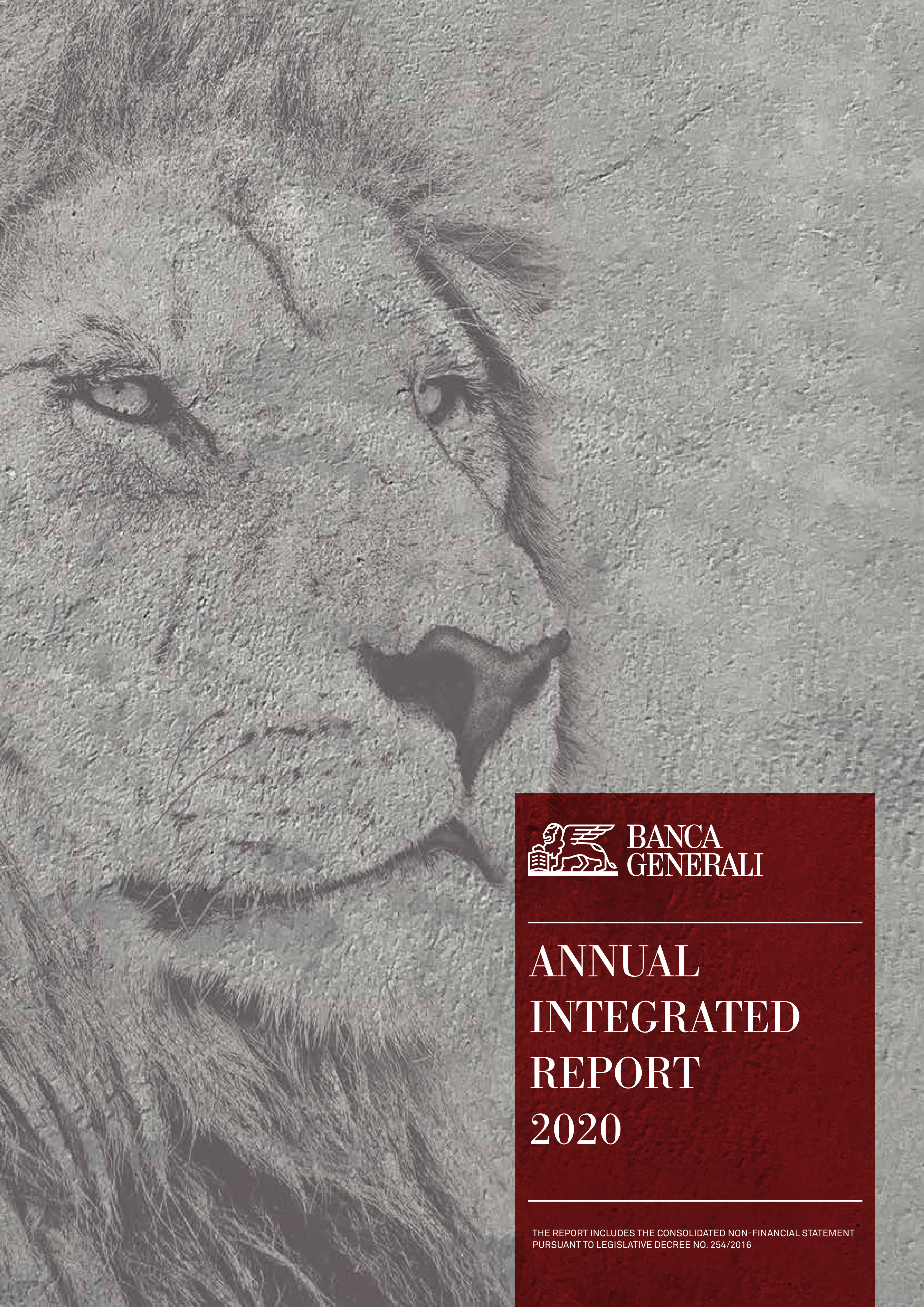

BANCA GENERALI

ANNUAL INTEGRATED REPORT 2020

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

ANNUAL INTEGRATED REPORT
at 31 December 2020

BOARD OF DIRECTORS
5 MARCH 2021

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.

BANCA GENERALI

Banca Generali S.p.A.

Administrative and control bodies

Board of Directors - 5 March 2021

Board of Directors	Giancarlo Fancel	Chairman
	Gian Maria Mossa	Chief Executive Officer
	Giovanni Brugnoli	Director
	Azzurra Caltagirone	Director
	Anna Gervasoni	Director
	Massimo Lapucci	Director
	Annalisa Pescatori	Director
	Cristina Rustignoli	Director
	Vittorio Emanuele Terzi	Director
Board of Statutory Auditors	Massimo Cremona	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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Letter to Stakeholders

Giancarlo Fancel
Chairman

"The focus on sustainability has made it possible, with great success, to bring investors closer to the United Nations 2030 Agenda, thereby helping to improve global development and people's wellbeing, and protect the environment."

Dear Stakeholders,

In 2020, Italy and the rest of the world suffered a setback of a nature and severity no one could have imagined. Italy has paid, and continues to pay, a considerable price in human lives as a result of the pandemic. Our first thought goes to the victims and their families, together with our gratitude for all those who are on the front lines in the fight against the virus — above all doctors and other health personnel.

The pandemic is having significant consequences at the social and economic level: the deepest recession since World War II has reflected in a decline in global GDP of more than 4% according to the OECD. In Italy, the most recent indications call for a decline in gross domestic product (GDP) of around nine percentage points. From the outset, the reaction of the competent monetary authorities in Europe and worldwide has been proportional to the gravity of this historical challenge, succeeding in stemming financial instability through unconventional measures. At the European level, there was also a change of pace with the preparation of the Next Generation EU, which is the largest package of stimulus measures ever set aside by the EU, designed to repair the socio-economic damage brought by the crisis, thus laying the foundation for a sustainable recovery in the 2021-2027 period.

From the outbreak of the Covid emergency, Banca Generali has striven to bring its support and contributions to individuals and the system. Its first concern was to ensure that those who work for the Bank enjoyed optimal safety conditions and to maintain the continuity of the services offered to its customers. Remote working measures for almost all personnel were accompanied by thorough safety protocols for physical presence in branches, which always offered full service. Digital tools and channels were thus upgraded for branch and network personnel, providing immediate, effective responses in day-to-day operations. Out of an awareness of the social responsibility of our role in the system, there was also no lack of timely, extraordinary initiatives in response to the emergency. The Bank immediately took action by setting up a fund to support healthcare facilities under pressure in the most critical days of the emergency and held a fundraiser amongst its personnel for those with ties to our Company who have also been affected by this terrible pandemic. Concrete initiatives to support Italy's economy also went hand-in-hand with the concerns for the health emergency. In just a few weeks from the outbreak of the crisis, lending to customers and SMEs was enhanced with support from government guarantees. Overall, loan issuance increased sharply on the previous year. In addition, we launched new tools such as the SME loan securitisation "ItaliaNonSiFerma" together with Credimi and important financial partners, including Assicurazioni Generali, and innovative solutions such as an alternative investment fund and an ELTIF alternative investment plan that meet the twofold goal of funnelling funds into the real economy and businesses, thereby fostering a greater level of diversification and protection of private investment. All of this was also made possible by the tax incentives provided by the Italian government.

Solidity, social responsibility and focus on sustainability criteria are distinctive elements of Banca Generali's history, and even in such a dramatic, complex scenario as that seen in 2020 with the escalation of the pandemic, the Company was able to draw on its unshakable roots in the community to further strengthen its mission: to be trusted professionals, constantly by the Customers' side, to build and help them reach their life goals.

Market conditions and severe volatility in the initial phases of the crisis thus intensified investors' fears and spurred the search for wealth protection. Spiking cash account balances are a clear reflection of households' reactions to economic and social uncertainty. While the savings rate is rising, so is demand for advice to protect wealth and enhance proper investment planning, considering that traditional risk-free bonds have near-zero or negative yields. From this perspective, the sound expertise offered by our Financial Advisors and the reputational excellence offered by our brand — and by the Generali Group — fostered new opportunities for the Bank, which accelerated its growth process.

Net inflows neared 6 billion euros in 2020, with a new record in terms of total assets, which reached 74.5 billion euros. It bears emphasising in particular that a significant share of net inflows was into ESG products, which far exceeded the goal of 10% of assets under management set for 2021. Total net profit reached 274.9 million euros, posting the best performance of all time, owing to healthy growth of recurring revenue items and attentive cost management. All indicators are well in line with the goals of the 2019-2021 three-year plan, which will thus enter its final year with excellent visibility of the established targets.

Banca Generali began this year of crisis in a situation of great capital solidity. Nonetheless, in 2020 the Company followed the recommendation issued on 27 March by the Bank of Italy, updated on 16 December 2020, refraining from paying dividends in light of the situation of uncertainty and economic emergency in Italy. The recommendations on the limitation of the payment of dividends were then effectively extended until the end of September 2021.

However, on the basis of the vaccination plan launched at the national level and the monetary and tax initiatives undertaken at the European level, the Bank expects the economic and social context to normalise gradually, and thus — hopefully — to be able to resume distribution of dividends starting as of the fourth quarter of 2021.

Within this framework and with the firm desire to uphold its pledges to institutional and real investors when presenting its 2019-2021 three-year strategic plan, Banca Generali decided to propose distribution of a cumulative dividend for 2019-2020 of 3.3 euros per share, of which 2.7 euros per share to be paid in the fourth quarter of 2021 and 0.6 euros per share in the first quarter of 2022.

The Bank confirms its intention of pursuing its generous shareholder remuneration policy, drawing on a business model that, thanks to its steady cash generation, facilitates the constant reinforcement of capital to levels far in excess of those required by the competent authorities.

Beyond the excellent financial and capital results in this difficult period for the country, we feel a sense of honour and of responsibility that Banca Generali is seen as a safe harbour in this time of crisis by an ever-greater number of customers and investors, to whom we extend our pledge that we will continue to seek increasingly advanced solutions suited to the situation. I would like to express my gratitude for the extraordinary efforts of my colleagues on the Board of Directors, who always offered their trust and expertise, lending their close, ready support to the Bank's projects, CEO Gian Maria Mossa and the management for their determination and strategic vision, and above all to all our employees and Financial Advisors, who never desisted, always offering their utmost dedication and professionalism to supporting customers.

Highlights 2020

NET AUM AND INSURANCE INFLOWS **3,385** € MILLION	TOTAL ASSETS **74.5** € BILLION
NET INFLOWS **5,866** € MILLION	ASSORETI AUM **73.3** € BILLION
OWN FUNDS **676.1** € MILLION	NET EQUITY **1,184.5** € MILLION
TOTAL CAPITAL RATIO **18.4%**	TIER 1 **18.4%**
SMART WORKING CONTRACTS ACTIVATED FOR **51%** OF EMPLOYEES (ITALIAN SCOPE)	NO. OF FINANCIAL ADVISORS (ASSORETI SCOPE) **2,087** OF WHOM 18% WOMEN

NET OPERATING INCOME

617.6

€ MILLION

NET OPERATING EXPENSES

227.2

€ MILLION

OPERATING RESULT

390.4

€ MILLION

NET PROFIT
BEFORE TAXATION

347.3

€ MILLION

NET PROFIT

274.9

€ MILLION

GROSS GLOBAL ADDED VALUE DISTRIBUTED

1,016.6

€ MILLION

NO. OF EMPLOYEES
AND % OF WOMEN

962

OF WHOM 49% WOMEN

EMPLOYEE
TRAINING HOURS

48,805

HOURS

NETWORK TRAINING HOURS

112,771

CO2 EMISSIONS (tCO2e)
(SCOPE 1: 286 t/SCOPE2: 968 t)

-52%/-13%

VS 2013

Statement of Methods

Banca Generali confirms its position as a driver of banking and financial sustainability, by voluntarily adhering to the requirements of the Italian Legislative Decree No. 254/2016 (Decree), although eligible for the exemption provided for by the Decree. In fact, the Bank's reporting process is steered towards communication that is increasingly more comprehensive, integrated and transparent to the benefit of the Banking Group's multiple stakeholders and, more specifically, towards the financial community, confirming the role of sustainability as a strategic lever able to create long-term value.

Three years ago, Banca Generali decided to implement an increasingly integrated reporting process, presenting non-financial information together with financial information. In particular, 2020 saw a reinforcement of this approach, due to implementation of the principles of the Integrated Reporting Framework, the goal of which is to bring greater efficiency and cohesion to the reporting process. In pursuit of this goal, Banca Generali has reorganised the index of its Annual Integrated Report to highlight the interconnection and interdependence of the different types of capital of which the Bank is composed. This has allowed the focus to be placed on the model for creating shared value and illustrates how Banca Generali's business model is able to generate value in the short-, medium- and long-term for the various stakeholders involved.

Report Scope and Reporting Process

The Banca Generali Group's Consolidated Non-Financial Statement 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. They represent the most commonly adopted sustainability reporting standards at the international level.

The information presented hereinafter refers to financial year 2020 and is compared with 2019 results, where possible. Figures come from direct surveys, with the exception of certain estimates — duly highlighted in the document — that have been made but that do not affect the specific figure.

All of the corporate structures have contributed to defining the contents of this Statement and activities aimed at dialoguing with stakeholders. Data were gathered at the offices of the Administrative Department, which already oversees the economic and financial trends of the Business Units.

The reporting scope includes Banca Generali S.p.A., BG Fund Management Luxembourg S.A., Generfid S.p.A. and the newly acquired Nextam Partners S.p.A. and BG Valeur S.A., whereas the environmental data regards exclusively the Milan headquarters in Piazza Tre Torri and the Trieste offices in Corso Cavour.

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

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.

Banca Generali’s analysis aimed at confirming the validity of the material and significant topics identified in the previous year and verify whether there were any new emerging topics. Building on the topics included in the 2019 Report, this survey was conducted according to 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;
- analysis of the main standards and international frameworks adopted in sustainability reporting.

In addition, in order to further strengthen the materiality determination process, additional levels of analysis have been defined to ensure greater depth and verticalisation regarding specific aspects, including:

- assessment of the topics identified and comparison with the main international frameworks and guidelines, 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 under review at European 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 digital platform.

2020 semantic analysis[1]

In line with the work carried out in 2019, Banca Generali conducted a semantic analysis to map out the material topics on the basis of a wide range of information sources and to compare them with the material topics identified in the previous year.

In view of the events that marked 2020, the semantic analysis also focused on the business challenges faced during the pandemic, both from an organisational and a management standpoint. In response to the regulatory changes taking place regarding sustainable finance, ample room was also provided in the semantic engine for publications, standards, frameworks and position papers regarding Regulation No. 2019/2088[2], concerning sustainability-related disclosures in the financial services sector, and Regulation No. 2020/852[3], regarding the institution of a framework that facilitates sustainable investments.

To conduct this analysis, Banca Generali used advanced semantic analysis methodologies provided by RE2N, a company specialised in developing digital solutions and tools designed to facilitate stakeholder engagement, management of sustainable innovation processes and measurement of the impacts generated by organisations.

The first step of the methodology adopted required the collection of documents — including Italian and international, public and non-public documentation, as well as documents from sources that are internal and external to the Bank — that could identify any emerging topics and outline the information framework related to the banking/finance sector, the sustainability issue and the Covid-19 pandemic. Subsequently, taxonomy was defined on the basis of some texts that were used as a reference for the sustainability field and the sector, i.e., the creation of a set of rules to “train” the software engine to understand the concepts expressed in the documents investigated. Lastly, the semantic engine was used to perform the real analysis: a digital statistic process able to identify common and most frequent terms (words) and combinations of terms (concepts) and deliver a tree of the topics that are most relevant to Banca Generali.

1 “Semantic analysis” refers to a quantitative and qualitative assessment conducted on a broad corpus of documents aimed at identify the number of occurrences of the most recurring topics and the context in which they appear with regard to the documentation investigated.
2 https://eur-lex.europa.eu/legal-content/IT/TXT/PDF/?uri=CELEX:32019R2088&from=EN.
3 https://eur-lex.europa.eu/legal-content/IT/TXT/PDF/?uri=CELEX:32020R0852&from=EN.

The process just described has allowed:
- verification that the material topics emerging from all the activities carried out are aligned with the 2019 material topics;
- group topics covering similar areas under a single macro-topic;
- certain topics to be renamed, so that they are better suited to the current context and Banca Generali's situation;
- new topics to be identified that are potentially material for the Bank.

Following the process just described, an in-house engagement initiative was carried out remotely, directly involving the ESG Champions — a selected group of employees chosen for their leaning towards sustainability topics or the function they perform within the organisation — in order to achieve a shared vision set in the actual context of Banca Generali.

The involvement of the ESG Champions led to the validation of the material topics for 2020. This allowed further development of the relevant topics to set them more appropriately in the Banca Generali context, and hence make them more specific, and also the identification of possible actions and operational inputs that could be considered for future years.

Compared to 2019, a total of 11 material topics were identified, 10 of which are mostly consolidated and already reported in previous years; one is the "Risk management system" topic — which has emerged as a new relevant topic, both for Banca Generali and its stakeholders.

MATERIAL TOPIC	DESCRIPTION
Business management and dissemination of culture	Commitment to fighting active and passive corruption through an adequate assessment of the related risks and the implementation of the measures to mitigate them. Adoption of tools to regulate the behaviours and values that have to be taken into consideration in business and commercial conduct. Engaging in commercial dealings only if in line with the regulations adopted on the ethical and transparent conduct to be adhered to.
Governance and sustainable strategy	The set of company tools, rules, relationships, processes and systems for sound, efficient management of the company, with particular focus on the management's activities to adopt and manage new organisational models to tackle the challenges posed by 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.
Data protection and cyber security	Development and/or upgrading of suitable tools and technologies to protect data and IT systems in terms of availability, confidentiality and integrity, in accordance with the process of digitalisation acceleration.
Investment protection and customer relationship 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 the customer.
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 in innovation and increase in technology infrastructures to support a new offering of digital products and services.
Business solidity	Ability to maintain good performance over time and predict market trends, also through the renewal of the services offered (e.g., advice to support business customers in areas such as digitalisation, globalisation and exploration of new markets). Development of a robust organisational resilience to protect financial stability and business profitability.
Growth and development of human capital	Development of a business model that can attract talent and outstanding people and honing of staff competencies, thanks to development and training programmes designed to improve 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 business model the central focus of which is the safeguarding of the organisation's human capital.
Relationship with stakeholders and local communities	Listening to, consulting with and continuously engaging stakeholders to understand their needs and, at the same time, contribute to the development of the community and local area. Contribution of the banks to the institutional debate for the development of economic support/facilitation mechanisms for private individuals and businesses (through the disbursement of loans, financing, liquidity). Corporate citizenship (from sponsorships to partnerships with local communities).
Risk management system	Adoption of a risk identification, assessment and management system that includes the ESG factors, so that they are integrated in the strategy and operations in a way that enables the transition to more sustainable business and economic models to be managed.
Environmental impacts	Adoption of policies to increase energy efficiency and reduce consumption and, therefore greenhouse gas emissions generated by the Company's activities. Understanding of the indirect environmental impacts linked to climate change on the company business.

In line with the results achieved in the previous year, the activities carried out in 2020 also revealed how many topics that Banca Generali and its stakeholders consider to be relevant concern the Governance and Product areas, but also areas linked to investment protection and customer relationship management. The latter will need to be increasingly founded on a customised relationship of trust close to the customer's needs, whilst promoting at the same time a financial culture also focused on sustainability topics.

The regulatory developments taking place, in which ESG factors are driving a systemic change, affect a growing need to update and upgrade the Bank's own risk management system; similarly, in this context of transition, the development, appreciation and protection of human capital prove to be essential aspects for correct and resilient business management. These considerations confirm the Bank's awareness that it is able to play a key role in the transition to a more sustainable economic model capable of meeting market requirements and responding to present and future needs.

Given the nature of its own business, Banca Generali intends to provide a concrete response to achieving the 17 Sustainable Development Goals defined by the UN. In particular, the Banking Group has selected 11 goals of priority interest, identified bearing in mind the Group's sustainability strategy, mission and vision, and which have then been linked to the material topics that emerged from the materiality analysis carried out.

Banca Generali material topics	3 Good health and well-being	4 Quality education	5 Gender equality	6 Clean water and sanitation	7 Affordable and clean energy	8 Decent work and economic growth	9 Industry, innovation and infrastructure	10 Reduced inequalities	11 Sustainable cities and communities	12 Responsible consumption and production	13 Climate action	16 Peace, justice and strong institutions	17 Partnerships for the goals
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[4]; 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 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 Ethics • Organisational and Management Model pursuant to Legislative Decree No. 231 • The Ten Principles of the UN Global Compact (Generali Group) • Generali Group's Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Code of Ethics for the Generali Group's suppliers • IT Security Policy • Group's Policy for the Environment and Climate • Internal Audit Model • Internal Policies Governing Controls of Risk Assets and Conflicts of Interest • Internal Liquidity Adequacy Assessment Process • Whistleblowing Procedure • Internal Fraud Policy • Data Protection Policy
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	• Generali Group's Code of Ethics • Organisational and Management Model pursuant to Legislative Decree No. 231 • Internal Audit Model • The European Social Charter of the Generali Group • The Ten Principles of the UN Global Compact (Generali Group) • Generali Group's Charter of Sustainability Commitments • Group's Policy for the Environment and Climate • Sustainability Policy
Data protection and cyber security	GRI 103-2 GRI 103-3 GRI 418-1	• Operating risk, in terms of the release 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 Ethics • Generali Group's Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Code of Ethics for the Generali Group's suppliers • IT Security Policy (Intranet) • Data Protection Policy
Investment protection and management of the client relationship	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 Ethics • Generali Group's Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Commercial Policy (Intranet) • IT Security Policy (Intranet) • Customer Relations Charter • Internal disputes and complaints policy • Data Protection Policy
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 market	All the Group	• Community • Investors • Customers • Suppliers • Organisations and institutions	• Generali Group's Code of Ethics • The Ten Principles of the UN Global Compact (Generali Group) • Generali Group's Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Group's Policy for the Environment and Climate • Environmental Management System • Investment Policy • Ethic guidelines • Organisational procedure • Drafting of the strategic plan and budget

[4] Source: GRI Standard 103-1 requires to report, for each material topic, the topic Boundary describing "where the impacts occur".

