovation competence centre, creating the role of the Chief Security Officer — who, under the Bank's Security Policy, formulates and develops the security strategy and governance —, grouping the IT and Operation functions into a single department for integrated, synergistic management of activities, and creating the Organisation Department;
- the progressive integration/implementation of the Saxo platform into the Bank's processes;
- the project relating to the incorporation of the Swiss subsidiary BG Suisse S.A.
- The Board of Statutory Auditors also supervised the proper performance of the management and coordination activities carried out by the Bank as Parent Company and has no observations to make in this regard.
- In fact, the Parent Company performs its steering and governance tasks and provides support to its subsidiaries, in accordance with the Consolidated Law on Banking (TUB), supervisory regulations and Group regulations, adopting risk management procedures and internal control mechanisms that ensure coordinated, unified management of the various Group companies in order to:
  - ensure satisfaction of the requirements imposed by supervisory regulations at Group level;
  - safeguard the profitability and value of the equity investments of the Parent Company and all its subsidiaries;
- avoid any harm to the integrity of the assets of each Group entity by also providing instructions through specific instruments, such as Group regulations and policies on specific subjects.

The Board of Statutory Auditors supervised the adequacy of the instructions provided by the Company to its subsidiaries pursuant to Article 114, paragraph 2, of TUF.
In addition, the Bank continued to keep up to date the measures adopted in the previous year to manage the Covid-19 emergency and in this context ensured security safeguards for access to offices and rules of conduct to protect health.

4. Corporate governance

The Board of Statutory Auditors assessed the methods whereby the Borsa Italiana's Corporate Governance Code adopted by the Bank was implemented, according to the terms illustrated in the "2021 Report on Corporate Governance and Ownership Structures" (the "Corporate Governance Report"). The company bodies also obtained evidence of the recommendations formulated in the letter from the Chairman of the Corporate Governance Committee of 3 December 2021.
In line with the legislation of reference, Banca Generali's Board of Directors, with support from the external professional Egon Zehnder – appointed as independent expert for the entire three years of the term – launched the Board Review 2021, the annual self-assessment on the functioning of the Board and Board Committees, as well as of their size and composition. The Board Review involved the participation of all nine Directors in office and the Chairman of the Board of Statutory Auditors (who shared the self-assessment exercise with the two other Acting Auditors). The results are reported in detail in the Corporate Governance Report.
Furthermore, during the year the Board of Statutory Auditors verified that the Statutory Auditors met the relevant requiremen-

ts in accordance with the MEF Decree, applicable legislation and the Corporate Governance Code.
In particular, the Board of Statutory Auditors verified the legal requirements — including those of independence and professionalism pursuant to Principle VIII of the Corporate Governance Code — applicable to Acting Auditors as at 6 May 2021 and reported to the market on 11 May 2021, as well as to the Supervisory Authorities, which validated the results. In addition, pursuant to Article 23 of the MEF Decree, the Board of Statutory Auditors conducted new specific assessments of the continuing satisfaction of eligibility requirements and criteria, including that of independence, by its members, where supervening events might have affected possession of such requisites. Most recently, on 7 March 2022, pursuant to recommendation 9 of the Corporate Governance Code, the annual verification of the independence requirements and the prohibition of interlocking was carried out. In conclusion, all Statutory Auditors were found to be independent under the provisions of TUF, the MEF Decree and the Corporate Governance Code.
Finally, during the year the Board of Statutory Auditors verified the proper application of the assessment criteria and procedures adopted by the Board of Directors to assess possession of the fit & proper requirements of its members, pursuant to applicable legislation.

5. Supervisory activity concerning transactions with related parties

The Board of Statutory Auditors supervised the compliance with applicable legislation of the Procedure for Related Party and Connected Party Transactions adopted by the Bank (as most recently updated on 22 June 2021 to reflect the changes in the legislative framework of reference) and its proper application, participating in all the meetings of the Internal Audit and Risk Committee — which also functions as the committee for the preliminary review of transactions with related and connected parties and is tasked with issuing the related opinions required by applicable legislation — set up in accordance with the relevant procedure, periodically receiving and analysing information regarding the transactions performed. The Board of Statutory Auditors has no record of related party transactions undertaken in conflict with the Company's interest.
No "transactions of greater importance" were undertaken with related parties during the year. However, transactions qualifying as "lesser importance transactions" were undertaken with related parties, as illustrated in detail in the Report on Operations, in addition to "ordinary or recurring transactions" effected at arm's length, the effects of which are analysed in the dedicated section of Notes and Comments.
The Board of Statutory Auditors verified that in the Report on Operations and the Notes and Comments the Board of Directors provided adequate disclosure of transactions with related parties and intragroup transactions in light of applicable legislation.
From a review of the activity carried out by the various functions involved in related party procedures and discussions with the Internal Audit Function, the Board of Statutory Auditors believes that transactions with related parties are adequately supervised and, to the best of its knowledge, that the procedure has been properly applied.