			SCOPE OF IMPACTS		
MATERIAL TOPICS	GRI	ASSOCIATED RISKS	INTERNAL IMPACTS	EXTERNAL IMPACTS	POLICIES AND CONTROL TOOLS
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 Ethics • Banca Generali's Internal Code of Conduct • Commercial policy • Investment Policy • 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
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 Ethics • The European Social Charter of the Generali Group • The Ten Principles of the UN Global Compact (Generali Group) • Generali Group's Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Code of Ethics for the Generali Group's suppliers • Job rotation policies • Policies/guidelines for professional development and career advancement • Remuneration Report • Remuneration policies • Diversity Policy for Members of Company Bodies • Financial advisor procedure/manual • Sales Policies
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 organisational imbalance, increase in work-related accidents and stress • Reputational risk	All the Group	• Investors • Organisations and institutions	• Generali Group's Code of Ethics • The European Social Charter of the Generali Group • Generali Group's Charter of Sustainability Commitments • Banca Generali's Internal Code of Conduct • Welfare policies • Circular No. 269 "Management of obligations related to health and safety at work"
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 Ethics • Banca Generali's Internal Code of Conduct • Code of Ethics for the Generali Group's suppliers
System of risk management	GRI 102-15 GRI 103-2 GRI 103-3	• Compliance risk • Reputational risk	All the Group	• Investors • Customers • Organisations and institutions	• Risk Management Regulations • Policies to manage the risks identified
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	• Generali Group's Charter of Sustainability Commitments • Group's Policy for the Environment and Climate

01

INTEGRATED THINKING

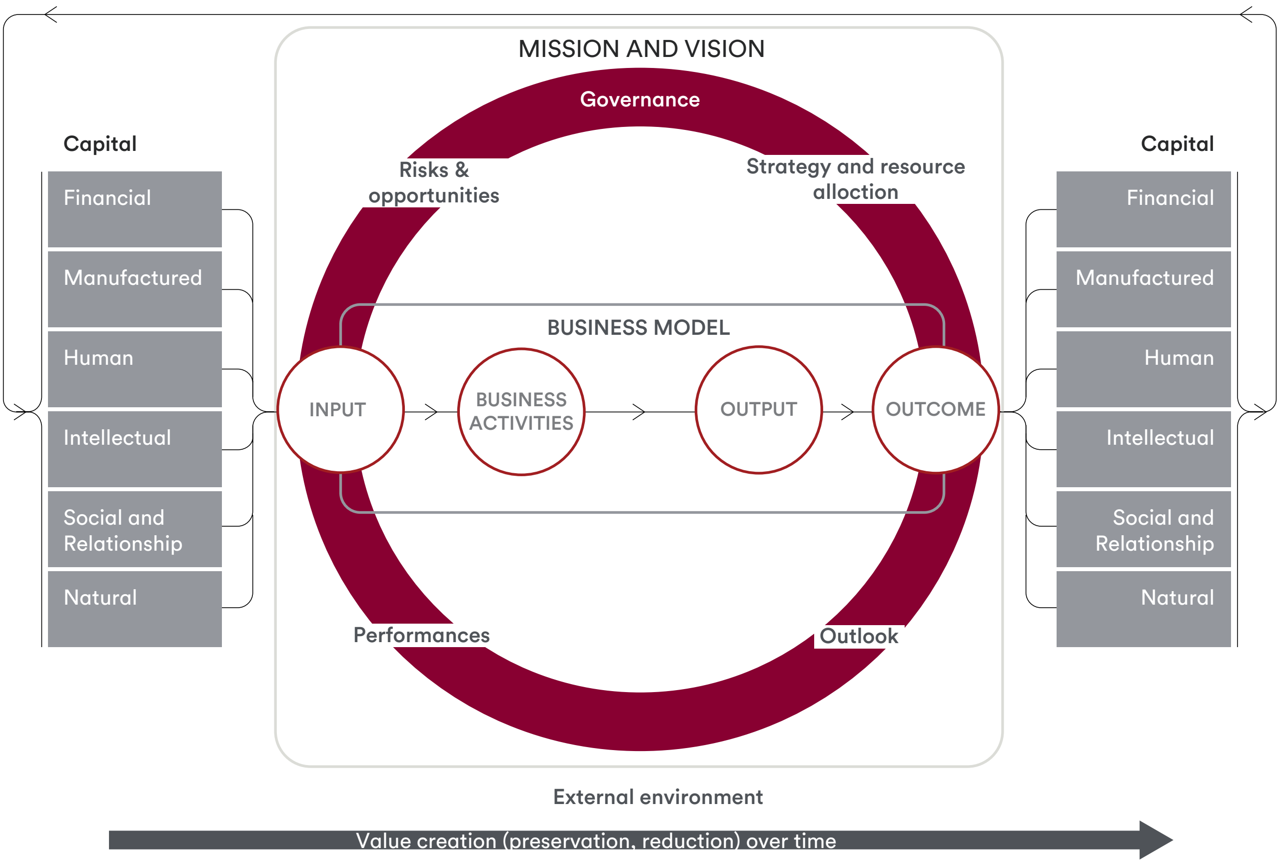
"The youth theme goes beyond the employment aspect.
It is an Italian sustainability theme.
One can't talk about the future without giving them space."

Gian Maria Mossa
Chief Executive Officer, Banca Generali

2020 was a complex year in terms of multiple aspects: social distancing and uncertainty, as well as the need to tackle events quickly and proactively, characterised the daily life of all individuals and, even more so, businesses. In such an extraordinary context, people have actually experienced how they are all interdependent and interconnected. Today more than ever, there is a deep understanding that businesses, particularly the larger ones, play a role that is not merely functional, but systemic. In particular, they engage in co-evolutionary relationships not only with stakeholders belonging to their own industrial sectors of reference, but also with civil society as a whole, in the broader sense and in its political, institutional, social, technological and cultural complexity, as well as with nature and individuals.

It is this knowledge that inspired Banca Generali to reorganise its own Annual Integrated Report according to the different types of capital proposed by the International <IR> Framework [5]: it is an approach to company reporting that confirms the close link between the strategy, financial performance and social, environmental and economic context within which the organisation operates, but above all it is a stimulus to revising a company's own business model by moving toward an "integrated thinking" logic, namely an awareness that the value created by an organisation is visible through the exchange, growth, reduction and continual transformation of the capital that it uses and influences, with its stakeholders and civil society as a whole.

THE VALUE CREATION PROCESS (IR FRAMEWORK)



[5] 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 grants, or generated through operations or investments.
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 organisation 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 organisation's strategy; loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.
Intellectual capital	Organisational, knowledge-based intangibles, including: intellectual property, such as patents, copyrights, software, rights and licences; "organisational capital" such as tacit knowledge, systems, procedures and protocols.
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. Social and 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 with external stakeholders; intangibles associated with the brand and reputation that an organisation 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.

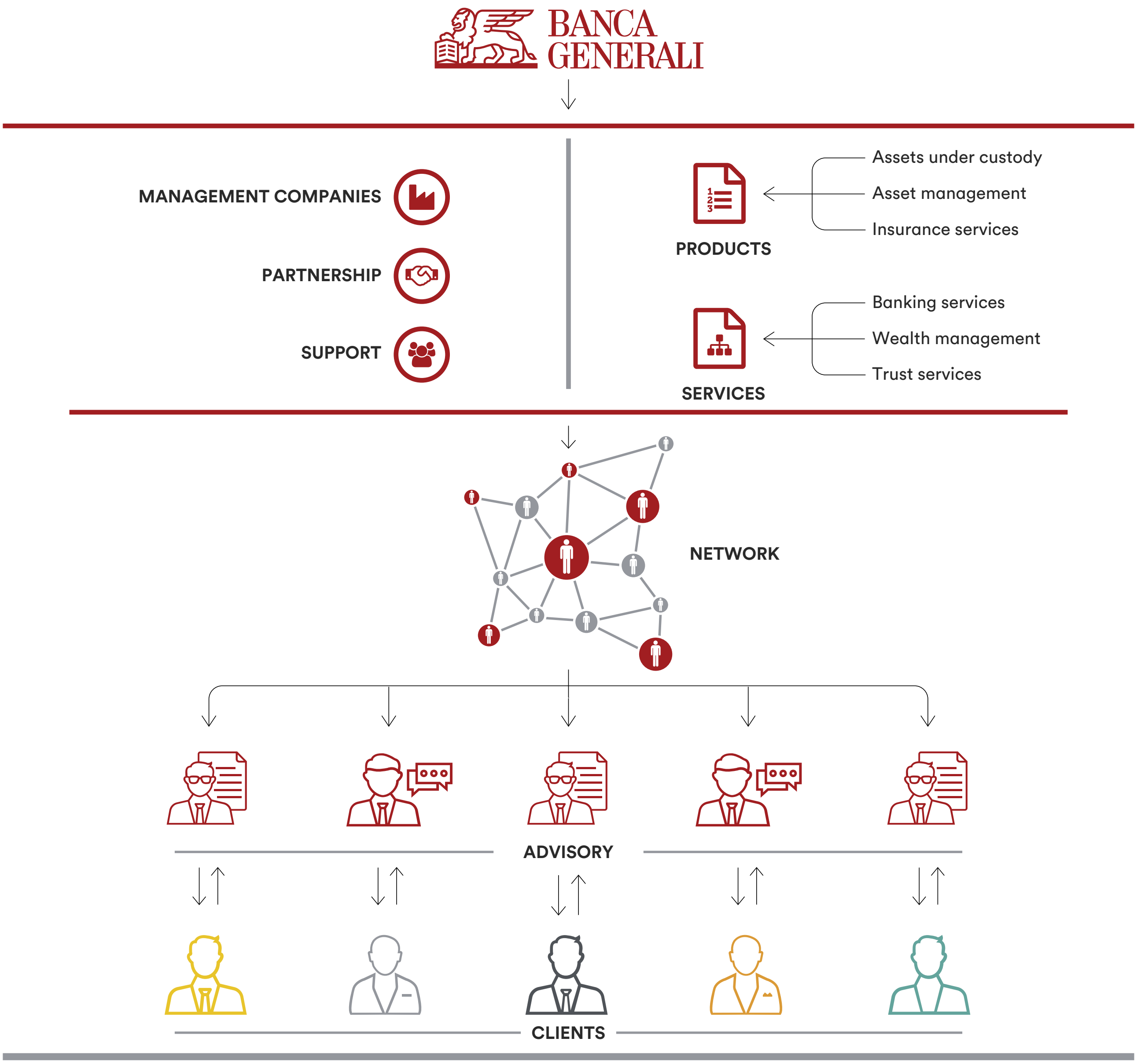
When preparing its own Annual Integrated Report, Banca Generali identified 5 types of capital (which correspond to 5 macro-chapters) in relation to its business model:

› **Economic-Financial Capital**, within which the economic-financial and asset performance results achieved by the Banking Group and the Parent Company during the year are presented;
› **Intellectual Capital**, which focuses on the innovative aspects linked to the products and services that the Bank offers its customers, as well as the services supporting the sales network and business processes;
› **Human Capital**, which includes all the information, activities and initiatives carried out for Banca Generali employees and, at the same time, for the distribution network, which represents an asset for the Bank that is just as fundamental as human resources;
› **Natural Capital**, within which the data relating to the direct and indirect impacts caused by Banca Generali's activities are presented;
› **Relationship Capital**, focussing on the initiatives in support of the community which were carried out by the Banking Group during 2020.

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 tools made available by the Bank.



Banca Generali offers:

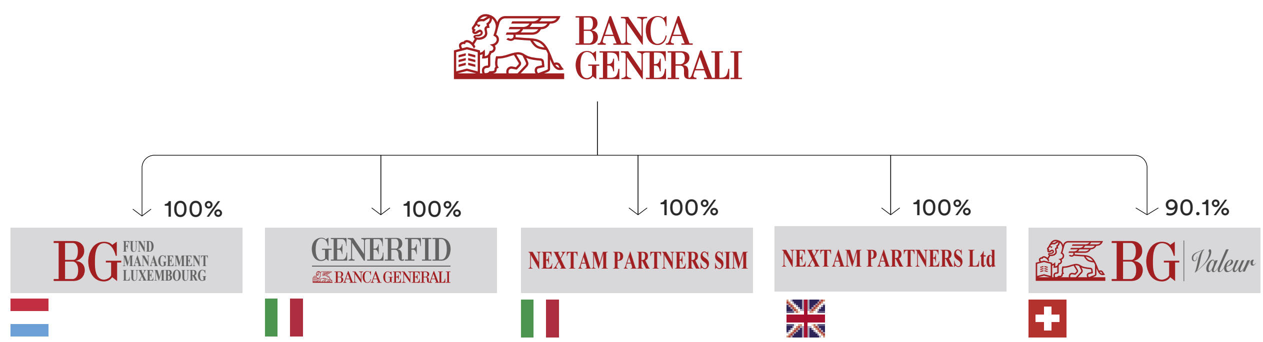
- **Banking services:** the Bank provides its clients with a range of bespoke banking accounts and services that make doing day-to-day business simple and efficient, thanks to a line of innovative options that ensure the utmost security in online and mobile payments and banking;
- **Assets under Custody:** 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 one of the best performing and comprehensive trading platforms on the market to its Financial Advisors and clients;

- **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 2020, Banca Generali accelerated the development of its liquid products, particularly through ESG solutions, and programmed savings. In addition, the Bank also launched the new Private Markets solutions dedicated to investments in real economy, particularly 8a+ Real Innovation (Alternative Investment Fund) and 8a+ Italy ELTIF (European Long Term Investment Fund);
- **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 2020, the Bank introduced an innovative recurring premium product targeted to Affluent clients (BG Insieme Progetti di Vita) and accelerated the distribution of the new Private Insurance under Luxembourg law launched by the Generali Group, targeted to HNW clients (Lux Protection Life);
- **Wealth management and trust services:** the Bank offers a wide array of wealth advisory solutions that extend the relationship 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;
- **Management companies:** in addition to offering banking services, the Group controls a number of management 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 company Saxo Bank offering advance trading services; and BG Valeur, a boutique financial advisory and asset management firm based in Switzerland. Regarding management companies, in 2020 the corporate structure of Nextam Partners, management boutique acquired in 2019, was further rationalised, leading to the merger of Nextam Partners S.p.A. and Nextam Partners SGR in Banca Generali S.p.A., in addition to the acquisition of a minority stake in the management company 8a+ Investimenti SGR, following the transfer of some UCITS funds to Nextam Partners SGR;
- **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.



Context, Challenges and Opportunities

The year 2020 will be remembered as the year of the Covid-19 pandemic emergency and its devastating social and economic impact at global level.

After the appearance of the first cases of infection and an initial containment of the virus in the region where it first emerged, the proliferation of cases worldwide at the end of February 2020 caused financial markets to collapse due to fears of a global economic shutdown. Many governments, including the Italian one, immediately imposed restrictive measures on their citizens, in an effort to slow down the spread of the virus and alleviate the pressure on their healthcare systems. These measures mainly included restrictions on movement within and between national territories and the closure of non-essential economic activities considered to be at high-risk of contagion. In March, lockdown measures were imposed for the first time in most European countries and succeeded in slowing the spread of the virus in the central part of the year. The number of cases of contagion rose towards the end of the year, leading to new, lighter lockdowns, which had nonetheless an economic impact.

Against this backdrop of health crisis and economic paralysis, Central Banks rapidly implemented new measures or expanded existing instruments to protect their economies and support the extensive fiscal stimulus programmes launched by governments. In the United States, the Federal Reserve (FED) further cut its rates and launched a large-scale quantitative easing (QE) programme, whereas in Europe the ECB reinforced the QE underway by adding new targeted programmes (e.g., the Pandemic Emergency Purchase Programme – PEPP).

As a consequence of the abundant liquidity created by monetary and fiscal stimuli, the portion of the bond market offering negative yields set new records and the world's stock exchanges quickly reversed their trend, recovering the losses recorded in the first quarter of the year and — spurred by the news about the vaccine — achieving new highs.

With regard to the real economy, 2020 marked the end of the longest expansionary cycle since the post-war period. Many countries recorded a double-digit fall in GDP with highly possible fallout in 2021 and beyond, also due to the high levels of public debt in many countries. The geopolitical scenario was marked by Democratic candidate Joe Biden' s victory in the US presidential elections, which is likely to lead to some relaxation of tensions with China and the European Union compared to the previous administration. The United Kingdom, no longer covered by the Brexit transitional arrangements, reached an agreement on future trade relations with the European Union in the final days of the year. Italy, which entered the pandemic with a non-brilliant economic situation due to the well-known structural themes of anaemic growth, has paid a high human and economic price, as it is one of the most hit countries at world level. From this standpoint, the pandemic has exacerbated pre-existing weaknesses, pushing public debt to about 160% and worsening the economic uncertainty. The ECB's targeted interventions prevented episodes of volatility in the BTP-Bund spread, which instead recorded its lowest levels in recent years towards the end of 2020.

Despite the health and economic crisis, Italy remains an attractive market for wealth management, due to its high levels of private wealth and the still-considerable margins for a continuing transition to professional wealth management. From the standpoint of distribution channels, the banking industry continues to occupy a dominant position in wealth management due to its long-standing monopoly in the supply of credit to households and businesses. However, this position has weakened considerably over the past decade due to a general decline in lending and the challenges faced by many institutions. Overall, in terms of structure, the sector suffers from excessive fragmentation and low profitability, as well as from the challenges posed by regulatory and technological changes and the needs expressed by clients. The pandemic has further complicated the scenario, evoking the spectre of non-performing loans. Also as a result of this, there was a greater propensity and openness to significant consolidation transactions.

In the regulatory arena, the MiFID II (Markets in Financial Instruments Directive, a EU directive aimed at harmonising the rules governing the activities of brokers and financial markets) has already generated some effects, bringing greater transparency to the sector, shifting the focus to value of service weighed against the costs borne by the client. In addition, national and supranational regulators continue to promote new regulatory developments to improve the link between private investment and the real economy — a need that today is more relevant than ever — opening up new product opportunities both with regards to liquid solutions and private markets.

From the perspective of technology, the entire financial sector is undergoing a period of profound change, which moving forward will result in far-reaching effects on the entire value chain.

Among the key issues, attention should be drawn to the entry of new digital players, the spread of partnerships and ecosystems and the structural increase in the pace of innovation in an industry that traditionally has had little inclination to change. The rapidity of such technological innovation is set to further accelerate due to the rapid changes in customers' habits brought about by the pandemic. In terms of interaction methods, there is a renewed attention to the digital customer experience, as a result of the new operating methods applied during the months of lockdown, which have highlighted the essential need of a digital offer and infrastructure.

As regard investment choices, risk aversion proves to be strong, as confirmed by the ongoing increase in deposits, also driven by the market volatility and negative interest rates. 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. Yet, the underlying trend that led and will continue to lead the development of the industry — and that the pandemic is further intensifying — is the growing need for advice and protection 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. Within this scenario, there is considerable room for more dynamic, technologically advanced advisory networks, which can continue to draw strength from their focus and their distinct business model to gain market shares by attracting top professionals and gaining customers' confidence thanks to the greater proximity offered by the business model, particularly in times of crisis.

Banca Generali aspires to be at the forefront of this trend.

Strategic Plan

Banca Generali stands out in the Italian finance industry for the **central role played by its financial advisory and wealth planning services**, supported by the pillars formed by its outstanding financial advisory network, exclusive approach to wealth management and strong focus on the digital channel.

The Strategic Plan presented to the financial community on the 2018 Investor Day combined the strategic pillars with three new pillars relating to:
- a People Strategy based on a culture of talent, sustainability and Diversity & Inclusion;
- the digital enhancement of the brand to reinforce customer touchpoints;
- a strong drive towards internationalisation.

Banca Generali's Ambitions

Banca Generali's 2019-2021 Strategic Plan is based on the following ambitions:
- consolidating its position of leadership in supporting Financial Advisors in managing their clients and growing their portfolios;
- remaining the clients' first choice in terms of the quality of its professionals, protection and value of service, with a digital presence consistent with best practices;
- creating a new engine of long-term growth through selective international expansion of the business.

Strategic Guidelines

The Bank intends to realise its ambitions through the **six strategic guidelines** set out below:
- **Human resources and organisation:** encouraging a culture of sustainability and creating an attractive working environment for talent that is inclusive and capable of making the most of diversity;
- **Digital mindset:** reinforcing the open-banking approach, positioning itself as a systems integrator for an ecosystem of partnerships, where the top platforms and skills the market has to offer are integrated into Banca Generali's line-up and placed at the disposal of its Financial Advisors and clients;
- **Wealth management approach:** continuing to offer an holistic advisory approach supporting the Bank's Financial Advisors in dialoguing with households not only regarding investment issues, but also pension planning and corporate welfare, real estate and art advisory, and for the study of potential optimisation in protection for the future and in the challenges tied to generational transfer. The Bank's ambition is to make the services typically offered by a Family Office — traditionally the privilege of a few — available to an increasingly broad portion of its client base;
- **Network excellence:** continuing to offer a best-in-class network in terms of the professionalism of its Financial Advisors, by providing constant training and recruiting the top talent on the market;
- **Brand:** making the most of the strength of the Generali brand, with a particular focus on its premium positioning and digital presence;
- **International aspiration:** taking an international approach to serving Italian clients, while also creating the conditions for new long-term growth through selective expansion into international markets, developing specific value propositions for local Financial Advisors and clients.