6. Supervisory activity concerning the internal control and risk management system

The Board of Statutory Auditors supervised the adequacy of the internal control and risk management system through:
> meetings with the Bank's senior management, the purpose of which included examining the internal control and risk management system;
> periodic meetings with the heads of the Internal Audit, Compliance and Anti-Money Laundering, and Risk and Capital Adequacy Functions (hereinafter the "Control Functions") in order to assess the methods of planning of the work, based on identifying and assessing the main risks present in processes and organisational units;
> examination of periodic reports (Tableau de Bord) of the Control Functions and periodic information on the results of monitoring of the implementation of the corrective actions identified;
> acquisition of information from the heads of other Company Functions;
> meetings with the control bodies of the main subsidiaries pursuant to paragraphs 1 and 2 of Article 151 of the TUF during which the Board of Statutory Auditors obtained information on the matters deemed material affecting Group companies and the internal control system;
> discussion of the results of the Independent Auditors' work;
> participation in the proceedings of the Internal Audit and Risks Committee, acquiring information on the problems considered of particular interest to the Board of Statutory Auditors' activity.

It also acknowledged the assessment of the internal control system by the Board of Directors, which was deemed mostly adequate, with an opinion from the Internal Audit and Risks Committee.
Banca Generali has long had an internal control system policy that identifies the bodies and functions involved in the structure of the internal control system, the methods and instruments for identifying and assessing risks, coordination between control functions, the Banking Group's internal control system and reports and flows of information. The system is structured on three levels: the first level performs line controls aimed at ensuring the proper performance of transactions; the second level concerns the monitoring of risks and compliance; and the third is aimed at identifying breaches of procedures and internal regulations.
With reference to the first level of controls, Banca Generali has operational procedures in place (process flows) that relate to all activities carried out and identify the activities, roles, instruments and line controls according to the company process tree.
These procedures are constantly updated by the Organisation Department to bring them into line with changes in regulations, internal rules, the organisational structure and operating methods and to incorporate the suggestions for improvement that emerge from the activities performed by the Control Functions. With regard to the second and third levels, the Board of Statutory Auditors engaged in constant dialogue with the Control Functions in carrying out its activities. The control system, in addition to the business functions and control functions, involves other company functions, such as the head of the security service and

the business continuity plan, who acts as the Chief Security Officer (CSO) and whose roles also include that of Chief Information Security Officer (CISO) of the Bank and the Supervisory Body pursuant to Legislative Decree 231/2001 of the Parent Company; the latter's activity is described in a subsequent chapter.

The Control Functions submit periodic reports to the Board of Directors and the Board of Statutory Auditors on the activities performed and their main observations. Each quarter, Tableau de Bord are presented; these are informational instruments that provide an update on the risks and state of progress of the annual plan of each Function. At the end of the year, as required by the law, the Functions submit an annual report, which in addition to underscoring the work done during the year, conclude with a concise assessment of the adequacy of the internal control system with regard to matters within their purview. The Board of Statutory Auditors acknowledges that the annual reports of the Control Functions conclude with a mostly adequate opinion of the structure of the Company's internal control system.

The report on the Internal Audit Function's activity during the year indicates that all activities planned had been concluded at the date of this report. No significant critical issues emerged from this activity. However, the control activities performed (including at Group level) identified a need for the competent Company Functions to implement remedial actions to mitigate the risks inherent in some processes and operating practices, natural for all banking business, without jeopardising the reliability of the Internal Control System as a whole, which is thus confirmed to be mostly adequate. However, there are some areas in which the opinion is that it is partially adequate, relating to the need for better internal rules on cyber risks and IT procedures generally and more effective controls to prevent negligent behaviour facilitated by the new scenario of remote operation and widespread digitalisation.

The Internal Audit Function carried out a specific activity designed to identify potential deficiencies in the internal control system of the processes for structuring securitisations with the support of a consulting firm and law firms. The results of these activities indicated a need to adjust organisational and control rules. The remedial actions are in progress and are set to conclude in a few months.

Interaction between the Board of Statutory Auditors and the Internal Audit Function is constant over the year as the Function takes part in most meetings of the Board of Statutory Auditors. In any case, the Function informs the Board of Statutory Auditors promptly of any negative findings of their activities.

Upon the conclusion of the Compliance Function's activities, of both an ex-ante nature (ex-ante risk assessment, participation in projects and consulting support) and an ex-post nature (audits of compliance, processes and monitoring of the compliance safeguards set out in the annual plan, which were almost all concluded, and monitoring of the state of progress of the regularisation measures established in the ex-post audits conducted) during the year, it found an overall medium-low exposure to non-compliance risk with regard to the overall design and effective operational development of company processes, without prejudice to the need to ensure constant oversight of processes deemed to be at greatest risk of non-compliance and maintaining an adequate level of attention to finalise and effectively develop the control safeguards identified to contain compliance risks.

The Compliance Function also supported the Data Protection Officer with the activities set out in the GDPR and the external and internal privacy regulations in effect from time to time.

With regard to control activity relating to the distribution network, there continues to be a need to keep high levels of supervision, further reinforcing them to pursue constant improvement of the efficacy of the coverage of various elements of risk that may lead to behaviour of financial advisors not compliant with the law and result in economic impacts on the company.