Planning

The strategic guidelines described above translate into a **planning platform**, some initiatives from which are cited below by way of example:
- **at the network level:** with a view to standing out for the quality of its Financial Advisors, Banca Generali intends to identify and implement the commercial best practices drawn from the most successful cases and applied on a general basis; the bank also intends to increasingly spread the team-based model, aimed at keeping high levels of productivity in a context of

ever larger portfolios by encouraging disciplinary specialisation and facilitating more senior Financial Advisors' handover;
- **at the level of products and services:** within the framework of its financial offerings, Banca Generali intends to further develop its ESG range — to date, one of the distinctive aspects of its commercial proposition — and to expand the new private markets investment line to offer return and diversification opportunities to customers with an adequate investment profile, in addition to continuing to develop the Lux IM line, i.e., the Group's Luxembourg-based Sicav. With regard to insurance solutions, promotion efforts will focus on recurring-premium products, innovative coverages and a new private insurance solution for the highest net worth customers, whereas in assets under administration the goal is to capture significant opportunities for growth and differentiation by emphasising a new service model based on combining professionalism, platforms and partnerships. With regard to credit, the Bank aims at expanding Lombard lending, while maintaining extremely high asset quality. Finally, in non-financial services, in addition to the traditional focus on real-estate and succession, there are plans to develop a range of corporate services designed to forge closer relationships with entrepreneurs. In accordance with the initiatives mentioned, the Bank intends to further promote the spread of the advanced advisory contract;
- **at the level of platforms:** in support of its advanced advisory contract, Banca Generali has for some time launched a Robo-for-Advisory service in partnership with UBS, to support its Financial Advisors in monitoring portfolio quality and identifying commercial opportunities. Banca Generali also intends to promote a new advanced trading range with BG Saxo SIM and to continue to innovate and improve digital touchpoints in direct relationships between the Bank and its customers;
- **at the level of international expansion:** Banca Generali launched investment and advisory services to Italian clients with assets under custody in Switzerland under partnership agreements with leading local banking players; furthermore, through BG Valeur, the Group intends to develop a local network of bankers and an international client base.

2019-2021 Financial Targets

The results achieved by Banca Generali in 2020 are in line with the objectives presented to the financial community for the 2019-2021 three-year period [6]. These targets are aimed at maintaining high levels of growth, profitability and shareholder remuneration, despite the changed market context.

They include:
- cumulative net inflows of over 14.5 billion euros, due in part to advanced trading and internationalisation projects;
- assets under management between 76 billion euros and 80 billion euros, assets under custody in Switzerland between 3.1 billion euros and 4.4 billion euros by 2021 and assets under advisory exceeding 5.5 billion euros;
- a recurring net banking income [7] equal to or exceeding 63 bps due to the development of new sources of recurring revenues, offsetting possible pressure on asset management margins;
- an increase in core operating expenses [8] resulting in a 3-5% CAGR, despite the significant efforts in terms of growth and innovation;
- a payout ratio of 70% to 80%, with a minimum dividend per share in the three-year period of 1.25 euros, while maintaining levels of absolute capital solidity, and in any case within the limit of 100% of consolidated net profit.

6 Further information is available in the Investor Relations section of the website www.bancagenerali.com, under "Investor Day 2018".
7 Based on the Group scope, including the impact of the recent acquisitions and international expansion projects; the recurring net banking income is calculated by subtracting performance fees, the net income from trading activities and dividends from net banking income.
8 Based on the current business scope, excluding the impact of the recent acquisitions and international expansion; core operating costs are calculated as net operating costs, minus sales personnel costs.

Strategic Focus on Sustainability

In light of the growing importance of sustainability issues at the national and international level, Banca Generali continues to prove its commitment by constantly considering the interests of its stakeholders and the economic, environmental and social impacts of its activities when formulating its company strategy and designing its policies. In fact, stakeholders are increasingly vocal in demanding that companies adopt a socially responsible approach to business and contribute positively to society in a broad sense in the short, medium and long term.

In this context, in 2019 Banca Generali has defined a **strategic development and sustainability project** that not only covers the area closely linked to ESG investments, but has also led to the launch of a "re-thinking" process of the whole Organisation based on the active engagement of all corporate Functions. The effects of this project, formally concluded in 2019, gave rise to a sustainability plan that continued into 2020, despite the limits imposed by the pandemic.

Banca Generali's sustainability approach, in line with the development of the project taken forward in 2019, was characterised by a strong drive towards people enhancement. This goal is pursued not only by drawing on a solid training programme, but also through productive revision and transparency in remuneration, incentive and performance management systems.

The General Counsel Area, where all the sustainability-related competencies have converged since 2018, continues to take forward its guiding role, as the central hub of the organisation and a key element connecting the different internal Structures.

The dissemination of the culture of sustainability has also significantly influenced the Bank's commercial approach, its wealth advisory service and its product and service offer. 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)**, to which clients can actively contribute through the selection of specific investment solutions. This tool is included in the proprietary platform for the construction of BGPPs (Banca Generali Personal Portfolios).

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 Communication Function. In this sense, Banca Generali has committed to a variety of projects, despite the pandemic crisis, both at the level of awareness campaigns – such as "The Human Safety Net" — and at the academic and research level — like its collaboration with the SDA Bocconi and participation in the Salone SRI 2020, the most important Italian event dedicated to financial sustainability.

This is all accompanied by the necessary regulatory compliance. The banking sector, at this time, is highly impacted by developments taking place in the regulatory and legislative system at Italian and international level. Banca Generali is following with particular attention the legislative changes in the so-called Taxonomy Regulation (**EU Regulation 2020/852**) and Disclosure Regulation (**EU Regulation 2019/2088**):

- taxonomy is a unified classification system for eco-compatible economic activities designed as a tool for guiding the choices of investors and businesses in view of the transition to economic growth without negative impacts on the environment and, in particular, on the climate. The aim of this classification is to increase market transparency and investor confidence, directing a higher volume of investments into sustainable projects;
- the goal of the new European Regulation on ESG disclosure, on the other hand, 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. Banca Generali is placing a major focus on the aforementioned legislative monitoring, and so is carrying out an in-depth analysis of the legislation, in respect of the changed reference framework, and equipping itself with a structured system for identifying and managing the inherent risks.

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 this context, the Policy outlines the system for identifying, assessing and managing the risks connected with environmental, social and governance factors ("ESG Factors") in keeping with its own goal of promoting sustainable development of business activity and generating durable value over time, and aims to define 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.

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**: in December 2020, the independent rating company confirmed the **EE/ Strong** rating, on a scale from EEE to F;
- **ISS**: during the assessment, the Bank was awarded the best Governance score possible (Score Badge equal to 1 on a scale from 1 to 10, where 1 represents the lowest risk level) and Score level (Score Badge equal to 1 on a scale from 1 to 10, where 1 represents the highest level of disclosure).

With reference to the Vigeo-Eiris rating and research agency, the Bank, after completing a series of meetings and exchanges of information, is continuing with its constant commitment to improvement. It should also be noted that Banca Generali recently also engaged in dialogue with the agency Sustainalytics.

It should also be noted that Carbon Disclosure Project awarded Banca Generali a score of A- (leadership level) on a scale from D- to A regarding the report on Climate Change for 2020.

The General Counsel Area regularly presents the assessments obtained to the Appointments, Governance and Sustainability Board Committee and the Board of Directors of Banca Generali.

Finally, in order to improve Banca Generali's positioning on these issues, the Bank continues to participate constantly in the numerous surveys promoted periodically by the various national and European authorities.

In May 2019, **Banca Generali** also became a **member of Forum per la Finanza Sostenibile (FFS)**, the most authoritative Italian network in promoting the knowledge and practice of sustainable finance, with the goal of spreading the integration of environmental, social and governance criteria into financial products and processes. The FFS, which each year organises Socially Responsible Investment Week (SRI Week), is a member of Eurosif, the pan-European association that supports the growth of socially responsible investments in the financial markets of the European Union 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.

Sustainability project

As mentioned above, in February 2019 the ambitious **Sustainability Project** was launched and then carried on for nearly the entire year. The Project had the following objectives:

- **developing an overall roadmap** of initiatives fully integrated with the Group's strategic goals and the numerous initiatives already launched in previous years;
- **formulating a structured monitoring model** to measure the efficacy of the activities implemented on an ongoing basis.

The Project, coordinated by a working group reporting to the General Counsel Area, has entailed not only the active involvement of all functions with direct ties to the five "focal areas" where sustainability is most critical within Banca Generali, but also ongoing analysis of the risks and opportunities associated with the project from many different perspectives.

The project has made it possible to complete a **structured, thorough map of the sustainability activities already launched by Banca Generali** through an analysis of the internal documentation and the conduct of interviews with the representatives of the various company functions.

This analysis led to the formulation of a **dashboard of long-term objectives** for the entire organisation and the preparation of a set of 14 KPIs to monitor and report the results achieved to the top management. **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 Management 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.

The implementation of the Sustainability Project has enabled Banca Generali, among other things, to strengthen the corporate culture from a sustainability perspective and boost the Bank's propensity to be able to grasp stakeholders' new needs and new business opportunities.

In this regard, compatibly with the pandemic crisis, a series of specific **initiatives were carried out** in 2020 **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:

› the dissemination of four information-**training video** clips aimed all the Banking Group's employees and Financial Advisors, regarding the context in which sustainability is moving, the available tools and, particularly, how Banca Generali has defined the sustainability concept internally, in order to complete a structured process of integrating sustainability in the business model;

› a selected group of employees has been identified, both through personal applications and referrals, known as **ESG Champions**, chosen for their propensity for sustainability-related issues, or for the function they cover within the organisation. These employees analysed and then shared a list of potentially relevant topics to be included in the materiality matrix, identified starting from the relevant topics of the previous year; whenever possible, they then carried out a reformulation activity, to better bring these issues into the reality of Banca Generali, thus making them more specific and "operational";

› as far as the community is concerned, Banca Generali offered its contribution for the first edition, (2020/2021 academic year), **of the II level University Masters in Union Banking Law** offered by Alma Mater Studiorum – University of Bologna with the participation of the Bank of Italy; the aim of this Masters course is to train experts in European and national banking and financial regulation;

› also in 2020, Banca Generali participated 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 was supported by the Forum for Sustainable Finance, the UN Global Compact, the UN Principles for Responsible Investment and the UN Sustainable Stock Exchanges Initiative. The meetings touched on numerous non-financial issues relevant for the organisation and allowed the Bank to interact with various financial intermediaries operating in the sustainability sector;

› as far as the network is concerned, training continued in the sustainability area, albeit with the limitations arising from the health emergency, in preparation for the new tool for creating ESG portfolios. To date, 60% of Financial Advisors have benefited from training in three different ways: classroom training, held in 2019, live webinars, introduced in 2020, and in-depth videos made available as of 2019 to the entire network in the form of smart training and operational tutorials.

Among the initiatives carried out in 2020, the **photographic project** for employees (identified through personal applications) to visually represent "**Sustainability in Banca Generali**" in collaboration with the internationally renowned photographer Stefano Guindani: the project will culminate with a social media plan in which the contents will be posted on the Bank's Instagram profile for 17 months and, subsequently, will also become the subject of a photographic exhibition and a short film.

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 trademark SBGi 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.

SBGi
Sostenibilità Banca Generali *Impact*

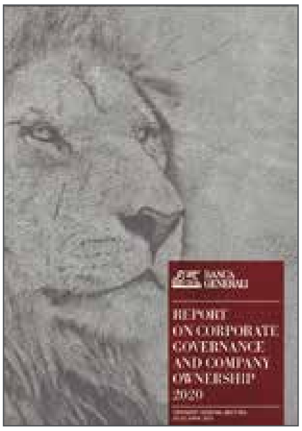
Integrated Reporting

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/site/home/investor-relations.html.

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

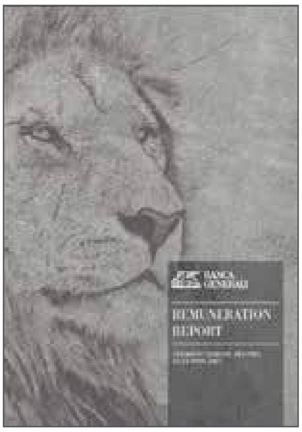


The Annual Report on Corporate Governance and Company Ownership drafted in accordance with Article 123-*bis* of the Consolidated Law on Finance (TUF) contains a broad set of information regarding, *inter alia*, the structure of share capital and relevant shareholdings, the structure and functioning of 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/site/home/corporate-governance.html.

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 incentive policies and reports on the application of remuneration and incentive 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 incentive policies and practices) and by Article 450 of Regulation EU 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 2020 Remuneration Report is available at the following link: www.bancagenerali.com/site/home/corporate-governance/assemblea-degli-azionisti.html.

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 public Pillar 3 disclosure on its website, at the following address: www.bancagenerali.com/Investor 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/site/home/corporate-governance/sistema-di-corporate-governance.html.

According to the provisions of Article 41, paragraph 5, 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.

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GOVERNANCE

"The capital and financial solidity that sets Banca Generali apart has allowed it to face the emergency by concentrating our efforts on people's safety, risk protection and social commitment. In this context, the value and professionalism of our Financial Advisors have been fundamental and will continue to be so as they stand always alongside our Customers."

Gian Maria Mossa

Chief Executive Officer, Banca Generali

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. Prior to listing, there was a period of expansion and mergers of various companies and networks of Financial Advisors. Since the Company's listing on the Stock Exchange in 2006, there has been an increase in business efficiency, a focus on the highest end of the market and the development of a wealth management hub. Over the years, Banca Generali has established itself as one of the main players in its industry, through a path of constant, sound and sustainable growth.

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

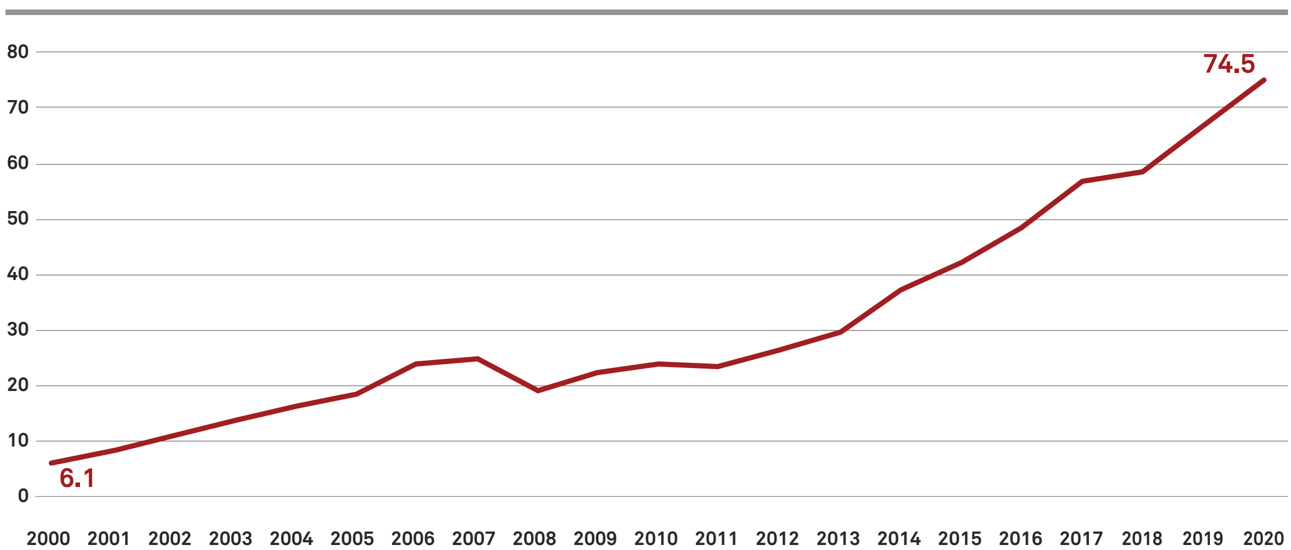
2006
Enhancement of wealth-management activities and listing on the stock exchange Acquisition of a management company, BG SGR. Acquisition of the share capital of Banca BSI Italia (the Italian company of BSI S.A.). Acquisition from BSI of a static trust company, S. Alessandro Fiduciaria (now Generfid). 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 ASSETS: 2000-2020 TREND (€ BILLION)



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

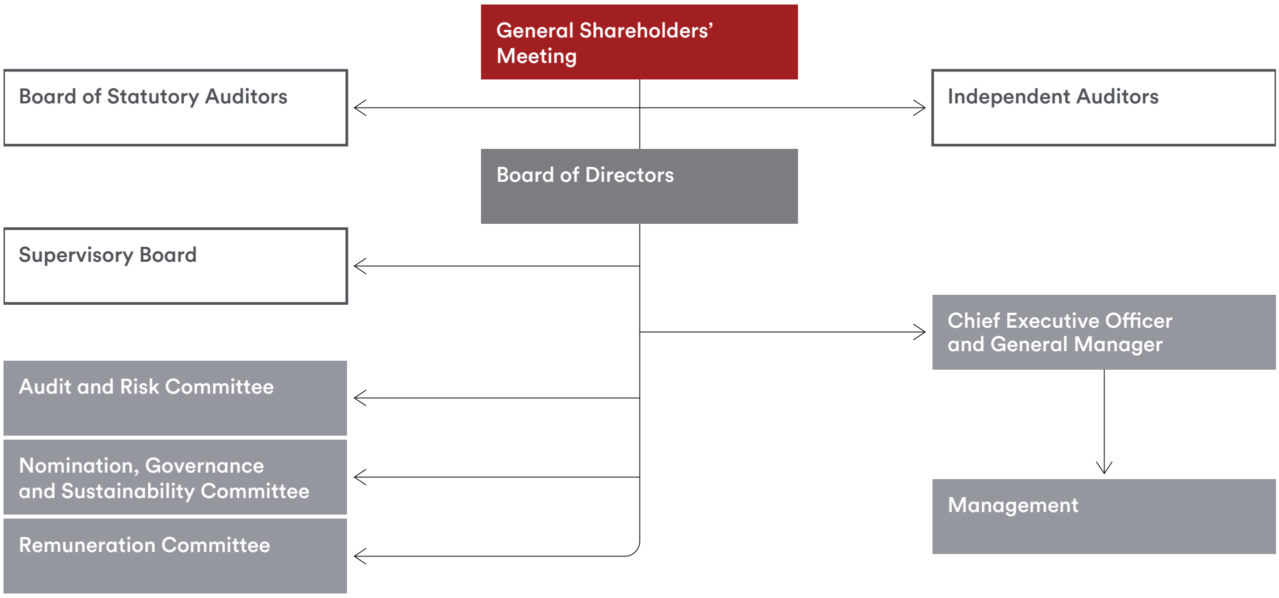
Recognitions Received

- **Best Financial Advisor Network for Customer Satisfaction (2016, 2017, 2018, 2019, 2020)** Deutsche Institut für Qualität und Finanzen
- **Top Job 2020: among Italy's Top Employers** Deutsche Institut für Qualität und Finanzen
- **In the shortlist of the 11 best asset management companies in 2020** Deutsche Institut für Qualität und Finanzen
- **Best Private Bank for Growth Strategy** Financial Times Group
- **Gian Maria Mossa Best CEO 2020** PRIVATE Awards 2020
- **Best Private Bank for ESG Strategy** CFI Awards (Switzerland)
- **Most Honored Bank** Institutional Investors
- **Best Bank for Sustainability** Green Night Awards (Switzerland)

Corporate and Organisational Structure

Organisational Structure

Banca Generali's governance structure is based on the traditional model, with a Board of Directors (composed of 9 members, including the Chairman and the CEO), within which there are 3 internal Committees (Remuneration Committee; Nomination, Governance and Sustainability Committee; and Internal Audit and Risk Committee), a Board of Statutory Auditors and the General Shareholders' Meeting.



Within Banca Generali, responsibility for sustainability falls to the Board of Directors, which performs this task through its Nomination, Governance and Sustainability Committee. The Chief Executive Officer and General Manager implements the strategies defined by the Board of Directors, setting the fundamental guidelines.

Board of Directors

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 that formally establishes the criteria and tools adopted by the Bank to ensure an adequate level of diversity within its Corporate Bodies. The provisions contained herein are drawn up in accordance with the Diversity Policy adopted by the Generali Group and in compliance with applicable legislation, the Articles of Association and internal regulations.

The aforementioned Policy formally lays down the criteria and methods of implementation currently adopted by Banca Generali to ensure an adequate level of diversity and inclusion among members of Corporate Bodies

TABLE 1: COMPANY BODIES BY GENDER

	31.12.2020			31.12.2019		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Banca Generali BoD	4	5	**9**	4	5	**9**
Generfid BoD	3	4	**7**	4	3	**7**
BGFML BoD	2	4	**6**	2	4	**6**
NEXTAM S.p.A. (*) BoD	-	-	**-**	2	5	**7**
NEXTAM SIM BoD	1	6	**7**	2	5	**7**
NEXTAM SGR (*) BoD	-	-	**-**	2	5	**7**
NEXTAM Ltd. (**) BoD	-	-	**-**	-	4	**4**
BG VALEUR BoD	3	4	**7**	3	4	**7**
Total	**13**	**23**	**36**	**19**	**35**	**54**
Percentage	**36%**	**64%**	**100%**	**35%**	**65%**	**100%**

(*) Merged into Banca Generali S.p.A. effective 1 July 2020.
(**) Company in liquidation.

TABLE 2: CORPORATE BODIES BY AGE

	31.12.2020				31.12.2019			
	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL
Banca Generali BoD	-	3	6	**9**	-	4	5	**9**
Generfid BoD	-	1	6	**7**	-	1	6	**7**
BGFML BoD	-	-	6	**6**	-	-	6	**6**
NEXTAM S.p.A. (*) BoD	-	-	-	**-**	-	2	5	**7**
NEXTAM SIM BoD	-	2	5	**7**	-	2	5	**7**
NEXTAM SGR (*) BoD	-	-	-	**-**	-	2	5	**7**
NEXTAM Ltd. (**) BoD	-	-	-	**-**	-	-	4	**4**
BG VALEUR BoD	-	3	4	**7**	-	4	3	**7**
Total	-	**9**	**27**	**36**	-	**15**	**39**	**54**
Percentage	-	**25%**	**75%**	**100%**	-	**28%**	**72%**	**100%**

(*) Merged into Banca Generali S.p.A. effective 1 July 2020.
(**) Company in liquidation.