With regard to complaints — relating to both investors and consumers — each quarter the Function presents a report stating the number of complaints, those that resulted in litigation and reimbursements paid by the Bank during the period. Overall, during the year complaints increased on the previous period due to massive phishing phenomena and problems relating to the clients of the former Binck Bank, whose retail banking business unit of the Italian branch was acquired during the year.

Turning to the AML Function, the self-assessment conducted in accordance with the law showed an assessment of the risk of money laundering and terrorism financing that had increased compared to the previous year. This increase, from LOW to MEDIUM, was due to several remedial actions that remain ongoing, with particular regard to the update of the KYC questionnaires and delays in IT implementations in the profiling system, mainly due to the adoption of GIANOS 4D and the additional related implementations. Several improvement actions were identified for the current year and some of these have already begun.

The Board of Statutory Auditors examined the Internal Capital Adequacy Assessment Process (ICAAP) documents, which quantify the current and prospective internal capital to be held for the risks to which the group is exposed, as well as those for liquidity (ILAAP), which aim to assess the adequacy of the liquidity held by the Bank, both approved by the Board of Directors on 11 May 2021. The ICAAP and ILAAP confirm the adequacy of the Bank's capital and liquidity. The Board of Statutory Auditors formulated its observations also on the basis of the Report of the Internal Audit Function, which acknowledges compliance with regulations.

The Board of Statutory Auditors examined the new RAS document, which indicates the Bank's risk appetite, with effect from 2022, taking account of the recommendations of the Supervisory Authorities and regulatory indications. Turning to primary indicators, those regarding asset quality were reinforced by including the default ratio indicator, designed to monitor asset quality in the securities and customer loans portfolios. The Total Capital Ratio ICAAP was eliminated as the figure is already included in the other ratios. Finally, the risk capacity of the individual Total Capital Ratio was brought into line with the MREL threshold. As the Plan evolves, the main changes in the RAF relate to operational risks, with a particular focus on the areas of cyber-risks and IT risk, in which a process of gradual reinforcement is in progress, together with reinforcement of the safeguards for reputational risk, implementing the risk framework on partnerships and guidelines for complex, illiquid products. The remedial actions for operational risks and the implementation timescales were also identified in the risk appetite.

Adequacy of Control Functions

In order to assess the internal control system, particular importance is attached to the analysis of the procedures and operating methods that the Control Functions adopt to pursue their objectives as well as the adequacy of their staff. The Control Functions operate on the basis of procedures that are approved by the Board of Directors and kept up to date, and analyse in detail the

activity to be carried out. As far as the resources are concerned, these are evaluated every year in the Annual Plan. For the current year, an analysis has been carried out with the support of an external consultant that has made additional recommendations regarding the number of required FTE who will be added in the coming months.
The Board of Statutory Auditors has overseen the remuneration of the control functions, for purposes of the variable component payment. In order to express its opinion, it analysed, in the Remuneration Committee, the assessment records of their qualitative performance in terms of the objectives set for the 2021 financial year.

Business continuity and cyber risk

The Bank has prepared the Cyber Risk Report required by current supervisory instructions, the assessments of which confirm that the IT and Cyber risk components fall within the risk profile defined in the Bank's Risk Appetite. The IT risk assessment detected only one significant risk, concerning the Cyber risk. Remedial actions are in the process of being defined.
The Bank, in line with the provisions of the Business Continuity procedure, which is updated every year, carried out the tests that had been planned for 2021. The tests concerned, at group level, the lack of availability of human resources and the logistical inability to safely access buildings and, therefore, the importance of remote working. With regard to Disaster Recovery, the tests focused on the main critical service providers. The tests confirmed the effectiveness of the business continuity system.
Based on the work carried out, the information acquired, the content of the half-yearly and annual reports of the Control Functions and particularly the overall favourable opinion expressed by the Control Functions regarding the internal control system, the Board of Statutory Auditors considers that there are no critical elements such as to affect the structure of the internal control and risk management system.

7. Supervisory activities regarding the administrative accounting system and the financial reporting process

The Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee pursuant to Article 19, paragraph 2(c) of Legislative Decree 39/2010, has monitored the process and checked the effectiveness of the internal control and risk management systems with regard to financial reporting, overseeing compliance with the general principles on financial reporting adopted by the Group, based on the provisions of the Group Policy on the subject.
The financial reporting is monitored by the Manager in charge of preparing the company's financial reports (hereinafter the "Manager in Charge"), adopting models that refer to best market practice and that provide reasonable security on the reliability of financial reporting, on the effectiveness and efficiency of operating activities and on compliance with laws and internal regulations. The processes and controls are reviewed and updated annually.
2021 saw work continue on keeping the mapping of processes up to date in line with the project initiatives carried out, the new operating methods and organisational changes.
Control of the proper functioning of the Bank's model is ensured by a series of checks carried out on a self-assessment basis by the individual process owners supplemented by checks implemented both by the Internal Audit Function and by Independent Auditors.
The Board of Statutory Auditors met the Manager in Charge at regular intervals to exchange information on the reliability of the administrative-accounting system for purposes of representing operating events correctly and verified the Attestation of the Annual Integrated Report pursuant to Article 154-bis, issued by the Chief Executive Officer and the Manager in Charge, which certifies the adequacy and effective application of the administrative and accounting procedures for preparing the Annual Integrated Report during the 2021 financial year.
The Board of Statutory Auditors also examined the statements of the Chief Executive Officer and the Manager in Charge in accordance with the provisions contained in Article 154-bis of TUF.
With regard to the preparation of the financial statements and consolidated financial statements, it should be noted that they have been prepared, in accordance with Legislative Decree 38/2005, according to the international IAS/IFRS standards issued by the IASB (International Accounting Standard Board) which have been endorsed by the European Commission, as established by Community Regulation 1606/2002, and following the indications of Circular 262/2005 and in particular of the 7th update published by the Bank of Italy on 2 November 2021 and entered into force with effect from the financial statements for the year ended 31 December 2021. The Board of Statutory Auditors reports the following:

> the instructions referred to in Circular 262 mentioned above have been supplemented with the Bank of Italy's communication of 22 December 2021 governing market disclosure in relation to the effects that Covid-19 and the measures to support the economy have had on the strategy, objectives and management policies as well as on the economic and financial situation of intermediaries;
> with reference to the effects of COVID-19, the banking group did not make any changes in accounting estimates that had a significant impact on the year. In fact, there are no particular significant increases in the risk level of financial assets such as to lead to a deterioration in the level of risk assigned to them related to the COVID-19 emergency;
> also with regard to the numerous requests received in 2020 for moratoria in application of the so-called Cure Italy Decree, the suspension of the payment of instalments, despite having led to an extension of the amortisation schedule, has not brought a significant change in the carrying value of the exposures since the amortisation schedule has resumed with the same intervals provided for before the suspension;
> with regard to the restructuring of the portfolio of senior notes issued by SPVs for the securitisation of healthcare receivables reported above, it should be also noted that the Bank has assessed, based on the provisions of IFRS 9, the existence of the necessary requirements to proceed with the accounting derecognition of the senior notes subject to purchase and sale and the registration of the Forward Fund among the assets required to be valued at fair value. The Bank provided full disclosure on the transaction in the Notes to the Consolidated Financial Statements, Part E "Information on risks and risk hedging

policies", Section 2 "Prudential consolidation risks", Subsection D "Transfer operations", paragraph C "Financial assets transferred and fully derecognised";

- at its meeting on 10 February 2022, the Board of Directors approved the impairment process, as required by the joint Bank of Italy/Consob/ISVAP document of 3 March 2010;
- on 27 December 2021, the Bank received from the Revenue Agency the order for admission to the verification with acceptance procedure. The order states that admission to the procedure, with regard to direct taxes, starts from the tax period ended 31 December 2020 while for VAT purposes the same admission starts from 2020.

With regard to tax risks, the Board of Statutory Auditors draws attention to the contents of the Notes to the Consolidated Financial Statements regarding ongoing tax disputes.
The Independent Auditors, in regular meetings with the Board of Statutory Auditors, have not reported elements that could affect the internal control system concerning administrative and accounting procedures.
The Board of Statutory Auditors has ascertained that the flows provided by the non-EU subsidiaries of significant importance are adequate to conduct the control of the annual and interim accounts as required by Article 15 of the Market Rules.
Based on the above, no evidence has emerged of significant deficiencies that could affect the judgement of the internal control system's adequacy with regard to the financial reporting process and the reliability of administrative-accounting procedures in representing the operating events.

8. Oversight of the statutory audit activity

In accordance with the provisions of Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors carried out the prescribed supervisory activities regarding the Independent Auditors' operations.
KPMG S.p.A. ("KPMG" or the "Independent Auditors") is the firm to which the Ordinary Shareholders' Meeting of 22 April 2021 awarded the statutory audit of the financial statements and consolidated financial statements of Banca Generali S.p.A. up to the financial statements for the year ending 31 December 2029. The assignment also includes responsibility for verifying the proper keeping of company accounts, the correct recognition of operating events in the accounting records, the limited audit of the half-yearly report, the checks related to signing tax returns and the attestations issued to the National Guarantee Fund.
The Board of Statutory Auditors met the Independent Auditors several times also pursuant to Article 150 of TUF in order to exchange information about the Independent Auditors' activity, taking particular account of the Audit Plan, timing of activities and dedicated resources. In these meetings, the Independent Auditors never highlighted events deemed to be censurable or irregularities such as to require reporting pursuant to Article 155, paragraph 2 of TUF.
On 29 March 2022, the Independent Auditors issued, pursuant to article 14 of Legislative Decree No. 39/2010, the Audit Reports on the financial statements and consolidated financial statements for the year ended 31 December 2021. With regard to the opinions and attestations, the Independent Auditors in the Audit Report on the financial statements:

- issued an opinion showing that Banca Generali's financial statements and consolidated financial statements provide a true and fair view of the financial performance and position of Banca Generali and the Group at 31 December 2021, of the operating result and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/05 and Article 43 of Legislative Decree 136/15;
- presented the key aspects of the audit that, according to their professional judgement, are most significant and that contribute to the formation of the overall opinion on the financial statements;
- issued a consistency opinion showing that the Reports on Operations accompanying the financial statements and the consolidated financial statements at 31 December 2021 and certain specific information contained in the "Report on Corporate Governance and Ownership Structure" indicated in Article 123-bis, paragraph 4, of TUF, responsibility for which lies with the Bank's directors, are prepared in accordance with the law;
- declared, with regard to any material errors in the Reports on Operations, based on a knowledge and understanding of the business and the related context acquired during the audit activity, that it has nothing to report.
- verified the approval by the directors of the Non-Financial Statement.