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

TABLE 3: BOARD OF DIRECTORS' COMPOSITION AND ROLES

	NOME	RUOLO
Chairman of the Board of Directors	Giancarlo Fancel	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
	Giovanni Brugnoli Anna Gervasoni Massimo Lapucci Annalisa Pescatori Vittorio Emanuele Terzi	Non-executive Directors, independent pursuant to laws and industry regulations

Board committees

Three Committees have been set up within the Board of Directors, composed and chaired exclusively by independent non-executive Directors, as recommended by the Supervisory Authority 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)
Giovanni Brugnoli	X	C	
Anna Gervasoni		X	P
Massimo Lapucci	C		X
Annalisa Pescatori	X		X
Vittorio Emanuele Terzi		X	X

C: Chairman
X: member

Sustainability

In accordance with its regulations, the Nomination, Governance and Sustainability Committee is responsible for, *inter alia*:

- overseeing 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;
- examining the general outline of the Consolidated Non-Financial Statement 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 Statement;
- examining the internal regulations which are found to impact all stakeholders, also working in concert with the Internal Audit and Risk Committee in the cases in which the said regulations regard the internal control and risk management system, and expressing observations thereon to the Board of Directors;
- monitoring the evolution of all matters related to the Banking Group's social, environmental and sustainability responsibility, also in light of the applicable international guidelines and standards;
- preparing proposals regarding the Banking Group's environmental and social strategies, annual targets and goals to be pursued, while also monitoring their implementation over time.

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 2020, 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, also with a view to sustainability and growth of the Financial Advisor network.

In line with the work conducted in previous years[9], the organisational revision carried out in 2020 focused on specific organisational refinements designed to consolidate certain structures, rationalise the total number operating units and redefine the operating model in certain areas, with the goal of increasing its reactivity and productivity and, in continuity with 2019, on measures intended to increase the sustainability of the lines of action set out in the Strategic Plan.

In addition to the second-tier control functions (as detailed in the section "Risk Management and Business Management Transparency"), the CEO coordinates the General Management, which includes the following structures:

- › **General Counsel Area**: it includes the structures of the Legal Counsel and Litigations Department, those of the Corporate Affairs and Relations with Authorities Department, as well as those of the Governance, Sustainability and Strategic Operations Service;
- › **Human Resources Department**: it oversees the Human Resources Administration structure and the Human Resources Management and Development structure;
- › **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 public;
- › **CFO (Chief Financial Officer) & Strategy Area**: it coordinates the economic, commercial and strategic planning activities, all operations 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 Chief Financial Officer also holds the role of Manager in charge of financial information;
- › **COO (Chief Operating Officer) & Innovation Area**: the COO, also acting as Chief Information Security Officer (CISO), oversees the Bank's operational and organisational structures (Projects Governance; Outsourcing and Data Management; Systems, Technology and IT Security Management; Internal Processes and Regulations);
- › **Deputy General Manager Wealth Management, Markets and Products**: tasked with synergistically increasing the suitability of the Bank's products and services, which a specific focus on customers, in order to constantly improve 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**: in order to facilitate synergies and interactions between the organisational structure and the commercial network universe, the Deputy General Manager coordinates — through the Financial Advisor 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, whose function is to provide excellent assistance to network activities and customer requirements, also through the branches, and the Contact Center Service.

[9] In 2019, as occurred in the previous year, reorganisation activities focussed on making the strategic growth plan's lines of action sustainable, by providing the Bank with new processes and tools that, on the one hand, increase the security of company information and assets and, on the other, structurally safeguard the Bank's IT outsourcers and operations.

Mission, Vision, Values

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

MISSION
"Trusted professionals, constantly by the customers' side to build and help them reach their life goals."

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 www.bancagenerali.com (version updated in 2020),

Behaviours

Behaviours describe how the Bank wants to go about its activity every day and are what differentiate it from others. They represent its commitment, as a Group and as individuals, and the way in which it wants to measure how it achieves its results.

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

Risks and Uncertainties

The Bank was quickly able to tackle the health emergency linked to the new Coronavirus, backed by its business model (Network Bank) and thanks to the measures put in place to safeguard the health of employees and all the stakeholders such as, for example, the mass use of remote working, the reorganisation of work spaces and the implementation of new methodologies for effective customer-Financial Advisor remote operations. This ensured that the Bank could continue to operate seamlessly, without tensions or emergency situations arising. This is confirmed by the fact that no operating losses linked to the health crisis situation have been reported and, in terms of capital adequacy and liquidity, the Bank has confirmed its own sustainability levels.

The prospects for economies and markets in 2021 confirm the high degree of uncertainty due to the pandemic, developments in the healthcare area, the efficacy of economic support measures applied by governments, the continuation of global quantitative easing and the low-rate policies adopted by central banks.

These uncertainties are in addition to the pressures of the competitive context (also in respect of the new fintech companies appearing on the market) and elements of discontinuity linked to the constantly changing regulatory framework (e.g., ESMA, BCE, CRR2 guidelines).

It is in this context that the Bank's focus continues to be on safeguarding its own risks, summarised below, as well as coordinating capital management with a view to long-term business sustainability.

Credit risk

It mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost, HTCS and loans to customers (both corporate and retail). 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.

The banking book subject to credit risk, with regard to the part classified as HTCS, consists primarily of debt security exposures towards central administrations and, to a lesser extent, loans to private-banking clients and clients subject to agreements, in the form of revocable and/or fixed-term credit.

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.

The credit risk associated with transactions with private-banking customers is primarily managed by monitoring the performance of the overall portfolio and individual positions and by setting operating and process limits 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 private-banking 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). The portfolio is characterised by a low overall incidence of non-performing exposures compared to the banking industry at large;
› **Non-performing loans**: the portfolio of NPLs to private-banking clients is mostly secured by pledges of securities and bank guarantees and has a high coverage level in the residual cases in which the collateral is insufficient;
› **Performing loans**: the portfolio of loans to private-banking customers and customers subject to agreements is approximately 80% 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 67% 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.

In 2020, the Bank also launched a number of extraordinary credit-related measures including the suspension of loan payments until the end of the year (extension of the moratorium provided for by the "Cure Italy" Decree), the provision of additional current account facilities for specific customer segments and the adjustment of controls on financial guarantees in light of the extraordinary nature of the current context and financial market volatility. Finally, new forms of credit were also launched for Italian Small and Medium-sized Enterprises guaranteed by the Central Guarantee Fund, provided for by the Liquidity Decree, which are giving oxygen to businesses and those activities particularly impacted by the emergency.

In order to mitigate the consequences of the pandemic's economic impact, in June 2020 the Economic and Monetary Affairs Committee approved a number of rules to help Companies and private individuals access credit, including the early application (as early as 30 June 2020) of the new SME supporting factor.

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 the 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.

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 security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors). In accordance with its company strategies, in 2020 the Group intensified its scouting activity to take advantage of market opportunities in view of sound portfolio diversification in a low-return environment. 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 profit and loss account. Identifying and monitoring action plans to mitigate risk events of a significant nature;

- Identifying operating loss events that have already been recognised through a Loss Data Collection process and then analysing them;
- Formulate and monitor 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 actions.

Given the very fast growth rate of the Bank, with a major drive towards digitalisation, particular attention has been paid to the cyber risk, controlled by the Bank's IT Security and Technology Systems Governance Department, i.e., the operational function responsible for disseminating and effectively implementing the methodologies, rules and standards for IT security governance.

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 customer net inflows, characterised by a stable performance, and on institutional sources of funding. The Bank has also participated in the ECB's three-year refinancing transactions.

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 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 and formulates its commitment to monitoring and containing it. To this intent, it monitors specific indicators in order to identify any possible critical events that, should they occur, could harm the Bank's reputation.

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;
- focus on the social context in which it is based by participating in welfare, cultural and sports initiatives in favour of the community;
- favour 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.

Compliance risk and risks of money laundering and financing of terrorism

The effective management of compliance risk — defined as 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) — 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 the risks of money laundering and financing of terrorism 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; it applies to each resource by involving Company Bodies, Committees, the Compliance function, as well as the Anti-money Laundering function, each to the extent of its respective remit, 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, 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 upgrades to prevent damages from occurring (constant threat observation, filters, data encryption, periodic updating and monitoring of systems);
- technical upgrades to decrease the extent of damages, where they nonetheless occur (backups, 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 digitalisation of banks, which has resulted in an inevitable greater cyber risk. The process of digital transformation and remote operations required further attention to be paid during the year to security, quality of innovation and a review of the operating alert systems.

Mapping Banca Generali's ESG positioning

Climate change and environmental degradation give rise to structural changes that have an impact on economic activity and, consequently, on the financial system.

As part of its strategy for fighting climate change, the European Union has published a Roadmap for achieving climate neutrality by 2050, which is in addition to the emissions reduction targets set for 2030. Achieving this ambitious goal requires the mobilisation of both private and public capital to reach the level of investments needed for innovation and the transition to a low-carbon economy.

In this context, the global pandemic is inevitably woven with climate change related topics. The post-Covid economic reconstruction will be an opportunity for a real green turning point.

As the banking sector is deeply affected by the ongoing development of the regulatory system at the Italian and international level, Banca Generali dedicates considerable attention to monitoring current regulatory developments and is implementing a structured system for the identification and management of the related risks, including on the basis of existing frameworks. In particular, in view of the status of its Parent Company, Assicurazioni Generali, as signatory to the Principles of Responsible Investing (PRI), Banca Generali is committed to implementing the Recommendations of the TCFD (Task Force on Climate-Related Financial Disclosure) at all levels contemplated by the guidelines (Governance, Strategy, Metrics and Targets and Risk Management).

In order to consolidate the Group's leadership in sustainability, 2020 saw the launch of a wide-ranging, very powerful initiative involving all the Group's structures, designed to **map ESG positioning compared to the main players** in the field. This initiative illustrated the strengths and areas of particular focus also in the light of recent regulatory scenarios, aiming **to set a benchmark in the ESG sustainability strategy**.

With the goal of gathering information on the impacts that Banca Generali will have to consider in order to comply with current legislation and good practice implemented by excellent operators so that it can take action on the gradual integration and improvement of the ESG risk management process, the mapping and benchmarking activity will enable the ESG risks to be interpreted and linked with:

- the physical and transition risk categories identified in the Guidelines on Climate and Environmental Risks issued by the ECB, which defines, as one of its expectations, the need to integrate climate and environmental risks as crucial factors for the risk categories already established in existing risk management systems, so that they can be managed and monitored over a sufficiently long-time period, as well as in view of the regular review of the relevant safeguards;
- the risk management system in use (ERM), through the association with existing risk categories (for example, operating or reputational) or the proposal of any new risk categories.

In particular, for the aspects contained in the Guidelines on Climate and Environmental Risks and the recommendations of the Task force on Climate-Related Financial Disclosure (TCFD), the analysis aimed to evaluate and integrate:

- the presence of a measurement and related representation of the impact of climate and environmental, social and governance risks for the operating context in the short, medium and long term;
- the presence of climate and environmental, social and governance risks having a major impact in the short, medium and long-term context, in the definition and implementation of business strategy;
- the administrative body's consideration of ESG factors when preparing the Bank's overall business strategy, its business goals and the risk management system, and the performance of effective supervision on climate and environmental, social and governance risks;
- the consideration of ESG factors in the reference framework for determining risk propensity;
- the consideration, in the area of credit risk management, of climate and environmental, social and governance risks at all stages of the grant process and performance of monitoring within its own portfolios.

Risk Management and Business Management Transparency

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 goals 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 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 checks** (so called "first-tier checks"), aimed at ensuring that operations 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 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.

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

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 CISO (Chief Information Security Officer);
- the IT Security Function, within the BCP and Security Technology Service (IT Security and Technology Systems Governance Department), i.e., the operational function responsible for disseminating and effectively implementing the methodologies, rules and standards for IT Security governance.

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 Community regulations, and in compliance with the supervisory instructions issued by the Bank of Italy[10], **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 and 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, the System of Delegated Powers defined by the Board of Directors and the 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.

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

In the reporting 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), prepared and published 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 project, which lasted six months, was divided into three phases:
1. identification of the main non-financial quantitative KPIs, published in the 2018 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 2020, the project continued with the following activities:
- identification of two additional KPIs, published in the Annual Integrated Report 2019, and drafting of the related procedures;
- review of the procedures mapped in 2019 in order to guarantee their greater alignment with the process;
- organisation of a walkthrough activity on the mapped processes, 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 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 improvement areas 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.

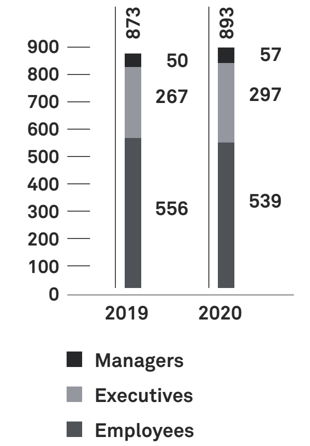
Within its functions, Internal Audit has continued to focus on strengthening alignment processes between the Bank's various structures and the improvement paths for existing controls, which were initiated as a result of previous activities, have been monitored (follow-up).

The Banking Group suffered no significant losses in 2020 and the risks continued to be low and reported constantly to management and the Corporate Bodies.

Transparent Business Management

Banca Generali aims at actively contributing to economic and social development based on respect for rights, professional ethics and business transparency. For this purpose, and operating in the asset management market — a sector requiring high ethical and transparency standards to be met in business activities and in relations with customers and all the stakeholders —, Banca Generali operates in accordance with legislation, policies, internal regulations and professional ethics.

ANTI-CORRUPTION TRAINING



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 that defines the rules of conduct binding on management and control bodies, employees, Financial Advisors and professionals. In the Internal Code of Conduct, great attention is also paid to the fight against corruption: the Group does not tolerate any form of corruption and specifically prohibits the offering or acceptance of inducements, such as undue payments, gifts, entertainment or other benefits.

It is also committed to ensuring full transparency in its relations with customers, with the market and with suppliers: the Bank has adopted a rigorous selection approach, the values of which 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 that 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 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 and to help the fight against corruption with a particular focus on the following areas:

- MIFID II 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[11], as well as to the Financial Advisors.

IN 2020, **1,966** FINANCIAL ADVISORS HAD TRAINING ON ANTILAUNDERING (**+64** VS 2019).

Regarding anti-corruption training, a special course was again organised in the year relating to Legislative Decree No. 231/01[12], which also covered the crime of corruption.

[11] The information presented includes the following Group companies: Banca Generali S.p.A., Generfid S.p.A. and BGFML S.A.
[12] With regard to the Luxembourg-based BGFML, a course entitled "Code of Conduct" has been launched.

TABLE 5: TRAINING ACTIVITIES ON ANTI-CORRUPTION ISSUES[13]

	2020				2019	
	NUMBER ITALY	PERCENTAGE ITALY	NUMBER ABROAD	PERCENTAGE ABROAD	NUMBER ITALY	PERCENTAGE ITALY
Managers	55	96.49%	2	66.67%	50	100.00%
Executives	288	98.29%	9	100%	267	100.00%
Employees	526	95.46%	13	92.86%	556	96.70%
Financial Advisors	1,966	97.62%	n.a.	n.a.	1,902	96.60%

It should also be noted that no cases of corruption were reported during the reporting year.

[13] The figures presented do not include the Group companies acquired in 2019 (Nextam and Valeur) as in 2020 training on this subject was not provided. Training in this regard is expected to start in 2021. The term "abroad" refers solely to the Luxembourg-based BGFML.
Relationship Managers have been included in the employee category, as they are employed. To calculate the percentage of Financial Advisors trained on 231 issues, the RMs (73) were subtracted from the total amount of Financial Advisors (2,087).

Dialogue with Stakeholders

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

03

PERFORMANCE AND CREATION OF SUSTAINABLE VALUE

"The latest challenge launched by us concerns the contribution to the Real Economy.
We are aiming for sustainable growth that creates value and supports businesses and recovery at this difficult moment for our country."

Marco Bernardi, Deputy General Manager, Banca Generali

Summary of Operations

In 2020, **net profit** amounted to **274.9 million euros** (+1%), further improving the previous year's excellent results, with growth across all the main items, fully in line with the three-year plan targets, in terms of both business expansion and revenue diversification and sustainability.

Growth was mostly driven by the **rise in total assets**, which amounted to **74.5 billion euros** with an 8% increase, attributable to a strong and high quality service model that — despite an unprecedented context due to the outbreak of the Covid-19 pandemic — effectively responded to the clients' increased demand for financial and non-financial wealth advisory, particularly in the private banking segment.

Net inflows in 2020 were **5.9 billion euros**, up 14.3% compared to the previous year, despite the lockdown and the social distancing measures adopted for most of the year. Net inflows were mainly concentrated on managed solutions (3.2 billion euros; +70.7%), including in particular the Lux IM Sicavs, and on insurance and financial wrappers due to the high level of customisation they provide. Among managed products, in 2020 ESG managed solutions (funds and asset management) reported 1.1 billion euros net inflows, half of which in the last quarter of the year.

Assets under Advisory (BGPA) also grew by 27% to **6.0 billion euros** (4.7 billion euros at the end of 2019), accounting for 8.1% of total assets.

Net banking income rose to **617.6 million euros** (+6.9%) thanks to the increase in the net financial income (109.6 million euros; +24.3%) and recurring fees (366.3 million euros; +7.0%), whereas the contribution of variable fees (141.8 million euros; -3.8%) decreased slightly compared to the highs of the previous year.

Operating expenses amounted to **227.2 million euros**, with a 6.7% increase that reflected the change in the consolidation scope following the acquisition of the former Nextam Group and Valeur, in addition to one-off charges of 1.0 million euros in Covid-19-related donations. Net of these items, organic growth of 'core' expenses was 3%.

Provisions, net adjustments and contributions and charges related to banking funds totalled **42.8 million euros**, up 4.9 million euros compared to 2019, mainly due to higher one-off charges associated with the adjustment of discount rate applied to the statistical-actuarial assessment (+5.9 million euros) and the increase in the contributions to the funds for the protection of the banking system (+3.1 million euros), partially offset by a lower impact of adjustments to non-performing loans.

With reference to **capital**, Banca Generali confirmed the soundness of its regulatory aggregates. **CET 1 ratio** reached **17.1%** and **Total Capital Ratio** was **18.4%**, calculated net of the proposal to distribute a dividend of 3.30 euros per share for an overall amount of 385.6 million euros. These ratios were well above the specific requirements set by the Bank of Italy for the Group (i.e., CET1 ratio at 7.75% and Total Capital Ratio at 11.84%, as the minimum required by the SREP – Supervisory Review and Evaluation Process). It should be noted that the above-mentioned proposal entails a 10.5 percentage point reduction of the 2020 year-end capital ratios.

The total value of **AUM** managed by the Group on behalf of customers — which is the figure used for communications to Assoreti — amounted to 73.3 billion euros at 31 December 2020, in addition to the contribution of 1.1 billion euros generated by the consolidation of the newly acquired Valeur and the contribution of the Nextam Sicav directly managed by BGFML (0.1 billion euros), for a total of **74.5 billion euros**.

In addition, managed assets also included 0.8 billion euros in AUC of the Generali Group companies and 4.0 billion euros in funds and Sicavs distributed directly by BGFML, for an overall total of **79.3 billion euros**.

Covid-19 pandemic

Within this environment of extreme difficulty for the country on the healthcare, economic and social fronts, Banca Generali not only ensured security and protection for savings, but also assumed social responsibility through a series of concrete initiatives. Together with the Generali Group, the Bank created an **Extraordinary International Fund** allocating **50 million euros for Italy**. In addition, the Bank's Board of Directors approved a **1 million euro donation for initiatives in favour of the healthcare structures** that are at the forefront of combating the Coronavirus emergency, which entailed the purchase of four ambulances equipped with all resuscitation facilities, already delivered to the Italian Red Cross, and the support to major non-profit organisations active in acquiring adequate protection equipment and medical supplies. These efforts are complemented by the fund-raising being carried out among the Bank's employees and Financial Advisors, with Banca Generali matching every euro with one of its own.

From an operational standpoint, the Group's technological infrastructure and digital banking operating procedures have made it possible to implement several processes aimed at keeping up with the increased remote workload and to ensure the full operation of all company activities, without significant interruptions or service outages, in line with the government initiatives that have deemed banking to be essential services.

The measures adopted and initiatives taken — including those relating to the creation of new products, of which those in support of Italy's SMEs are particularly significant — entailed additional costs of approximately 2.1 million euros, of which 1 million euros in donations.

During the first months of 2020, the markets were characterised by a strong negative performance correlated to the worsening of the Covid-19 pandemic; the markets later recovered the initial losses.

The contraction in assets under management reached its highest level in mid-March (-7.6% of the total, with peaks of nearly -12% for the managed component), to then fall back to +1.7% of the total and +3.5% of assets under management at the end of the year.

Even at the most difficult moments, the activity of the sales network was never interrupted. In March (the apex of the pandemic), net inflows were primarily generated by deposits or AUC solutions. However, in the subsequent months net inflows shifted markedly towards managed and AUC solutions, drawing on the liquidity from previous months.

Net inflows at the end of 2020 were 5.9 billion euros, confirming a very robust growth trend and showing also that, at the times of greatest uncertainty and volatility, the Bank is a point of reference in terms of solidity and flexible offering.

As discussed above, at the level of the profit and loss account, net profit amounted to 275 million euros, slightly up compared to the previous year (+1%). Similarly, all components of recurring net fees grew.

Within this scenario, the Bank confirmed the strategic lines previously defined and the 2021 targets already disclosed to the market, both in terms of net inflows (14.5 billion euros) and total assets (76-80 billion euros), as well as profitability (core net banking income not below 63 bps).

Group Economic and Financial Highlights

TABLE 6: ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	31.12.2020	31.12.2019	CHANGE %
Net interest income	89.6	74.0	21.1
Net financial income	**109.6**	**88.2**	**24.3**
Net fees	508.0	489.8	3.7
Net banking income	**617.6**	**578.0**	**6.9**
Net operating expenses [d]	**-227.2**	**-212.9**	**6.7**
of which: staff expenses	-104.3	-97.2	7.3
Operating result	**390.4**	**365.1**	**6.9**
Provisions and charges related to the banking system [d]	-42.1	-32.5	29.6
Adjustments to non-performing loans	-0.7	-5.4	-87.7
Profit before taxation	**347.3**	**325.3**	**6.8**
Net profit	**274.9**	**272.1**	**1.0**

TABLE 7: PERFORMANCE INDICATORS

	31.12.2020	31.12.2019	CHANGE %
Cost/income ratio [d]	31.5%	31.7%	-0.6
Operating Costs/Total Assets (AUM) – annualised [e]	0.30%	0.31%	-3.7
EBITDA [e]	423.4	395.0	7.2
ROE [a]	26.2%	32.9%	-20.6
ROA [b]	0.40%	0.43%	-6.8
EPS - Earnings per share (euros)	2.38	2.35	1.4

NET PROFIT
(€ million)

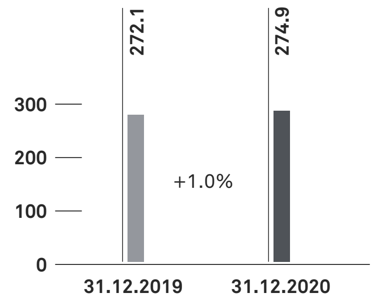


TABLE 8: NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.12.2020	31.12.2019	CHANGE %
Funds and Sicavs	2,169	1,642	32.1
Financial wrappers	119	-322	137.0
Insurance wrappers	894	544	64.3
Asset management	**3,182**	**1,864**	**70.7**
Insurance/Pension funds	203	935	-78.3
Securities/Current accounts	2,481	2,331	6.4
Total	**5,866**	**5,130**	**14.3**

TABLE 9: ASSET UNDER MANAGEMENT & CUSTODY

(€ BILLION)	31.12.2020	31.12.2019	CHANGE %
Funds and Sicavs (c)	19.7	16.9	16.3
Financial wrappers (c)	8.2	8.4	-3.1
Insurance wrappers	9.6	8.7	10.7
Asset management	**37.4**	**34.0**	**10.1**
Traditional life insurance policies	16.5	16.5	-0.5
AUC	20.7	18.5	11.8
Total	**74.5**	**69.0**	**8.0**

TABLE 10: NET EQUITY

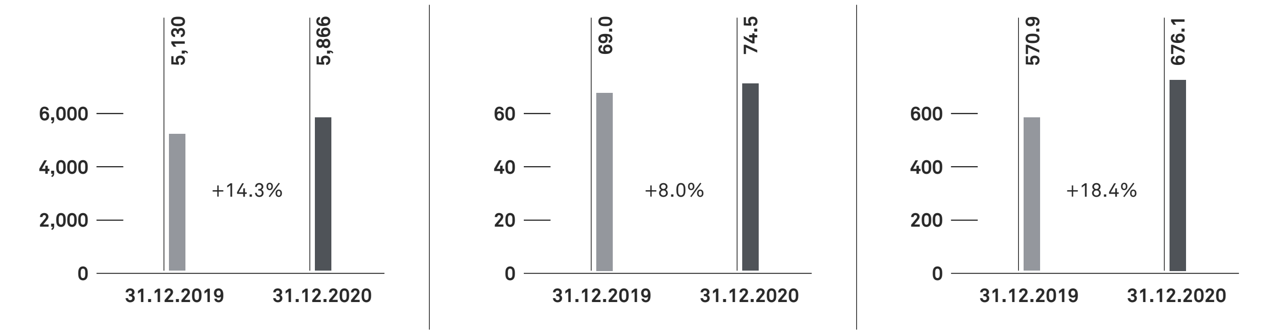
	31.12.2020	31.12.2019	CHANGE %
Net equity (€ million)	1,184.5	917.7	29.1
Own funds (€ million)	676.1	570.9	18.4
Excess capital (€ million)	242.1	150.9	60.4
Total Capital Ratio	18.4%	16.1%	14.6

(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 to the average of Assoreti's annualised quarterly AUM.
(c) Total AUM were increased by AUM not included in the consolidation scope and generated by new acquisitions amounting to 2.2 billion euros at 31 December 2019 and to 1.067 billion euros at 31 December 2020.
(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 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, net of changes in the consolidation scope and in other non-recurring components, to the average of Assoreti's annualised quarterly AUM.

NET INFLOWS (€ million)

ASSETS UNDER MANAGEMENT (€ billion)

OWN FUNDS (€ million)



Macroeconomic Context and Positioning

Macroeconomic Scenario and Future Prospects

2020 was marked by the Covid-19 global pandemic which caused more than 82 million people to be infected and nearly 1.8 million deaths, forcing the world's main economies to enter into generalised lockdowns and/or adopt restrictive measures that have caused serious damage to the economies and social fabric of various countries. The turning point in the fight against the virus came at the beginning of November with the announcement by the American multinational Pfizer and later by other major pharmaceutical companies, of the arrival of a vaccine to be marketed on a global scale.

Within this context, economic growth estimates have slowed sharply. The OECD estimates for 2020 a contraction in the global and Eurozone gross domestic product of -4.2% and -7.5% respectively. Due primarily to the discovery of the vaccines, these values are expected to recover in 2021 by +4.2% at global level and +3.6% for the Eurozone respectively. The only country to report positive growth in gross domestic product, expected to reach levels close to 2%, was China where consumer sentiment, following the drop in March, recovered and returned to pre-Covid-19 values.

In the face of weak macro and microeconomic data, the main central banks globally have intervened with ultra-expansionary monetary policies to support the economy. In particular, the European Central Bank has implemented the Pandemic Emergency Purchase Programme worth 1,850 billion euros, providing for the extension of purchases of securities until March 2022. In the United States, the Federal Reserve has cut interest rates by 150bps and revised its monetary policy strategy with the transition to average inflation targeting, namely an average inflation target of 2% over time. The FED also stated that, in order to maintain the proper functioning of financial markets and ensure expansive financial conditions, rates will remain at the current level of 0-0.25% at least until the end of 2023. Expansionary monetary measures were also applied by other central banks worldwide, including those of China and Japan.

Expansionary monetary measures were also applied by other central banks worldwide, including those of China and Japan. In particular, a fiscal stimulus of about three trillion dollars was launched in the United States, which will be followed by further stimuli from the new administration led by President Biden. In Europe, national governments were allowed to pursue discretionary fiscal measures in response to the effects of the virus on the real economy. European leaders approved the 750 billion euro Recovery Fund to save the countries most affected by the economic crisis caused by the coronavirus. Among them, Italy will be the foremost beneficiary of the plan. Europe expects that most of the aid deriving from this plan will be allocated to sustainability and, in particular, to the waste of energy resources, with the aim of making the continent carbon neutral by 2050. For this reason, economic growth will have to be increasingly independent of resource use in the coming years.

The main global stock exchanges were characterised by two distinct market phases. During the first quarter of the year, marked by the explosion of the first wave of infections around the world, the European EuroStoxx 50 index lost around 40% while the S&P 500 and the emerging countries index recorded losses in euros in the order of 30%. Starting in April, the markets were able to benefit from combined monetary and fiscal policy measures, in addition to the gradual reopening of the main economies in the following weeks. The bullish movement of the stock indices came to a halt in October with the arrival of the second wave of infections. However, the announcement of the achievement of an anti-Covid-19 vaccine brought back optimism among investors. The American S&P 500 index recorded unprecedented new highs, as did the Chinese market. This testifies to how the prospects for an economic recovery for 2021 appear to be comforting. In particular, in 2020 the American market closed in euros at approximately + 6.5%, while the European market (EuroStoxx 50) with a loss of approximately -1.5%.

The performance of the stock markets during the year was characterised by the sharp dispersion between the various sectors: the performance gap between the sectors most resilient to the economic shock caused by the pandemic, such as the technology and renewable energy sectors, recorded a yield differential with respect to oil and financial securities in the order of 70%. However, in the last months of the year, following discovery of the vaccines, there was a turnaround that saw value stocks recover over growth stocks characterised by high growth values.

In the face of the economic slowdown that occurred during the first quarter of the year and the risk off phase on the markets, the German government and US Treasury yields reached -0.85% and +0.54% respectively, and then closed the year at -0.58% and +0.91%.

Credit spreads peaked in March. In particular, the spread of European and American High Yield securities reached approximately 9% and 11% respectively and then retraced, thanks to the economic recovery, up to approximately 3.5% in both geographical areas. The spread on investment grade issues also widened to around 250bps in Europe. The latter type of bonds then benefited significantly from the monetary policies implemented by central banks, returning at the end of the year to values close to those recorded before the spread of Covid-19.

As for the currency markets, the dollar, after reaching three-year highs against the euro in March, began to weaken losing about 9% against the single currency, coinciding with the start of the risk on phase on international markets.

Due to the spread of the global health emergency, the general raw materials index first underwent a sharp decline and then recorded, during the second half of the year, a generalised recovery, but closed the year at lower levels than those at the end of 2019. Gold performed its traditional safe-haven function until July and then recorded declines during the phase of renewed optimism among investors.

As a result of the lockdowns implemented in the various countries, in April there was an event that had never occurred before: the price of the WTI oil futures contract collapsed reaching negative levels. The trend in the price of crude oil was initially impacted by a difficulty on the part of OPEC-PLUS in achieving the necessary production cuts. This issue was resolved with the May agreements that allowed for a gradual recovery in prices. The results of the agricultural and industrial sectors, on the other hand, were positive and these recovered, after the slumps at the beginning of the year, closing 2020 up compared to the previous year.

Future prospects

The main global investment houses, in the face of the discovery of vaccines to be administered to the world population, estimate a generalised and synchronized growth for 2021. OECD projects global GDP to rise by around 4.2% in 2021. It is not currently expected that 2021 will see a reduction in the expansionary measures implemented by governments and central banks to support the entire economic system. Particular attention will be paid to the level of public debt of those countries that represent the main international economies. In the Eurozone, in fact, 19 countries will have to face a debt-to-GDP ratio of over 100%. The main element of uncertainty will continue to be the evolution of the pandemic situation and the results of the vaccination campaign.

Competitive Positioning

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

The asset management market

At December 2020, the Italian asset management industry recorded a total of 1,253 billion euros of assets under management (+4.8% 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 +21.9 billion euros at the end of December 2020.

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)	12.2020	12.2019	12.2018	12.2017	12.2020	12.2019	12.2018	12.2017
Italian funds	-5,618	-11,362	-3,440	15,779	241,858	245,671	239,101	259,094
Foreign funds	24,487	15,151	3,511	60,942	874,624	817,480	711,285	754,237
Total funds	**18,869**	**3,789**	**71**	**76,721**	**1,116,482**	**1,063,151**	**950,386**	**1,013,331**
GP Retail	**3,050**	**919**	**-4,319**	**3,965**	**136,704**	**132,338**	**120,755**	**130,152**
Total	**21,919**	**4,708**	**-4,248**	**80,686**	**1,253,186**	**1,195,489**	**1,071,141**	**1,143,483**

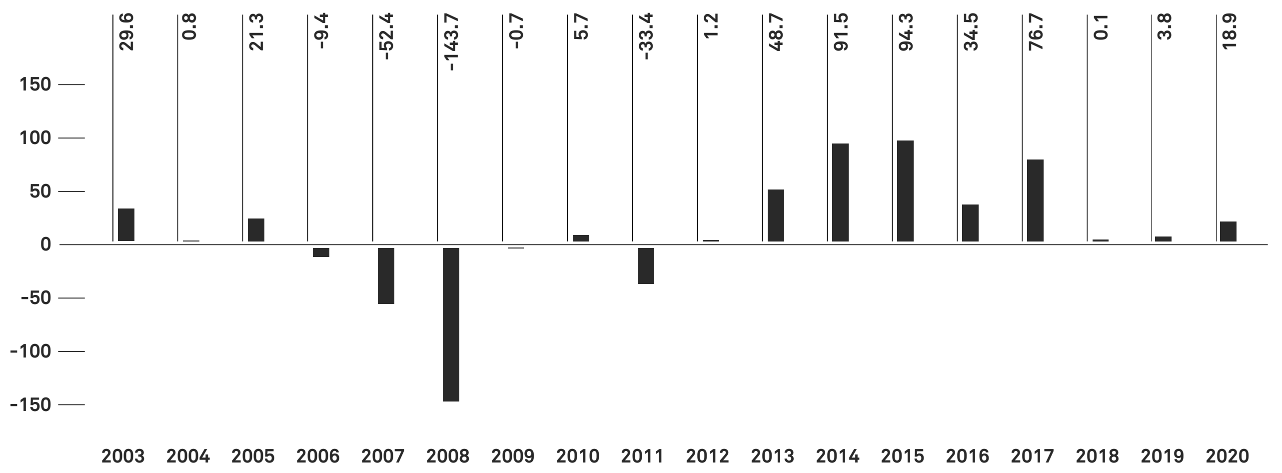
Source: Assogestioni.

During the first quarter of 2020, the markets were characterised by a strong negative performance correlated with the worsening of the global pandemic; they later recovered the initial losses, but in a context of low-interest rates and political and global economic uncertainty.

The financial assets of Italian households were 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 bonds, shares, discretionary mandates and equity investments.

In mutual fund offerings, management companies continued to propose forms of investment in a range of sectors, with a focus on technology, in pursuit of 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 taking account of environmental, social and governance aspects.

CHART 1: THE UCITS[14] MARKET IN ITALY



The Assoreti market

At December 2020, total net inflows generated by the Financial Advisor networks authorised to make off-premises offer exceeded 43 billion euros, up +24.1% compared to the figure at December 2019.

Assets under management and insurance products recorded 24.2 billion euros (+19.4% compared to 2019), accounting for 56% of total net inflows (58% in 2019). Net inflows of AUC amounted

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

to 19.2 billion euros, up about 4.5 billion euros (+30.6% compared to the same period of the previous year).

TABLE 12: TOTAL NET INFLOWS (ASSORETI)

(€ MILLION)	31.12.2020	31.12.2019	CHANGE
Total assets under management	13,049	7,458	5,591
Total insurance products	11,161	12,818	-1,657
Total AUC	19,155	14,662	4,493
Total	**43,366**	**34,938**	**8,428**

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 8.6 billion euros. Net inflows generated by discretionary mandated (chiefly GPF) were also positive with an overall amount of +4.4 billion euros.

With regard to insurance and pension products, net premiums paid during the year amounted to approximately 11.2 billion euros, down -12.9% compared to the previous year. Net inflows were mainly concentrated in unit linked products (4.9 billion euros) and multi-line policies (3.5 billion euros). Traditional life products reported 1.7 billion euros.

Banca Generali

Banca Generali's net inflows amounted to 5.9 billion euros at December 2020, increasing by +14.3% compared to 2019 (5.1 billion euros), thus confirming the Bank's role as a market leader with a 13.5% market share.

Despite the highly uncertain economic and political context, insurance and asset management products — the core focus of Financial Advisor networks — accounted for approximately 24.2 billion euro net inflows. Banca Generali confirmed its role as a market leader with a 14.0% market share.

CHART 2: TOTAL NET INFLOWS ASSORETI – 43.4 € BILLION – AND MARKET SHARE % (DECEMBER 2020, € MILLION)
Source: Assoreti

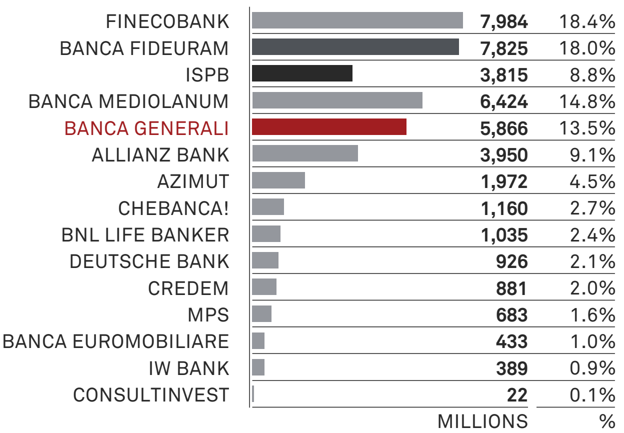
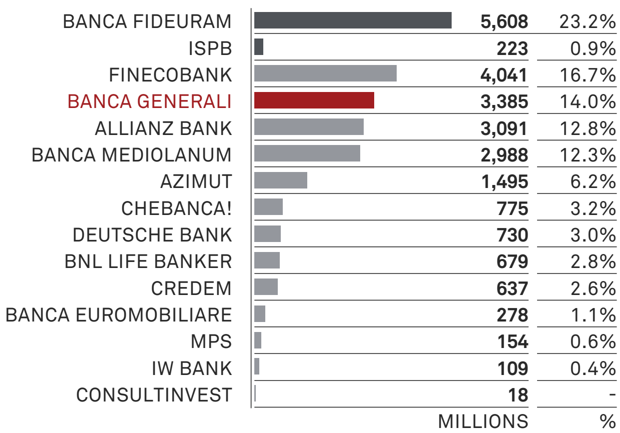


CHART 3: NET INFLOWS FROM AUM AND INSURANCE PRODUCTS ASSORETI – 24.2 € BILLION – AND MARKET SHARE %
(December 2020, € million)
Source: Assoreti



In 2020, the Bank also increased the number of its Financial Advisors, which totalled 2,087 at December 2020, thus continuing to prove highly attractive to talented Financial Advisors interested in joining a Company offering an innovative product line and great financial solidity due to the overall balance of its assets.

TABLE 13: NET INFLOWS OF BANCA GENERALI

(€ MILLION)	BG GROUP 31.12.2020	BG GROUP 31.12.2019	Y/Y CHANGES VS 31.12.2019 AMOUNT	Y/Y CHANGES VS 31.12.2019 %
BG Group funds and Sicavs	1,344	1,059	+285	+26.9%
Third-party funds and Sicavs	825	583	+242	+41.5%
Financial wrappers	119	-322	+441	+137.0%
Insurance wrappers	894	544	+350	64.3%
Total assets under management	**3,182**	**1,864**	**+1,318**	**+70.7%**
Total traditional life insurance policies	**203**	**935**	**-732**	**-78.3%**
Total AUC	**2,481**	**2,331**	**150**	**+6.4%**
Total net inflows from products placed by the network	**5,866**	**5,130**	**736**	**14.3%**

At 31 December 2020, Banca Generali's net inflows amounted to 5.9 billion euros, up 14.3%. The Bank mainly focused on asset management products, which reached 3.2 billion euros, rising sharply compared to the previous year (+70.7%). In this segment, all types of product showed robust growth.

Traditional life policies gathered 0.2 billion euros overall, down -78% over the previous year.

In the reporting year, net inflows from AUC products (+2.5 billion euros) were used as a safe haven in a context of high market volatility.

CHART 4: BANCA GENERALI'S NET INFLOWS EVOLUTION 2010-2020 (€ MILLION)

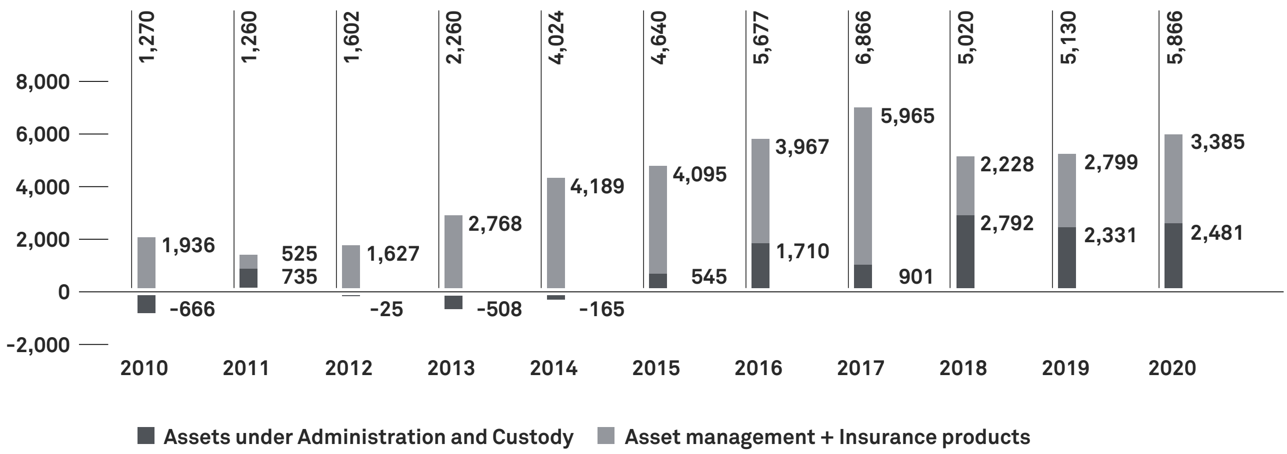
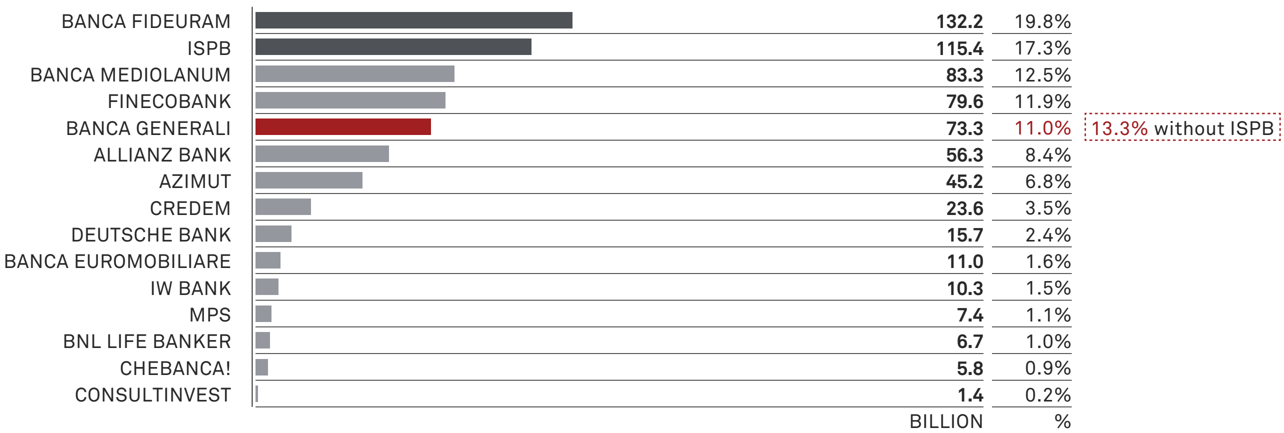


CHART 5: ASSORETI TOTAL ASSETS – 667 BILLION EUROS – AND MARKET SHARE % (DECEMBER 2020, € BILLION)



Source: Assoreti

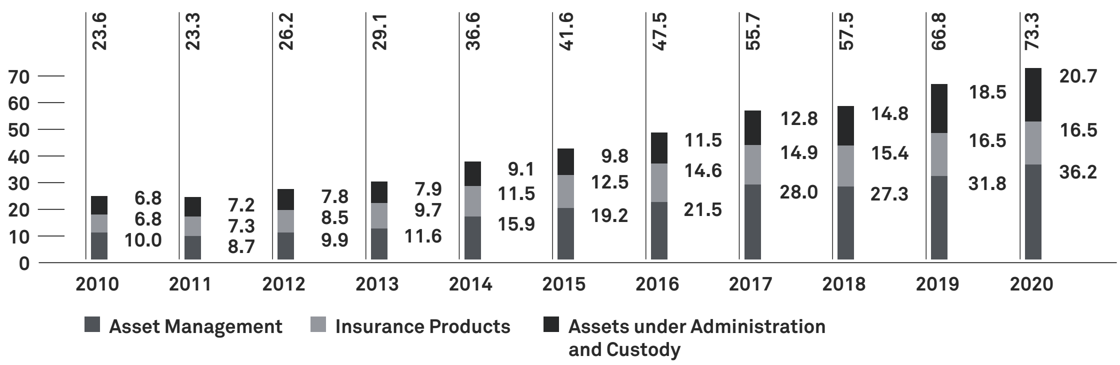
In 2020, the Bank reported a positive performance also in terms of assets under management, confirming its fifth place in the rankings of the largest companies on the Financial Advisor network market, with an 11.0% market share (a figure that rises to 13.3% if the contribution of Intesa Sanpaolo Private Banking is excluded on a like-for-like basis).