On 29 March 2022, the Independent Auditors also submitted to the Board of Statutory Auditors the Additional Report provided for in Article 11) of Regulation (EU) No. 537/2014. As an annex to this Report, the Independent Auditors submitted to the Board of Statutory Auditors the declaration relating to independence, as required by Article 6 of Regulation (EU) No. 537/2014, which revealed no situations that could compromise their independence. Finally, the Board of Statutory Auditors took note of the 2021 Transparency Report, prepared by the Independent Auditors and published on their website pursuant to Article 18 of Legislative Decree 39/2010.
Banca Generali has adopted a specific "Procedure for the assignment of non-audit services to the Independent Auditors" which regulates the award to the Independent Auditors and the network of tasks additional to those involved in the statutory audit activities pursuant to Article 14 of Legislative Decree No. 39/2010. For these assignments, which legislation states must be authorised in advance by the Board of Statutory Auditors and — if they are not incompatible with the statutory audit — cannot in any case exceed 70% of the average remuneration for the last 3 financial years for the statutory audit (fee-cap), the aforementioned procedure provides for a prior process of authorisation and monitoring by the Board of Statutory Auditors in order to oversee the independence of the Independent Auditors, consistent with the provisions of Legislative Decree 39/2010.
Every six months, the Manager in Charge submits for the attention of the Board of Statutory Auditors a report on the services provided to the Group by the main auditor and its network as well as information on the amount of the annual cap used, as defined by the fee-cap rule. The Board of Statutory Auditors has complied with the provisions of current legislation on the approval of the services conferred on the main auditor and other companies belonging to its network. The services charged to the consolida-

ted income statement, also shown in the annex to the financial statements as required by Article 149-duodecies of the Rules for Issuers, are as follows:

(€/THOUSANDS) TYPE OF SERVICE	KPMG	KPMG NETWORK
Attestation services	-	-
Other services	16	-
Total	**16**	**-**

The amount of 16 thousand euros indicated under Other services relates to the assignment awarded to KPMG Advisory for services supporting the self-assessment process regarding the financial risk in the field of money laundering and terrorism.
Taking into account the non-audit assignments awarded to KPMG and its network by Banca Generali and Group companies, their nature and the total fees paid, as well as more generally the procedures adopted by KPMG regarding independence, the Board of Statutory Auditors does not see any critical issues regarding the independence of KPMG S.p.A.
The Independent Auditors also confirmed to the Board of Statutory Auditors that during the year they did not issue opinions pursuant to the law, as no conditions occurred as to warrant their issue.

9. Omissions or censurable events, opinions given and initiatives taken

The Board of Statutory Auditors has not received communications and/or complaints from the shareholders pursuant to Article 2408 of the Italian Civil Code for matters deemed to be censurable.
The Board of Statutory Auditors is not aware of any other events or matters to report to the Shareholders' Meeting.
The Board of Statutory Auditors, in addition to the matters already indicated in this Report, has issued opinions or expressed observations that current legislation and supervisory provisions for banks state are within its remit. In particular, the Board of Statutory Auditors expressed:

> its comments on the Annual Reports and Tableau de Bord submitted by the control functions;
> its observations on the ICAAP and ILAAP reports;
> its opinion on the processes and procedures relating to the remuneration of Directors when required. In particular, the remuneration of the Chief Executive Officer and Board Committee members, the proposal to raise the variable remuneration component to 2:1, the 2022 long-term incentive plan;
> its opinion on the occasion of the presentation to the Board of Directors of transactions falling within the scope of Article 136 of the TUB;
> the favourable opinion on the amendment to the procedure with related parties and connected parties;
> considerations on the Annual Report regarding the outsourcing of important operational functions.
> In the course of the activity carried out and based on the information obtained, no omissions, censurable matters, irregularities or significant circumstances were found that needed to be reported to the Supervisory Authorities or mentioned in this Report.

10. Non-financial statement

The Board of Statutory Auditors, in the exercise of its functions, has overseen compliance with the provisions contained in Legislative Decree 30 December 2016, No. 254, and the Consob Regulation implementing the Decree adopted by Resolution No. 20267 of 18 January 2018, in particular with reference to the drafting process and the contents of the Consolidated Non-Financial Statement ("NFS") drawn up by Banca Generali.
Although the Bank is not subject to this obligation, it has prepared its NFS on a voluntary basis and this has been included in the Sustainability Report which, in turn, is included in the Annual Financial Report that has become the Annual Integrated Report.
The Independent Auditors, which have been assigned the task of carrying out the limited audit of the NFS pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016, in the report issued on 29 March 2022, state that no elements have come to their attention to suggest that Banca Generali's NFS for the year ended 31 December 2021 has not been drawn up, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016 and by the "Global Reporting Initiative Sustainability Reporting Standards".
The Board of Statutory Auditors has not become aware of violations of the relevant regulatory provisions.