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

	BG GROUP		CHANGES VS 31.12.2019	
(€ MILLION)	31.12.2020	31.12.2019	AMOUNT	%
BG Group funds and Sicavs	8,792	7,174	1,618	22.6%
Third-party funds and Sicavs	10,551	9,304	1,247	13.4%
Financial wrappers	7,264	6,654	610	9.2%
Insurance wrappers	9,592	8,672	920	10.6%
Total assets under management	**36,199**	**31,804**	**4,395**	**13.8%**
Total traditional life insurance policies	**16,453**	**16,534**	**-81**	**-0.5%**
Total AUC	**20,654**	**18,482**	**2,172**	**11.8%**
Total AUM placed by the network	**73,306**	**66,819**	**6,487**	**9.7%**

In 2020, Banca Generali achieved positive results also in terms of AUM growth (+9.7% compared to December 2019). The ratio of managed products to total assets grew to 49% (48% at 31 December 2019), whereas the ratio of traditional life insurance policies declined (22% compared to 25% for 2019). AUC remained unchanged, accounting for 28% of total assets.

CHART 6: BANCA GENERALI'S TOTAL ASSETS EVOLUTION 2010-2020 (ASSORETI SCOPE) (€ BILLION)

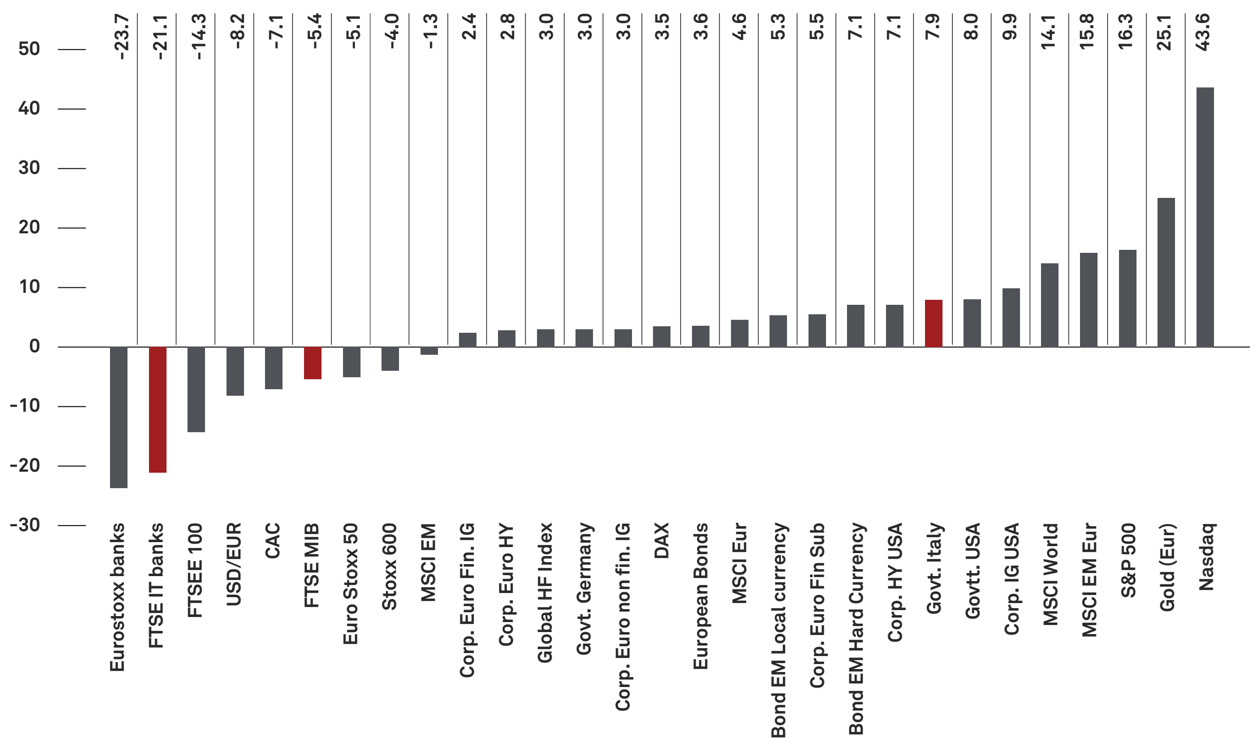


Banca Generali Stock Performance

The outbreak of the pandemic will go down in history not only for its social and health consequences, but also for its extraordinary effects on the economy and financial markets. The financial market rallies at the beginning of the year were followed in mid-February by the sharpest, steepest decline since the beginning of the last century. However, in contrast to past crises, the markets and economic policy reacted swiftly and contributed to containing the economic and financial instability. The emergency actions taken by the international monetary authorities to combat the severe effects of the pandemic on the world economy resulted in an equally swift recovery of the financial markets beginning in April. In addition, near the end of the year, the successful trials of several vaccines ushered in a further sharp international market rally, buoyed by the liquidity provided by international central banks and economic support programmes.

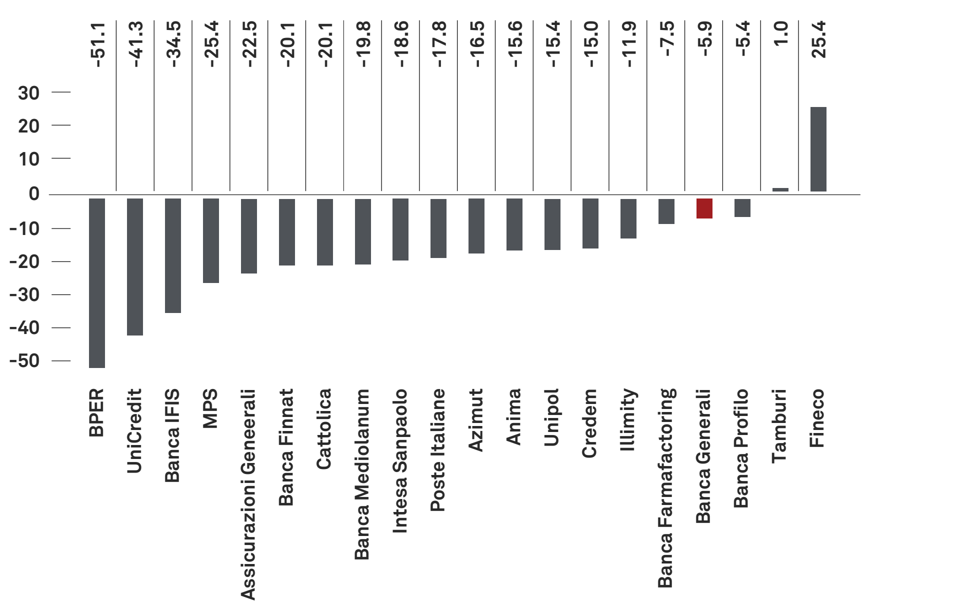
The market dynamics favoured certain asset classes and sectors of the economy that benefited the most from the new socio-economic context. Despite the stock market rally, the Italian and European banking sectors declined by 21% and 24%, respectively, during the year, on concerns of the consequences of the economic crisis on banks' financial statements and — no less significantly — the recommendation by the competent supervisory authorities not to distribute dividends in order to strengthen own funds in a time of emergency and uncertainty, support the economy with lending and offset any losses generated by the economic and manufacturing scenario.

CHART 7: PERFORMANCE OF THE WORLD'S INDEXES IN 2020 (%)



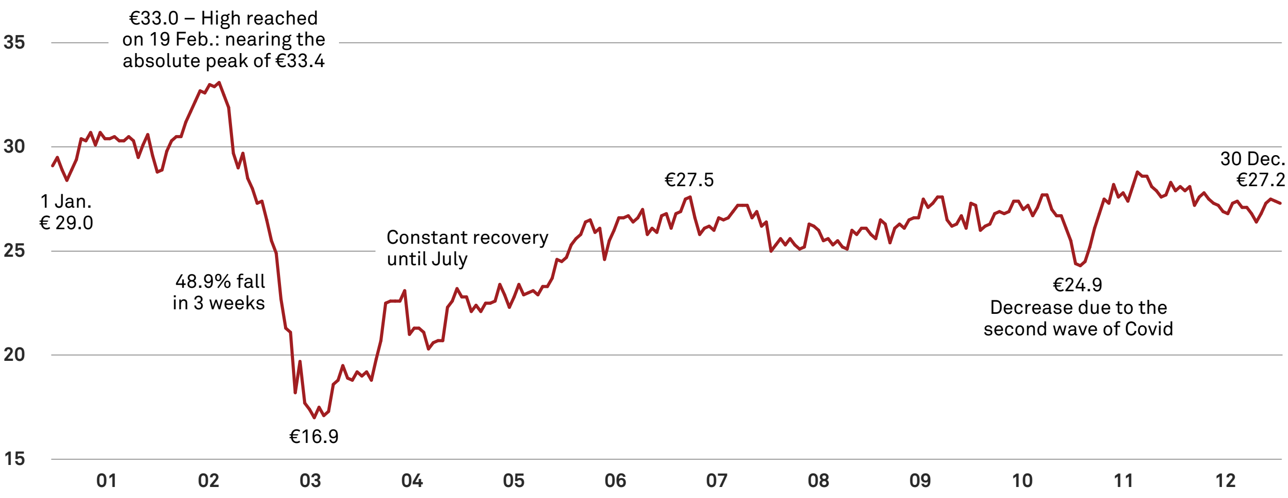
Within this context, and despite recording a slight decline, the Bank's performance was among the strongest in the Italian and European banking and financial sector, thanks to its business model focused more on asset management than on lending. At the end of 2020, Banca Generali shares were trading at 27.2 euros, down slightly from 28.6 euros at the end of the previous year (-5.9%).

CHART 8: PERFORMANCE OF THE MAIN FINANCIAL STOCKS ON THE ITALIAN MARKET IN 2020 (%)



During the year, the Bank's stock was very volatile, in line with the overall equity markets. In the first few weeks of the year, Banca Generali shares rallied considerably to 33 euros, nearing their all-time high. The outbreak of the pandemic and February-March market downturn then drove the shares to a low of 16.9 euros. However, the intervention of central banks and the ensuing market recovery led the Bank's shares to rally constantly until the end of the summer. The shares, like the markets, were affected by the outbreak, in October, of the second wave of the pandemic and the new lockdowns. On 6 November, the shares then gained further ground in the wake of the market euphoria triggered by the announcement of the discovery and approval of the vaccines.

CHART 9: BANCA GENERALI STOCK PERFORMANCE IN 2020



At the end of the year, the Bank's capitalisation was 3,183 million euros.

TABLE 15: MARKET PRICES OF BANCA GENERALI SHARE - SUMMARY

(EURO)	2016	2017	2018	2019	2020
Maximum	28.00	30.50	30.84	31.86	33.00
Minimum	16.02	22.79	17.03	18.24	16.86
Average	21.68	26.86	23.53	25.41	25.90
Year-end	**22.66**	**27.74**	**18.13**	**28.96**	**27.24**
Capitalisation (€ million)	**2,638**	**3,241**	**2,119**	**3,384**	**3,183**

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 1,767,676 at the end of 2020 and accounting for 1.51% of share capital. These shares are intended for the service of long-term remuneration plans for the Bank's Key Personnel, thus confirming their alignment to the stock performance.

TABLE 16: AUTHORISED SHARE CAPITAL

	2016	2017	2018	2019	2020
No. shares issued	116,424,502	116,851,637	116,851,637	116,851,637	116,851,637
No. of outstanding shares at year-end (*)	116,298,373	116,379,062	115,922,547	115,384,058	115,083,961
Treasury shares	126,129	472,575	929,090	1,467,579	1,767,676

(*) Net of treasury shares.

Business Outlook

In 2021, the macroeconomic scenario will probably be characterised by generalised and synchronised growth, fuelled by the expected positive evolution of the pandemic. According to OECD estimates, next year's global gross domestic product is expected to grow by 4.2%, supported by maintenance of the expansionary measures implemented by governments and central banks to support the entire economic system, even though particular attention will have to be paid to the level of public debt of the countries representing the main international economies. However, uncertainty about the results of the vaccination campaign and, consequently, of the evolution of the pandemic situation looms over these positive prospects.

In particular, in Europe, in order to support the recovery from the economic crisis triggered by the pandemic (estimated at + 3.6%), alongside the ultra-expansionary monetary policies, the so-called **Recovery Fund, a 750 billion euro** plan was approved, to save the countries most affected by the economic crisis caused by the Coronavirus. Among these, the largest beneficiary will be Italy where 2021 is expected to have good GDP growth and low inflation, accompanied by the risks of 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);
- volatility and persistent negative rates;
- regulatory discontinuity (including the entry into force of the MiFID II 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 this context — which is certainly complex 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 Industrial Plan, in 2021, which was the final year of the above-mentioned plan, the Banking Group will continue to **focus its attention on households**, strengthening its position as a **private** bank and increasing its commitment towards sustainability themes, while constantly ensuring greater dedication to developing bespoke solutions (in both investment products and advisory services).

Furthermore, in this context of economic growth prospects, the wide diversification of the aforementioned solutions, with tools ranging from private markets in support of the real economy and Italian SMEs to innovative thematic management, complete the spectrum of a unique offer in the advisory landscape in terms of depth, versatility and customisation possibilities.

In continuity with the projects launched at the beginning of the Industrial Plan, the main measures to be taken in 2021 will concern:

- **improvement of the quality of the Financial Advisor network** through both professional training for the existing network and the recruitment of high-profile, experienced professionals on the market;
- **product innovation**, with the goal of implementing a range of flexible financial services that may be tailored to each customer. Thanks to the development of wrappers and solutions with a high risk-yield correlation and consistent with the context defined by MiFID II. The commercial offer will also be increasingly based on **the theme of sustainability** and the possibility of offering concrete support to the real economy;
- **development of new lines of business** through the growth of AUC solutions, leveraging on the partnership with Saxo Bank in online trading and the expansion of lending, primarily in the form of the Lombard loan;

- **the international expansion in Switzerland** through the development of BG Valeur according to Banca Generali's business model;
- enhancement of the **comprehensive advisory service** covering all of the customer's wealth-related needs, in addition to advice concerning securities. Thanks to several exclusive partnerships, the Bank can provide advice concerning **Real Estate, Wealth Planning and Generational Transfer, Corporate Finance and Family Office issues**;
- **digital innovation,** with the aim of **improving and expediting the Bank-Customer-Financial Advisor relationship,** already implemented further during the **pandemic**;
- **enhancement of the communication of a solid, innovative brand**, including through the new social channels.

Also through the strategic decisions to strike new partnerships in areas with a strong technological component, improve process efficiency and develop the activities with the greatest added value for the network and customers, in 2021 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 2020 amounted to 274.9 million euros, improving on the already excellent results reported in 2019 (+1.0%) [15], despite the severely complex context due to the persistence of the coronavirus (Covid-19) pandemic emergency.

TABLE 17: PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Net interest income	89,644	74,015	15,629	21.1%
Net income (loss) from trading activities and dividends	19,939	14,173	5,766	40.7%
Net financial income	**109,583**	**88,188**	**21,395**	**24.3%**
Recurring fee income	782,352	733,630	48,722	6.6%
Fee expense	-416,087	-391,204	-24,883	6.4%
Net recurring fees	**366,265**	**342,426**	**23,839**	**7.0%**
Variable fee expense	141,765	147,384	-5,619	-3.8%
Net fees	**508,030**	**489,810**	**18,220**	**3.7%**
Net banking income	**617,613**	**577,998**	**39,615**	**6.9%**
Staff expenses	-104,272	-97,219	-7,053	7.3%
Other general and administrative expenses (net of duty recovery)	-94,595	-91,301	-3,294	3.6%
Net adjustments of property, equipment and intangible assets	-32,958	-29,955	-3,003	10.0%
Other operating expenses/income	4,605	5,548	-943	-17.0%
Net operating expenses	**-227,220**	**-212,927**	**-14,293**	**6.7%**
Operating result	**390,393**	**365,071**	**25,322**	**6.9%**
Net adjustments to non-performing loans	-662	-5,387	4,725	-87.7%
Net provisions for liabilities and contingencies	-30,828	-24,281	-6,547	27.0%
Contributions and charges related to the banking system	-11,282	-8,222	-3,060	37.2%
Gains (losses) from equity investments	-331	-1,867	1,536	-82.3%
Operating profit before taxation	**347,290**	**325,314**	**21,976**	**6.8%**
Income taxes for the year	-72,396	-53,192	-19,204	36.1%
Net profit attributable to minority interests	-25	-17	-8	47.1%
Net profit	**274,919**	**272,139**	**2,780**	**1.0%**

Reclassified net banking income amounted to 617.6 million euros, with an increase of 39.6 million euros (+6.9%) compared to 2019, due to the following factors:

› a higher **net financial income (109.6 million euros; +24.3%)**, which benefited from the increase in **net interest income (24.5%)**, driven by the growth in average volumes of interest-bearing assets (+18.2% for the securities portfolio) and a more efficient management

[15] Two business combinations were undertaken in 2019: the acquisition of the Nextam Partners Group on 25 July 2019 and the acquisition of the Swiss asset manager BG Valeur S.A. on 15 October 2019. The contribution of these acquisitions is therefore reflected in the Consolidated Profit and Loss Account for the comparison period with regard to only 5 months for the Nextam Group and 3 months for BG Valeur. However, the economic effect of the two acquisitions does not materially impact the Banking Group's main operating aggregates. An analysis of the most significant impacts on the various items of the Profit and Loss Account is thus provided below.

of liquidity, partly attributable to **net income from trading activities and dividends (+40.7%)**;
- the increase in **net fees (+3.7%; 18.2 million euros)** attributable to:
  - higher **net recurring fees (366.3 million euros; +7.0%)**, fuelled by the boost provided by both **banking and entry fee income (+22.7%)**, which benefited from the greater revenues generated by initiatives aimed at diversifying the offering implemented in recent years (advanced advisory, certificates, retail brokerage), and by the excellent performance of **management fee income (+4.5%)**;
  - the contribution of **performance fees (141.8 million euros; -3.8%)**, which decreased only slightly compared to the highs of 2019, despite the high volatility recorded in the year.

The growth indicated is largely the result of the organic development of the Banking Group's business. The economic effect of the new acquisitions can be estimated at 1.9% of consolidated net banking income.

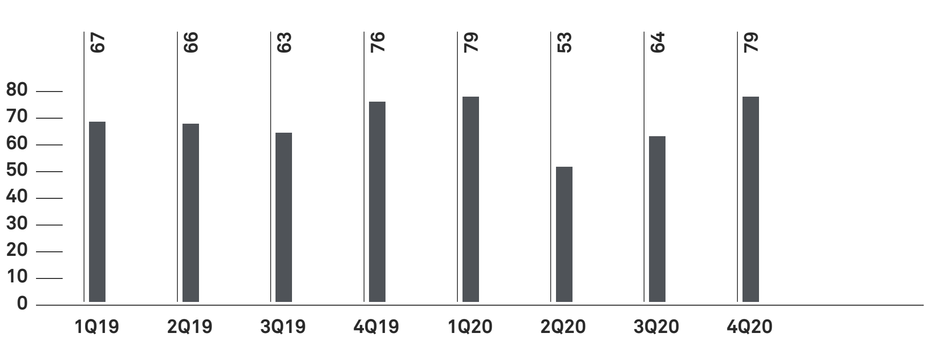
Operating expenses[16] amounted to **227.2 million euros**, up compared to the previous year (+6.7%), which was impacted by 20.6 million euros referring to the change in the consolidation scope following the acquisition of the former Nextam Group and Valeur[17], as well as by the 1.0 million euro Covid-19-related donations. Net of these items, organic growth of 'core' expenses[18] was 3.0%.