11. Supervisory Body

After being assigned the functions attributable to the Supervisory Body referred to in Article 6, paragraph 4-bis of Legislative Decree 231/2001 on the administrative liability of entities (the "SB"), the Board of Statutory Auditors has overseen the functioning and compliance with Model 231 adopted by the Bank and analysed the periodic information flows received from the control Functions.
The Model 231 currently in force was adopted by the Board of Directors at its meeting on 11 May 2021 and transposed, following the periodic updating activity, the new regulations concerning the fight against fraud referred to in Legislative Decree No. 75 of 14 July 2020 which extended the administrative liability of entities to the tax crimes of inaccurate return, failure to declare,

smuggling offences and offences against the Public Administration damaging to the financial interests of the EU. It also updated Model 231 following the organisational changes occurring since the previous update.
The SB reported on the activities carried out during the year ended 31 December 2021 without reporting any critical issues, illustrating an overall satisfactory situation and substantial alignment with the provisions of Model 231 adopted by the Bank.

12. Outcome

In view of the Shareholders' Meeting convened, on first call, in ordinary and extraordinary session, for 21 April 2022 (as per the notice of calling published on 21 March 2022), the Board of Statutory Auditors, without prejudice to the specific duties and responsibilities of the Independent Auditors in terms of auditing the accounts and verifying the reliability of the financial statements, has no comments to make to the Shareholders' Meeting, pursuant to Article 153 of TUF, regarding the approval of the financial statements for the year ended 31 December 2021, accompanied by the Annual Integrated Report, as presented by the Board of Directors and the proposal for the distribution of the profit for the year.

Milan, 29 March 2022

The Board of Statutory Auditors

04

ATTESTATION PURSUANT TO ART. 154-*BIS*, PARAGRAPH 5, OF LEGISLATIVE DECREE 58/1998

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Attestation

Pursuant to Article 154-*bis*, Paragraph 5 of Legislative Decree 58/98

BANCA GENERALI

Attestation to the Annual Integrated Report pursuant to the provisions of art. 154-*bis*, paragraph 5, of Legislative Decree 58 of 24 February 1998 and art. 81-*ter* of CONSOB Regulation 11971 of 14 May 1999, as amended

1. The undersigned Gian Maria Mossa, in his capacity as Chief Executive Officer, and Tommaso Di Russo, in his capacity as Manager in charge of the Financial Reports of Banca Generali S.p.A., taking into account the provisions set out in article 154-*bis*, paragraphs 3 and 4, of the Legislative Decree dated 24 February 1998, Nr. 58, hereby declare that the administrative and accounting procedures for preparing the Annual Integrated Report for the year 2021:

   - are appropriate in light of the features of the company, and
   - have been actually applied.

2. The appropriateness of administrative and accounting procedures for preparing the Annual Integrated Report at 31 December 2021 was assessed using a process established by Banca Generali S.p.A. based on the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which is generally accepted as a reference framework worldwide.

3. The undersigned further declare that:

3.1 the Annual Integrated Report at 31 December 2021:

   a) was prepared in compliance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) Nr. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of the Italian Civil Code, and of Legislative Decree Nr. 38 of 28 February 2005, and og Legislative Decree Nr. 254/2016 and further applicable provisions, regulations and circular letters issued by the Supervisory Board;

   b) reflects the accounting books and records;

   c) provides a true and fair view of the asset, liabilities, profit or loss and financial position of the issuer and all its consolidated companies.

3.2 The Directors' report on operations includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Trieste, 09 March 2022

Gian Maria Mossa
Chief Executive Officer

BANCA GENERALI S.p.A.

Tommaso Di Russo
Manager in Charg of
the Company's Financial Reports
BANCA GENERALI S.p.A

05

ANNEXES TO THE FINANCIAL STATEMENTS

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Annex 1

Disclosure of compensation for auditing pursuant to Article 149-duodecies (Consob Resolution No. 11971/1999)
The following table shows a breakdown of the fees paid by the Banca Generali Group companies to the independent auditors KPMG Italia S.p.A. engaged to audit the financial statements in accordance with Legislative Decree No. 58/98, as well as to the Italian and foreign entities in the network to which the auditing firm belongs.

	KPMG S.P.A.	KPMG S.A.	KPMG S.A.
	(€ THOUSAND)	(€ THOUSAND)	(CHF THOUSAND)
Parent Company	**162**	**-**	**-**
Audit	146	-	-
Attestation services	-	-	-
Other services	16	-	-
Subsidiaries	**32**	**144**	**40**
Audit	32	144	40
Attestation services	-	-	-
Other services	-	-	-
Total	**194**	**144**	**40**

With regard to the parent company Banca Generali, the amount of 162 thousand euros reported in the table refers for 93 thousand euros to the advance payment on the audits carried out in relation with 2021 Financial Statements, for 53 thousand euros to the activities carried out until 31 December 2021, consisting in accounting audits, and audits of the half-yearly and nine-month 2021 reports (excluding VAT, out-of-pocket expenses and Consob contributions). The sum of 16 thousand euros included in "Other services" relates to KPMG Advisory's engagement to provide support to the self-assessment on the financial risk of money laundering and terrorism.

For the subsidiaries, the auditing and bookkeeping fees for KPMG S.p.A. for 2021 amounted to 16 thousand euros (excluding VAT and out-of-pocket expenses) for Generfid and to 16 thousand euros for Nextam SIM S.p.A.

The fees approved by the Board of Directors of BG Fund Management Luxembourg S.A. on 4 March 2021 for auditing of the financial statements and bookkeeping services for 2021 amounted to 143.7 thousand euros (excluding VAT and out-of-pocket expenses).

The fees approved by the General Shareholders' Meeting of BG Valeur S.A. on 30 March 2021 for the auditing of the financial statements and bookkeeping services for 2021 amounted to CHF 40 thousand for the year (excluding VAT and out-of-pocket expenses).

Note
1. The 2020 Financial Statements, approved by the Shareholders' Meeting on 22 April 2021, was audited by the previously engaged auditing firm BDO Italia S.p.A.

Annex 2

Reconciliation between official and reclassified statements

Reconciliation between the reclassified consolidated balance sheet and the consolidated balance sheet

RECLASSIFIED CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	31.12.2021	31.12.2020
Financial assets at fair value through profit or loss		**415,558**	**48,455**
	Item 20. Financial assets measured at fair value through profit or loss	415,558	48,455
Financial assets at fair value through other comprehensive income		**2,543,065**	**2,730,098**
	Item 30. Financial assets measured at fair value through other comprehensive income	2,543,065	2,730,098
Financial assets measured at amortised cost		**12,447,258**	**9,657,380**
a) Loans to banks		2,811,785	1,236,556
	Item 40. a) Financial assets measured at amortised cost - loans to banks	1,218,138	595,742
	Item 10. (partial) Sight deposits with Central Banks and banks	1,593,647	640,814
b) Loans to customers		9,635,473	8,420,824
	Item 40. b) Financial assets measured at amortised cost - loans to customers	9,635,473	8,420,824
Equity investments		**2,048**	**1,717**
	Item 70. Equity investments	2,048	1,717
Property, equipment and intangible assets		**295,184**	**288,598**
	Item 90. Property and equipment	159,012	152,676
	Item 100. Intangible assets	136,172	135,922
Tax assets		**72,627**	**49,846**
	Item 110. Tax assets	72,627	49,846
Other assets		**413,176**	**400,895**
	Item 10. Cash and cash equivalents	1,620,334	665,942
	Item 10. (partial) Sight deposits with central banks	-1,593,647	-640,814
	Item 50. Hedging derivatives	11,357	2,486
	Item 60. Adjustment of financial assets subject to macro-hedging (+\-)	-	-
	Item 130. Other assets	375,132	373,281
HFS assets		**2,694**	**-**
	Item 120. Non-current assets available for sale and disposal groups	2,694	-
Total assets	**Total assets**	**16,191,610**	**13,176,989**

RECLASSIFIED CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES AND NET EQUITY	CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES AND NET EQUITY	31.12.2021	31.12.2020
Financial liabilities measured at amortised cost		**14,412,354**	**11,506,596**
a) Due to banks		818,734	598,129
	Item 10 a) Financial liabilities measured at amortised cost – due to banks	818,734	598,129
b) Due to customers		13,593,620	10,908,467
	Item 10 b) Financial liabilities measured at amortised cost – due to customers	13,593,620	10,908,467
Financial liabilities held for trading and hedging		**171,871**	**69,404**
	Item 20. HFT financial liabilities	4,551	1,551
	Item 40. Hedging derivatives	167,320	67,853
Tax liabilities		**28,320**	**42,516**
	Item 60. Tax liabilities	28,320	42,516
Other liabilities		**242,037**	**181,697**
	Item 80. Other liabilities	242,037	181,697
Liabilities associated with disposal groups		**318**	**-**
	Item 70. Liabilities associated with disposal groups	318	-
Special purpose provisions		**230,843**	**192,272**
	Item 90. Provisions for termination indemnity	4,335	4,936
	Item 100. Provisions for liabilities and contingencies	226,508	187,336
Valuation reserves		**522**	**4,139**
	Item 120. Valuation reserves	522	4,139
Equity instruments		**50,000**	**50,000**
	Item 140. Equity instruments	50,000	50,000
Reserves		**624,033**	**726,471**
	Item 150. Reserves	624,033	726,471
Share premium reserve		**55,866**	**57,062**
	Item 160. Share premium reserve	55,866	57,062
Share capital		**116,852**	**116,852**
	Item 170. Share capital	116,852	116,852
Treasury shares (-)		**-64,822**	**-45,185**
	Item 180. Treasury shares (-)	-64,822	-45,185
Net equity attributable to minority interests		**313**	**246**
	Item 190. Net equity attributable to minority interests (+/-)	313	246
Net profit (loss) for the year (+/-)		**323,103**	**274,919**
	Item 200. Net profit (loss) for the year	323,103	274,919
Total liabilities	**Total liabilities and net equity**	**16,191,610**	**13,176,989**