Operating efficiency indicators further improved, with a ratio of total costs to total assets at 30 bps (compared with 31 bps at year-end 2019) and a **cost/income ratio** that, even net of non-recurring items[19] such as variable fees, stood at **37.8%** (cost/income ratio reported was 31.5%), confirming the Bank's outstanding operating efficiency.

Provisions, net adjustments and contributions and charges related to the banking system totalled 42.8 million euros, up 4.9 million euros compared to 2019, mainly due to higher one-off charges associated with the adjustment of discount rates applied to the statistical-actuarial assessment (+5.9 million euros) and the increase in the contributions to the funds for the protection of the banking system (+3.1 million euros), partially offset by a lower impact of adjustments to non-performing loans.

Operating profit before taxation was **347.3 million euros**, up 22.0 million euros compared to the previous year (+6.8%). The tax burden for the reporting period rose sharply to an overall tax rate of 20.8%, due mainly to the increased weight of the tax burden generated abroad and the impact of higher infragroup dividends distributed and under distribution.

CHART 10: QUARTERLY NET PROFT (€ MILLION)



[16] See note 33 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.
[17] See the note to the section on operating expenses.
[18] Core operating expenses include operating expenses net of costs for sales personnel, amounting to 14.3 million euros in 2020 and to 15.3 million euros in 2019, and the portion of operating expenses attributable to the change in the consolidation scope.
[19] The cost/income ratio measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income. The adjusted cost/income ratio is stated net of performance fees, charges related to the banking system reclassified to a separate item on the profit and loss account (operating income and expenses) associated with the change in the Banking Group's consolidation scope.

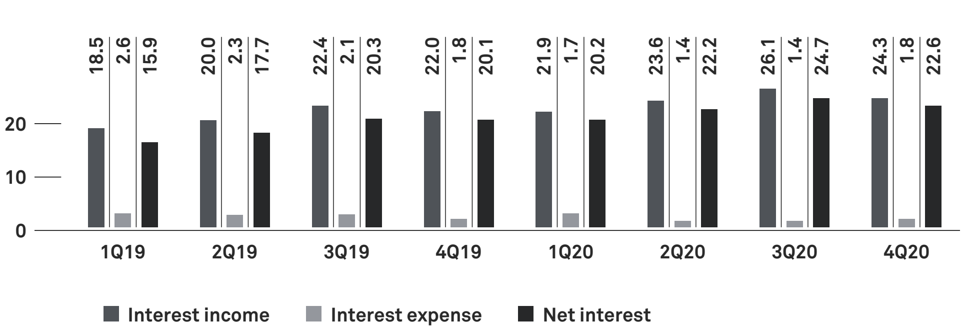
TABLE 18: QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19
Net interest income	22,564	24,680	22,160	20,240	20,149	20,284	17,708	15,874
Net income (loss) from trading activities and dividends	9,871	1,668	4,422	3,978	4,866	3,261	2,051	3,995
Net financial income	**32,435**	**26,348**	**26,582**	**24,218**	**25,015**	**23,545**	**19,759**	**19,869**
Recurring fee income	207,082	193,268	186,523	195,479	196,858	183,118	180,895	172,759
Fee expense	-110,716	-101,580	-99,433	-104,358	-103,304	-96,505	-97,134	-94,261
Net recurring fees	**96,366**	**91,688**	**87,090**	**91,121**	**93,554**	**86,613**	**83,761**	**78,498**
Variable fee expense	41,399	27,172	19,782	53,412	51,043	25,526	35,600	35,215
Net fees	**137,765**	**118,860**	**106,872**	**144,533**	**144,597**	**112,139**	**119,361**	**113,713**
Net banking income	**170,200**	**145,208**	**133,454**	**168,751**	**169,612**	**135,684**	**139,120**	**133,582**
Staff expenses	-27,801	-25,216	-25,586	-25,669	-29,600	-22,608	-23,221	-21,790
Other general and administrative expenses	-27,607	-22,128	-23,412	-21,448	-28,573	-21,715	-21,747	-19,266
Net adjustments of property, equipment and intangible assets	-9,470	-7,979	-7,771	-7,738	-8,803	-7,360	-7,000	-6,792
Other operating income/expenses	1,599	767	1,469	770	2,479	581	2,090	398
Net operating expenses	**-63,279**	**-54,556**	**-55,300**	**-54,085**	**-64,497**	**-51,102**	**-49,878**	**-47,450**
Operating result	**106,921**	**90,652**	**78,154**	**114,666**	**105,115**	**84,582**	**89,242**	**86,132**
Net adjustments to non-performing loans	1,653	2,347	-3,602	-1,060	-3,119	-1,125	-5,132	3,989
Net provisions	-11,950	-4,487	-6,157	-8,234	-11,308	-3,637	-3,215	-6,121
Contributions and charges related to the banking system	-134	-7,129	-965	-3,054	-953	-3,735	-948	-2,586
Gains (losses) from equity investments	-204	-52	-38	-37	-1,628	-154	-26	-59
Operating profit before taxation	**96,286**	**81,331**	**67,392**	**102,281**	**88,107**	**75,931**	**79,921**	**81,355**
Income taxes for the year	-17,159	-17,505	-14,502	-23,230	-12,015	-12,701	-13,745	-14,731
Net profit attributable to minority interests	-12	-6	-6	-1	-17	-	-	-
Net profit	**79,139**	**63,832**	**52,896**	**79,052**	**76,109**	**63,230**	**66,176**	**66,624**

Net interest income

Net interest income amounted to **89.6 million euros (+21.1%)**. This result benefited from the growth in average volumes of interest-bearing assets, the resilient yield on the debt portfolio and the even more efficient liquidity management, also owing to a proper use of the tiering system on the excess liquidity deposited with the ECB and the higher proceeds associated with the financing transaction under the TLTRO 3 programme.

CHART 11: NET INTEREST (€ MILLION)



In detail, the increase in interest income on the debt securities portfolio (+15.3%) was fully attributable to the increase in the average positions in this portfolio (+18.2%) and its virtually stable yield, despite a scenario marked by overall decreasing interest rates.

In the period, the average yield of the bond portfolio was slightly below 84 bps, essentially in line with the previous year, also thanks to the sharp increase in the fair value hedging transactions undertaken (asset swaps), which contributed 5.4 million euros (+4.4 million euros compared to the previous year).

The weighted average yield of the HTC portfolio, net of hedging, reached 1.0%.

Interest on loans to customers, most of which are benchmarked on the Euribor, remained virtually stable, despite a modest increase in the average loan volume compared to the same period of 2019.

Interest expense declined by 2.6 million euros (-29.8%), mainly owing to the lesser charges due to the early repayment, at the end of 2019, of the subordinated Tier 2 loan (-1.4 million euros) and the reduction in negative interest on sight deposits with the ECB (-1.0 million euros).

TABLE 19: NET INTEREST INCOME

			CHANGE	
(€ THOUSAND)	2020	2019	AMOUNT	%
Financial assets at fair value through profit or loss	61	573	-512	-89.4%
Financial assets at fair value through other comprehensive income (*)	748	3,143	-2,395	-76.2%
Financial assets at amortised cost (*)	67,010	55,122	11,888	21.6%
Total financial assets	**67,819**	**58,838**	**8,981**	**15.3%**
Loans to banks	158	667	-509	-76.3%
Loans to customers	21,542	20,774	768	3.7%
Other liabilities (negative interest expense)	6,338	2,582	3,756	145.4%
Total interest income	**95,857**	**82,861**	**12,996**	**15.7%**
Due to banks	865	672	193	28.7%
Due to customers	743	1,689	-946	-56.0%
Repurchase agreements – customers	-	43	-43	-100.0%
Subordinated loan	-	1,425	-1,425	-100.0%
IFRS 16-related financial liabilities	3,450	3,480	-30	-0.9%
Other assets (negative interest income)	1,155	1,538	-383	-24.9%
Total interest expense	**6,213**	**8,847**	**-2,634**	**-29.8%**
Net interest income	**89,644**	**74,014**	**15,630**	**21.1%**

(*) 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 1.2 million euros and 6.3 million euros, respectively.

The charges incurred primarily include interest on balances with the central bank (0.4 million euros), down sharply on the previous year (1.4 million euros) as a result of the tiering system introduced by the ECB at the end of 2019[20], which introduced a threshold for exemption from the application of the deposit facility rate, currently -0.5%, applied to excess cash deposited by credit institutions.

The income earned referred to sight deposits held with the Bank by its institutional and non-institutional customers, for specific agreements and particularly high deposit brackets (2.8 million euros), treasury funding repurchase agreement transactions with banks and customers (0.9 million euros) and the refinancing transactions undertaken with the ECB (2.8 million euros), of which 2.6 million euros relating to participation in TLTRO 3.

[20] In particular, 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.

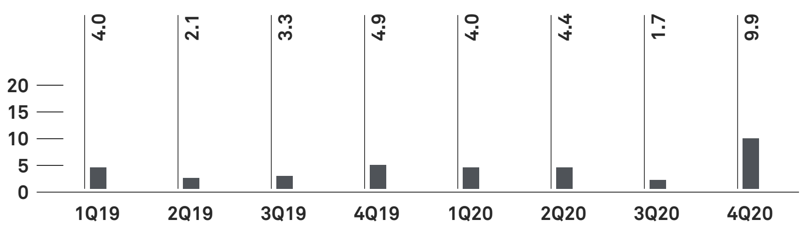
TABLE 20: NET NEGATIVE INTEREST

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Banks	2,955	7	2,948	n.a.
Customers	3,383	2,575	808	31.4%
Total income for negative interest expense	**6,338**	**2,582**	**3,756**	**145.5%**
Banks	1,074	1,494	-420	-28.1%
Customers	81	44	37	84.1%
Total expense for negative interest income	**1,155**	**1,538**	**-383**	**-24.9%**
Net negative interest income and expense	**5,183**	**1,044**	**4,139**	**n.a.**

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 at fair value through profit or loss, realised gains and losses from the disposal of financial assets designated at fair value through other comprehensive 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 2020, the item yielded a positive contribution of 19.9 million euros, up sharply compared to the previous year.

TABLE 21: NET RESULT OF FINANCIAL OPERATIONS

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Dividends and income on UCITS	**2,328**	**2,890**	**-562**	**-19.4%**
Trading of financial assets and equity derivatives	-119	54	-173	-320.4%
Trading of financial assets and derivatives on debt securities and interest rates	-36	603	-639	-106.0%
Trading of UCITS units	-125	-1	-124	n.a.
Securities transactions	-280	656	-936	-142.7%
Currency and currency derivative transactions	6,325	4,949	1,376	27.8%
Net income (loss) from trading activities	**6,045**	**5,605**	**440**	**7.9%**
Equity securities and UCITS	-3,157	1,262	-4,419	-350.2%
Debt securities	-37	-2,324	2,287	-98.4%
Financial Advisors' policies	373	882	-509	-57.7%
Net income (loss) on assets mandatorily measured at fair value through profit and loss	**-2,821**	**-180**	**-2,641**	**n.a.**
Net income (loss) from hedging	**-906**	**18**	**-924**	**n.a.**
Debt securities	15,293	5,840	9,453	161.9%
Gains (losses) from disposal on HTC and HTCS debt securities	15,293	5,840	9,453	161.9%
Net result of financial operations	**19,939**	**14,173**	**5,766**	**40.7%**

Net income from **trading activities** amounted to **6.0 million euros**, thanks to the contribution of currency operations.

Outside of the trading book, net income on **assets mandatorily measured at fair value** through profit or loss decreased by **-2.6 million euros** as a result of the capital losses on investments in UCITS and other equity securities.

Treasury management of debt securities allocated to the HTCS and HTC portfolios contributed instead **15.3 million euros**, up sharply compared to 5.8 million euros for the previous year.

Fee income

Fee income amounted to **924.1 million euros**, increasing by 4.9% compared to 2019.

The overall contribution of the new acquisitions of Valeur and Nextam can be estimated at 15.4 million euros, compared to 9.6 million euros recognised in the previous year, accounting for approximately 1.7% of the total consolidated fees.

TABLE 22: FEE INCOME

			CHANGE	
(€ THOUSAND)	2020	2019	AMOUNT	%
Underwriting fees	32,375	28,831	3,544	12.3%
Management fees	675,406	646,469	28,937	4.5%
Performance fees	141,765	147,384	-5,619	-3.8%
Fees for other services	74,571	58,330	16,241	27.8%
Total	**924,117**	**881,014**	**43,103**	**4.9%**

The increase in fees was borne by the significant growth in **fees for other banking and financial services and up-front fees** (+22.7%), attributable to the revenues generated by initiatives aimed at diversifying the Assets under Advisory (BGPA) range, the placement of certificates and structured products, and the contribution of the retail brokerage activities.

In this regard, it should be noted that **Assets under Advisory** grew significantly at the end of 2020, bringing the **total value of AUM to 6.0 billion euros**, compared to 4.7 billion euros at the end of 2019 (+27.6%).

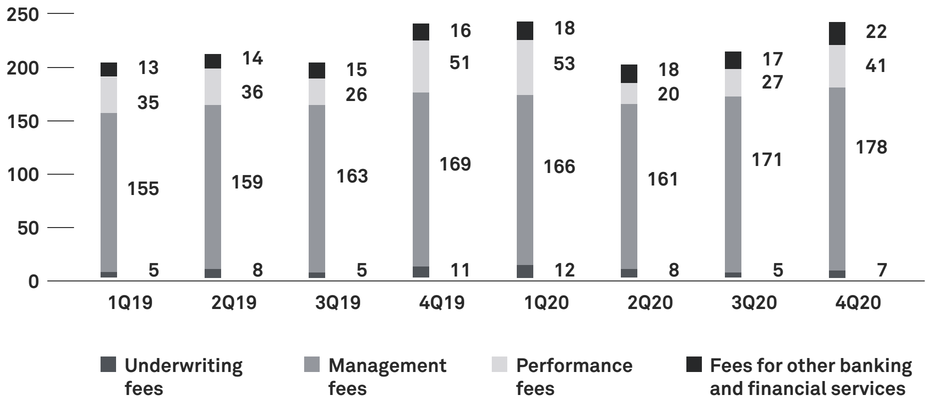
Overall, the aggregate of **management fees** grew significantly compared to 2019 (+4.5%), despite the effects generated on AUM by market volatility and customers' increased propensity towards deposits.

Recurring fees exceeded 782 million euros, sharply increasing compared to 2019 (+6.6%).

The **non-recurring component** proved resilient compared to 2019 (-3.8%), thanks both to the excellent results reported by the Sicavs promoted by the Group in the first two months of 2020, still characterised by robust financial market growth, and to the subsequent market rally driven by the measures jointly introduced by central banks and governments in support of the economy.

Therefore, the economic and financial crises triggered by the Covid-19 emergency only slowed growth within the fee aggregate, which, after proving quite resilient in the second quarter, now appears to be recovering sharply.

CHART 13: BREAKDOWN OF FEE INCOME (€ MILLION)



Fee income from the solicitation of investment and asset management of households reached **849.6 million euros**, with a 4.6% increase compared to the previous year, net of the aforementioned non-recurring component.

The new acquisitions of Valeur and Nextam contributed approximately 12.7 million euros, or 1.4% of the total (8.2 million euros). This amount included 0.5 million euros for management fees related to the Italian funds business, which was de-merged at the end of first half of the year.

TABLE 23: ASSET MANAGEMENT FEE INCOME

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
1 Collective portfolio management	392,834	383,455	9,379	2.4%
2. Individual portfolio management	79,591	82,011	-2,420	-3.0%
Fees for portfolio management	**472,425**	**465,466**	**6,959**	**1.5%**
1. Placement of UCITS	108,622	102,592	6,030	5.9%
of which: underwriting of UCITS promoted by the Group	*6,862*	*5,801*	*1,061*	*18.3%*
2. Placement of bonds and equity securities	18,932	15,584	3,348	21.5%
of which: certificates	*15,823*	*14,223*	*1,600*	*11.2%*
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	898	856	42	4.9%
4. Distribution of third-party insurance products	247,984	237,664	10,320	4.3%
5. Distribution of other third-party financial products	684	523	161	30.8%
Fees for the placement and distribution of financial services	**377,120**	**357,219**	**19,901**	**5.6%**
Asset management fee income	**849,545**	**822,685**	**26,860**	**3.3%**

Fee income from **distribution of insurance products** continued to report constant progress (**+4.3%** compared to 2019), thanks to the steady increase in average AUM in this segment (+4.0%).

With regard to the **Sicavs** promoted by the Banking Group, **management fees** — net of the effect of non-recurring performance components — **grew by 5.5%** compared to 2019, thanks to the increasingly positive results reported by the new sub-funds of the Sicav Lux IM, whose AUM totalled 13.3 billion euros (of which 5.6 billion euros placed to retail customers).

Fees for the **placement of UCITS** amounted to **108.6 million euros**, with an increase of 5.9% on 2019 that showed the constant demand by customers for à-la-carte funds and Sicavs.

Worth of mention is also the excellent result of the placement of **certificates**, which generated fees for over 14.4 million euros, despite the very complex market context.

Fee income for other services, of a banking and financial nature, amounted to **74.6 million euros**, thanks to the robust growth in Assets under Advisory (+35.3%), greater fees for trading driven by retail customers' trading volumes (+31.5%) and the start of operations on the BG Saxo trading platform.

TABLE 24: FEE INCOME FOR OTHER SERVICES

			CHANGE	
(€ THOUSAND)	2020	2019	AMOUNT	%
Fees for trading and custody	31,922	24,284	7,638	31.5%
of which BG SAXO services	*1,629*	*88*	*1,541*	*n.a.*
Investment advisory fees	32,945	24,354	8,591	35.3%
of which on AG Group's unit-linked policies	*6,387*	*5,941*	*446*	*7.5%*
Fees for collection and payment services	4,180	4,329	-149	-3.4%
Fee income and account-keeping expenses	1,987	2,021	-34	-1.7%
Fees for other services	3,537	3,339	198	5.9%
Total fee income for other services	**74,571**	**58,327**	**16,244**	**27.8%**

Fee expense

Fee expense, including fee provisions [21], amounted to **416.1 million euros**, with a limited impact generated by the new acquisitions (0.7%).

The 6.4% increase for the year was essentially in line with the recurring fee income performance.

The Bank's ratio of total payout to total fee income (net of performance fees) was thus 53.2%.

TABLE 25: FEE EXPENSE

			CHANGE	
(€ THOUSAND)	2020	2019	AMOUNT	%
Fees for off-premises offer	370,628	350,833	19,795	5.6%
Ordinary payout	*281,540*	*269,274*	*12,266*	*4.6%*
Extraordinary payout	*89,088*	*81,479*	*7,609*	*9.3%*
Other fees	45,459	40,371	5,088	12.6%
Fees for portfolio management	*30,639*	*28,283*	*2,356*	*8.3%*
Fees for dealing in securities and custody	7,513	5,688	*1,825*	*32.1%*
Fees for collection and payment services	*3,871*	*4,397*	*-526*	*-12.0%*
Fees for other services	*3,436*	*2,003*	*1,433*	*71.5%*
Total fee expense	**416,087**	**391,204**	**24,883**	**6.4%**

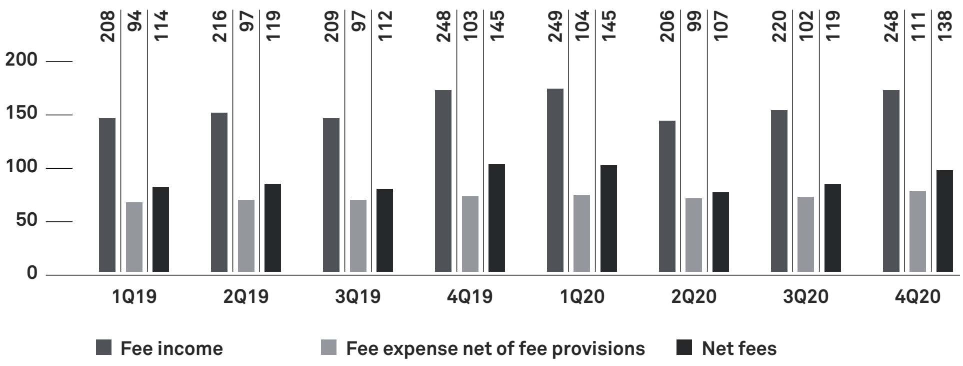
Fee expense for off-premises offer paid to the Financial Advisors network amounted to **370.6 million euros**, up 19.8 million euros compared to 2019 (+5.6%), mainly attributable to the increase in ordinary payout (+12.3 million euros), driven by the placement of certificates and advisory and, to a lower extent, to incentive fees (+7.6 million euros).

[21] 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 14.8 million euros for 2020 and 13.3 million euros for 2019.

Fees for portfolio management amounted to 30.6 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 14.8 million euros, increasing compared to the same period of 2019 (+22.6%) as a result of higher fees for the new Robo4advisory services and fees for collection services.

CHART 14: BREAKDOWN OF FEE INCOME (€ MILLION)



Operating expenses

Operating expenses[22] amounted to 227.2 million euros, increasing compared to the previous year (+6.7%). The change was broadly attributable to the contribution of the acquisitions of Nextam and Valeur and the costs incurred for the subsequent reorganisation and integration activities (M&As), amounting to 20.6 million euros[23], as well as to the Covid-19-related donations for 1.0 million euros. Net of these items, core expenses[24] showed a 3% organic growth.