Reconciliation between the consolidated Profit and Loss Account and the consolidated Profit and Loss Account

CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	2021	2020
Net interest		**83,334**	**89,644**
	Item 30. Net interest income	83,334	89,644
Net income (loss) from trading activities and dividends		**28,673**	**19,939**
	Item 70. Dividends and similar income	1,084	2,328
	Item 80. Net income (loss) from trading activities	-73,426	6,045
	Item 90. Net income (loss) from hedging	2,088	-906
	Item 100. Gain (loss) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	18,154	15,293
	Item 110. Net income (loss) from other financial assets and liabilities measured at fair value through profit or loss	145	-2,821
	(Minus) Item 80. (Partial) Net income (loss) from trading activities	-79,931	-
	(minus) Item 110. (partial) Net income (loss) from financial assets and liabilities measured at fair value through profit and loss		
	b) other financial assets mandatorily measured at fair value	-697	-
Net financial income		**112,007**	**109,583**
Recurring fee income		942,653	782,352
	Item 40. Fee income	1,163,203	924,117
	Item 40. (partial) Variable fee income	-220,550	-141,765
Fee expense		**-495,894**	**-416,087**
	Item 50. Fee expense	-474,447	-401,306
	Item 200. (partial) provisions	-21,447	-14,781
Net recurring fees		**446,759**	**366,265**
Variable fee income		**220,550**	**141,765**
	Item 40. (partial) Variable fee income	220,550	141,765
Net fees		**667,309**	**508,030**
Net banking income		**779,316**	**617,613**
Staff expenses		**-107,844**	**-104,272**
	Item 190 a) Staff expenses (363)	-107,844	-104,272
Other general and administrative expenses		**-103,664**	**-94,595**
	Item 190 b) Other general and administrative expenses	-203,790	-176,237
	Item 190. b) (partial) Charges related to the banking system	15,475	11,282
	Item 230. (partial) Recovery of indirect and direct taxes	84,651	70,360

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT	CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	2021	2020
Net adjustments of property, equipment and intangible assets		**-35,654**	**-32,958**
	Item 210. Net adjustments/reversals of property and equipment	-21,949	-21,511
	Item 220. Net adjustments/reversals of intangible assets	-13,705	-11,447
Other operating expenses/income		**4,891**	**4,605**
	Item 230. Other operating expenses/income	89,542	74,965
	Item 230. (partial) Recovery of indirect and direct taxes	-84,651	-70,360
Net operating expenses		**-242,271**	**-227,220**
Operating result		**537,045**	**390,393**
Net adjustments to non-performing loans		**-2,524**	**-662**
	Item 130. Net adjustments/reversals due to credit risk	-2,524	-662
Net provisions		**-45,383**	**-30,828**
	Item 200. Net provisions for liabilities and contingencies	-66,830	-45,609
	Item 200. (partial) provisions	21,447	14,781
Contributions and charges related to the banking system		**-15,475**	**-11,282**
	Item 190. b) (partial) Charges related to the banking system	-15,475	-11,282
Gains (losses) from equity investments		**-289**	**-331**
	Item 250. Gains (losses) from equity investments	-266	-341
	Item 280. Gains (losses) on disposal of investments	-23	10
Extraordinary charges		**-80,628**	**-**
	Item 80. (partial) Net income (loss) from trading activities	-79,931	-
	Item 110. b) (partial) Net income (loss) from financial assets and liabilities measured at fair value through profit and loss		
	b) other financial assets mandatorily measured at fair value	-697	-
Operating profit before taxation		**392,746**	**347,290**
Income taxes for the year of operating activities		-69,639	-72,396
	Item 300. Income taxes for the year on current operations	-69,639	-72,396
Net profit for the year		**323,107**	**274,894**
Net profit (loss) attributable to minority interests		**4**	**-25**
	Item 340. Net profit (loss) for the year attributable to minority interests	4	-25
Net profit (loss) for the year attributable to the Parent Company		**323,103**	**274,919**

Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste - Italy

Share capital
Authorised 119,378,836 euros
Subscribed and paid 116,851,637 euros

Tax code and Trieste register
of companies: 00833240328
VAT number: 01333550323

Company managed and coordinated
by Assicurazioni Generali S.p.A.
Bank which is a member of the Interbank Deposit Protection
Fund Registration
with the bank register of the Bank
of Italy under No. 5358
Parent Company of the Banca Generali Banking Group
registered in the banking group register
ABI code 03075.9

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BANCA GENERALI S.P.A.

REGISTERED OFFICE
Via Machiavelli 4
I - 34132 Trieste

MILAN HEAD OFFICE
Piazza Tre Torri 1
I - 20145 Milan
T. +39 02 40826691

TRIESTE HEAD OFFICE
Via Cavour 5/A
I - 34132 Trieste
T. +39 040 777 111

BANCAGENERALI.COM