TABLE 26: OPERATING EXPENSES

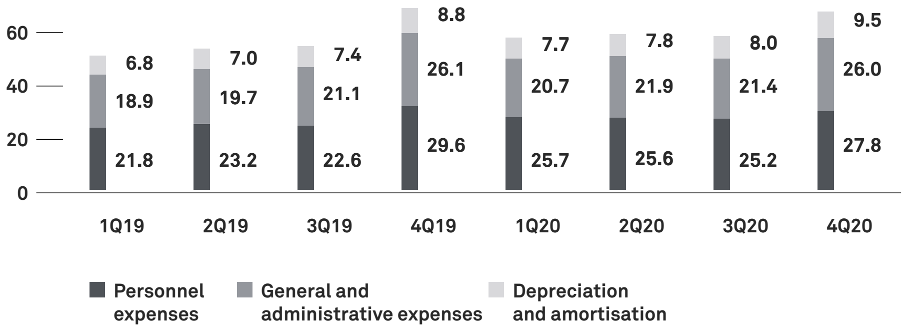
(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Staff expenses	104,272	97,219	7,053	7.3%
General and administrative expenses (net of duty recovery) and other net income	89,990	85,753	4,237	4.9%
Net adjustments of property, equipment and intangible assets	32,958	29,955	3,003	10.0%
Operating expenses	**227,220**	**212,927**	**14,293**	**6.7%**

22 See note 33 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.

23 The operating expenses associated with the change in the scope of the Banking Group following the acquisition of the Nextam Group and Valeur amounted to 17.8 million euros, inclusive of the amortisation of the intangible assets recognised within the framework of the business combinations (0.9 million euros) and the estimated operating costs referring to the companies merged in the second half of 2020, whereas the one-off charges incurred by Banca Generali for the ensuing reorganisation and integration activities (M&As) and other activities amounted to 2.8 million euros. The contribution of Nextam Group and Valeur to total operating expenses for 2019 had instead been just over 7.2 million euros. In the previous year, the operating expenses aggregate had also included several one-off components — which were therefore not replicable in 2020 — associated with M&As and the acceleration of strategic projects totalling 4.8 million euros.,

24 Operating expenses net of expenses related to sales personnel and the change in the consolidation scope.

CHART 15: BREAKDOWN OF OPERATING EXPENSES (€ MILLION)



Within this aggregate, **staff expenses**, including full-time employees, interim staff and directors, reached 104.3 million euros, up 7.1 million euros compared to the previous year (+7.3%), fully attributable to the inclusion of the Nextam Group and Valeur in the consolidation scope.

Net of this item, the aggregate would decline slightly by 0.2 million euros, despite the increase in the variable remuneration following the positive result achieved in 2020.

TABLE 27: STAFF EXPENSES

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
1) Employees	**103,008**	**95,618**	**7,390**	**7.7%**
Ordinary remuneration	75,166	70,920	4,246	6.0%
Variable remuneration and incentives	21,251	17,884	3,367	18.8%
Other employee benefits	6,591	6,814	-223	-3.3%
2) Other staff	**-237**	**227**	**-464**	**n.a.**
3) Directors and Auditors	**1,501**	**1,374**	**127**	**9.2%**
Total	**104,272**	**97,219**	**7,053**	**7.3%**

The **Banking Group** had an **employee headcount of 962** at year-end, up by 12 on the previous year, whereas average headcount increased by 48 compared to 2019, mainly as a result of the arrival of the 63 new employees originally working at Nextam Group and Valeur.

TABLE 28: EMPLOYEES

	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %	WEIGHTED AVERAGE (*) 2020	WEIGHTED AVERAGE (*) 2019	CHANGE AMOUNT
Managers	65	68	-3	-4.4%	67	58	9
Executives	321	304	17	5.6%	312	284	28
3rd and 4th level executives	*175*	*177*	*-2*	*-1.1%*	*177*	*161*	*16*
1st and 2nd level executives	*146*	*127*	*19*	*15.0%*	*135*	*123*	*12*
Other employees	576	578	-2	-0.3%	561	551	10
Total	**962**	**950**	**12**	**1.3%**	**940**	**893**	**48**

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

Other general and administrative expenses and other net income amounted to 90.0 million euros, increasing by 4.2 million euros compared to the previous year (+4.9%), mainly due to the effects of the consolidation of the Nextam Partners Group and Valeur and the aforementioned M&A charges.

Net provisions

Net provisions not related to fees amounted to **30.8 million euros**, up 6.5 million euros on the previous year as the result of provisions to cover contractual commitments to the sales network (+10.3 million euros), only partly offset by the closing out at the end of 2020 of the voluntary redundancy plan and the decline in other provisions for risks and charges, which in the previous year had included specific provisions for the costs of integrating the Nextam Group (1.2 million euros) and the tax dispute (1.5 million euros).

However, approximately 5.9 million euros of the increase in provisions for contractual indemnities was due to the effect of the change in the discount rate curve applied to these latter provisions, assessed according to an actuarial method[25].

The provisions referred to termination indemnities pursuant to Article 1751 of the Italian Civil Code for 12.0 million euros, to other contractual agreements for 4.5 million euros and to the 2020-2026 fourth cycle of the Framework Loyalty Programme for the Financial Advisor Network for 8.4 million euros.

TABLE 29: NET PROVISIONS

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Provision for staff liabilities and contingencies	1,693	967	726	75.1%
Restructuring provisions – Voluntary redundancy plan	-365	1,672	-2,037	-121.8%
Provisions for legal disputes	2,464	2,469	-5	-0.2%
Provision for contractual indemnities to the sales network	24,999	14,739	10,260	69.6%
Other provisions for liabilities and contingencies	2,020	4,412	-2,392	-54.2%
Guarantees and commitments	17	22	-5	-22.7%
Total	**30,828**	**24,281**	**6,547**	**27.0%**

Adjustments

Net adjustments to non-performing loans amounted to **0.7 million euros**, down sharply compared to the previous year[26].

TABLE 30: NET ADJUSTMENTS TO NON-PERFORMING LOANS

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	2020	2019	CHANGE
Specific adjustments/reversals	**-1,562**	**295**	**-1,267**	**-8,321**	**7,054**
Debt securities	-	-	-	-8,561	8,561
Non-performing loans of the banking book	-955	272	-683	364	-1,047
Operating loans to customers	-607	23	-584	-124	-460
Portfolio adjustments/reversals	**-947**	**1,552**	**605**	**2,934**	**-2,329**
Debt securities	-	1,534	1,534	3,422	-1,888
Performing loans to customers and banks	-947	18	-929	-488	-441
Total	**-2,509**	**1,847**	**-662**	**-5,387**	**4,725**

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 reversals for 0.6 million euros.

The portfolio of performing loans to customers showed higher adjustments for 0.9 million euros, mainly attributable to the recalibration of loss parameters (PD and LGD) with the new macroeconomic scenario variables (Forward-Looking Information - FLI), reflecting the changed economic prospects resulting from the deep crisis triggered by the Covid-19 pandemic.

[25] 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 decline in the rate used thus reflected the sharp contraction of the spreads on government bonds, slowed only by the brief spike during the most critical period of the pandemic emergency in Italy, from late February to early May 2020.

[26] It should be noted that 2019 benefited from a significant release to the Profit and Loss Account of collective provisions for performing debt securities in the HTC and HTCS portfolios, recognised in the previous year (3.9 million euros), offset by the 8.5 million euros analytical impairment of the 14 million euro subordinated loan issued by Tyndaris Services Ltd and set to expire at the end of 2021.

The debt securities portfolio recorded net reversals for 1.5 million euros, mainly due to the lower risk level of the government bond portfolio resulting from the initiatives taken by the ECB, partially offset by the greater adjustments necessary in light of the expansion of investment volumes.

Specific analytical adjustments totalled **1.3 million euros** and referred to new positions classified as unlikely-to-pay and past-due (0.7 million euros) and the impairment or write-off of past advances to Financial Advisors and operating loans for services rendered to customers (0.6 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 **11.3 million euros** and included both the ordinary contributions to the Single Resolution Fund (3.1 million euros) and the additional contribution requested by the National Resolution Fund managed by the Bank of Italy to cover the previous charges for the interventions undertaken in 2015 as part of the Resolution plan for four banks (0.9 million euros) and the ordinary contributions to the Interbank Deposit Protection Fund (FITD), which rose sharply compared to the previous year as a result of higher charges associated with the interventions undertaken in the past two years[27] (7.3 million euros).

TABLE 31: CONTRIBUTIONS AND CHARGES RELATED TO THE BANKING SYSTEM

			CHANGE	
	2020	2019	AMOUNT	%
BRRD - FRU: ordinary contributions	3,054	2,586	468	18.1%
BRRD - FRN: additional contributions (for four banks in 2015)	964	947	17	1.8%
DGSD - FITD: ordinary and additional contributions	5,093	4,243	850	20.0%
DGSD - FITD: additional contributions for interventions (Carige, Banca Popolare di Bari)	2,171	409	1,762	n.a.
DGSD - FITD: contribution to the Solidarity Fund (FDS)	-	37	-37	-100.0%
Contributions and charges related to the banking system	**11,282**	**8,222**	**3,060**	**37.2%**

Income taxes

Income taxes for the year on a current and deferred basis were estimated at **72.4 million euros**, up 19.2 million euros compared to estimated taxes at the end of the same period of 2019.

The estimated total tax rate was 20.8%, up compared to the same period of the previous year, chiefly due to the increase in the tax rate incurred abroad and, to a lower extent, to the impact of infragroup dividends distributed in the year.

TABLE 32: INCOME TAXES

			CHANGE	
(€ THOUSAND)	2020	2019	AMOUNT	%
Current taxes for the year	-74,348	-53,417	-20,931	39.2%
Prior years' taxes	2,058	1,021	1,037	101.6%
Changes of prepaid taxation (+/-)	1,530	-1,177	2,707	n.a.
Changes of deferred taxation (+/-)	-1,636	381	-2,017	n.a.
Total	**-72,396**	**-53,192**	**-19,204**	**36.1%**

[27] 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.

Earnings per share

At year-end 2020, **basic net earnings per share were 2.38 euros**, slightly up compared to the previous year.

TABLE 33: BASIC NET EARNINGS PER SHARE

	2020	2019	CHANGE AMOUNT	CHANGE %
Net profit for the year (€ thousand)	274,919	272,139	2,780	1.0%
Earnings attributable to ordinary shares (€ thousand)	274,919	272,139	2,780	1.0%
Average number of outstanding shares (thousand)	115,340	115,719	-378	-0.3%
EPS - Earnings per share (euros)	**2.38**	**2.35**	**0.03**	**1.4%**
Average number of outstanding shares				
With diluted share capital	115,340	115,719	-379	-0.3%
EPS – Diluted earnings per share (euros)	**2.38**	**2.35**	**0.03**	**1.4%**

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 securities at fair value through other comprehensive income.

At the end of 2020, the latter component provided a positive overall contribution of 0.7 million euros, against a net positive change of 15.5 million euros recorded at the end of the same period of the previous year.

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

› **an increase in net valuation gains** totalling 2.4 million euros, net of 0.6 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 (-1.3 million euros);
› **the negative net tax effect** associated with the above changes and mainly resulting from net increases in DTLs (-0.4 million euros).

TABLE 34: COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Net profit	**274,894**	**272,122**	**2,772**	**1.0%**
Other income, net of income taxes:				
with transfer to Profit and Loss Account:				
Exchange differences	-2	3	-5	-166.7%
Financial assets at fair value through other comprehensive income	652	15,526	-14,874	-95.8%
without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-318	82	-400	n.a.
Total other income, net of taxes	**332**	**15,611**	**-15,279**	**-97.9%**
Comprehensive income	**275,226**	**287,733**	**-12,507**	**-4.3%**
Consolidated comprehensive income attributable to minority interests	-21	-8	-12	145.2%
Comprehensive income attributable to the Group	**275,247**	**287,741**	**-12,495**	**-4.3%**

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.[28]

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 the respective clients and assets of BG Valeur S.A.

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 Internal Transfer Rate (TIT) 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 2020 reallocations among CGUs.

[28] Management approach.

TABLE 35: BANCA GENERALI GROUP - PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT

	2020				2019			
	PB CGU	WM CGU	CORPORATE CENTER	TOTAL	PB CGU	WM CGU	CORPORATE CENTER	TOTAL
NET INTEREST INCOME	**9,317**	**5,206**	**75,121**	**89,644**	**10,247**	**5,192**	**58,577**	**74,015**
Fee income	565,734	259,433	98,950	924,117	539,860	250,090	91,065	881,014
of which: underwriting	*24,018*	*7,357*	*1,000*	*32,375*	*21,956*	*5,916*	*910*	*28,781*
of which: management	*429,350*	*206,569*	*39,486*	*675,406*	*416,321*	*198,125*	*31,868*	*646,313*
of which: performance	*68,888*	*27,510*	*45,367*	*141,765*	*70,958*	*31,117*	*45,361*	*147,436*
of which: other	*43,477*	*17,997*	*13,097*	*74,571*	*30,626*	*14,932*	*12,926*	*58,484*
Fee expense	-263,666	-133,463	-18,958	-416,087	-252,465	-126,199	-12,540	-391,204
of which: incentives	*-8,958*	*-5,823*	*-*	*-14,781*	*-8,216*	*-5,113*	*-*	*-13,329*
Net fees	**302,067**	**125,970**	**79,992**	**508,030**	**287,395**	**123,890**	**78,525**	**489,810**
Net income (loss) from trading activities and dividends	-	-81	20,019	19,939	-	*-21*	*14,193*	14,172
Net banking income	**311,384**	**131,095**	**175,133**	**617,613**	**297,642**	**129,061**	**151,295**	**577,998**
Staff expenses	-	-	-	-104,272	-	-	-	-97,219
Other general and administrative expenses	-	-	-	-176,237	-	-	-	-162,681
Adjustments of property, equipment and intangible assets	-	-	-	-32,958	-	-	-	-29,955
Other operating expenses/income	-	-	-	74,965	-	-	-	68,706
Net operating expenses	**-**	**-**	**-**	**-238,503**	**-**	**-**	**-**	**-221,149**
Operating result	**-**	**-**	**-**	**379,110**	**-**	**-**	**-**	**356,849**
Adjustments of other assets	-	-	-	-661	-	-	-	-5,387
Net provisions	-	-	-	-30,828	-	-	-	-24,281
Gains (losses) from investments and equity investments	-	-	-	-331	-	-	-	-1,867
Operating profit before taxation	**-**	**-**	**-**	**347,290**	**-**	**-**	**-**	**325,314**
Income taxes - operating activities	-	-	-	-72,396	-	-	-	-53,192
Net profit (loss) for the year attributable to minority interests	-	-	-	-25	-	-	-	-17
Net profit	**-**	**-**	**-**	**274,919**	**-**	**-**	**-**	**272,139**

Private Banking CGU

TABLE 36: PB CGU

	2020	2019	CHANGE
Net interest income	9,317	10,247	-9.07%
Net fees	302,067	287,395	5.11%
Net income (loss) from trading activities and dividends	-	-	-
Net banking income	**311,384**	**297,642**	**4.62%**
AUM	48,172	43,428	10.92%
Net inflows	3,905	3,151	23.93%
Financial Advisors	1,745	1,707	2.23%
AUM/FA	27.61	25.44	8.51%
Net inflows/FA	2.24	1.85	21.23%

At 31 December 2020, this CGU's AUM amounted to 48.2 billion euros, up about 4.8 billion euros (+10.9%) compared to the previous year, also thanks to the positive effect of reallocations among CGUs. In addition to the stimulus of the market effect, 2020 net inflows (3.9 billion euros) enabled PB CGU's Financial Advisors to increase their average portfolio to approximately 27.6 million euros (+8.5%) at year-end.

In 2020, this CGU's net banking income amounted to 311.4 million euros, up 4.6% compared to 2019 (297.6 million euros). This result was attributable to the following factors:

- net interest income, net of notional interest attributable to the Corporate Center CGU declined by 9.1% as a result of the rise in the curve of the interest rates applied;
- net fees (+5.1%) reported growth in all components, except for performance fees, which decreased slightly. The increase in management fees is primarily due to the significant volume growth, whereas the development of new revenue sources for the Bank drove a rise in fees relating to the development of paid financial advice and trading activities.

The CGU's contribution to consolidated net banking income was 50%, essentially stable on the figure recorded in 2019 (51%).

Wealth Management CGU

TABLE 37: CGU WM

	2020	2019	CHANGE
Net interest income	5,206	5,192	0.28%
Net fees	125,970	123,890	1.68%
Net income (loss) from trading activities and dividends	-81	-21	n.a.
Net banking income	**131,095**	**129,061**	**1.58%**
AUM	25,830	25,235	2.36%
Net inflows	1,961	2,349	-16.52%
Financial Advisors	354	333	6.31%
AUM/FA	72.97	75.78	-3.71%
Net inflows/FA	5.54	7.05	-21.47%

At 31 December 2020, WM CGU's AUM amounted to 25.8 billion euros, up 0.6 billion euros compared to 2019. The CGU's positive result was mainly driven by net inflows, partially offset by the asset reallocation among CGUs. Thanks to these trends, the average portfolio per Financial Advisor remained stable at above 75.5 million euros.

In 2020, the CGU's net banking income was 131.1 million euros (129.1 million euros in 2019), up 1.6%. The reasons of this performance are the same as those already illustrated for the PB CGU, with the exception of net interest income, which remained essentially stable over the two years with regard to the WM CGU. The CGU's contribution to the overall net banking income was therefore 21% (22% in 2019).

Corporate Center CGU

TABLE 38: CORPORATE CENTER

	2020	2019	CHANGE
Net interest income	75,121	58,577	28.24%
Net fees	79,992	78,525	1.87%
Net income (loss) from trading activities and dividends	20,019	14,193	41.05%
Net banking income	**175,133**	**151,295**	**15.76%**
AUM	5,333	5,091	4.76%
Net inflows	n.a.	n.a.	n.a.
Financial Advisors	n.a.	n.a.	n.a.

At 31 December 2020, the Corporate Centre CGU's AUM amounted to 5.3 billion euros. In 2020, net banking income in the Corporate channel reached 175.1 million euros (151.3 million euros in 2019), with an annual increase of 15.8% due to:

- an overall increase in net financial income, attributable both to the improvement in the net interest income component, which benefited from the volume growth and the increase in

notional interests associated with other CGUs, and to the higher gains and losses reported in the previous year (+41%);
- a rise in net fees, mainly driven by higher management fees (39.5 million euros) attributable to the increase in assets under management relating to the UCITS underlying the policies placed by Generali Group companies. The contribution of other fee components was essentially stable compared to 2019.

The CGU's contribution to the overall net banking income was therefore 28% (26% in 2019).

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 Government 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 2020 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 11.3 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.

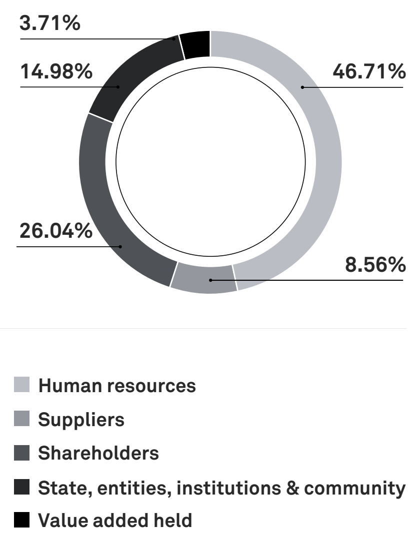
In 2020, the **Economic Value generated** by the Group's overall operations reached **1,055.8 million euros**, up 7.1% compared to the previous year.

TABLE 39: ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED

			CHANGE	
(€ THOUSAND)	2020	2019	AMOUNT	%
Economic value generated	**1,055,813**	**986,040**	**69,773**	**7.1%**
Economic value distributed	**1,016,595**	**674,657**	**341,938**	**50.7%**
Employees, collaborators and Financial Advisors	493,175	457,259	35,916	7.9%
Suppliers	90,392	88,138	2,254	2.6%
Shareholders and third parties [1]	274,894	-17	274,911	n.a.
Government, entities, institutions and communities	158,134	129,277	28,857	22.3%
Economic value retained [1]	**39,218**	**311,383**	**-272,165**	**-87.4%**

(1) The value of the 2019 dividend was restated under the Economic value retained item as a result of the cancellation of the dividend distribution in accordance with the recommendations of the European Central Bank and the Bank of Italy on dividend distributions during the Covid-19 pandemic.

CHART 16: BREAKDOWN OF VALUE ADDED



This value was distributed to stakeholders as follows:

- **Employees and collaborators,** including **Financial Advisors,** benefited from approximately **46.7%** of economic value generated, in the total amount of approximately 493.2 million euros (up 7.9% compared to the previous year). Employees and collaborators benefited from 102.8 million euros (+4.7% compared to 2019) and Financial Advisors from 390.4 million euros (+8.7% compared to the previous year), inclusive of net provisions for incentives, recruitment plans and other contractual indemnities amounting to 39.8 million euros;
- **Shareholders** received **26.0%** of the economic Value generated, due in part to the proposal for distributing dividends for 385.6 million euros, absorbing the entire consolidated net profit for 2020 and drawing the remaining from the previous year's retained earnings; dividend per share amounted to 3.30 euros, with a 70.5% payout ratio calculated on the total net profit for the years 2019 and 2020;
- **Suppliers** benefited from 8.6% of the economic value generated, in line with 8.9% in 2019, or approximately 90.4 million euros;
- the **Italian Government, institutions and communities** received approximately **15.0%** of the economic value generated, amounting to about 158.1 million euros, slightly increasing compared to the previous year (13.1%). This item also includes charges in support of the banking system and stamp duty on current accounts and financial instruments.

With reference to the economic value distributed to institutions and communities, in 2020 Banca Generali, despite the limitations on live events due to the Covid-19 emergency, reiterated its strong social commitment to supporting the country, with initiatives aimed at helping those at the forefront in combating the pandemic, also through the allocation of an extraordinary fund of 1 million euros for donating ambulances and equipment to the Red Cross and hospitals.

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 39.2 million euros, or 3.7% 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 40: DISTRIBUTION OF THE ECONOMIC VALUE GENERATED

	2020	2019
Employees and collaborators	46.71%	46.37%
Suppliers	8.56%	8.94%
Shareholders	26.04%	-
Government, entities, institutions and communities (1)	14.98%	13.11%
Economic value retained (1)	3.71%	31.58%
Total	**100.00%**	**100.00%**

(1) The 2019 dividend was restated under the Economic Value retained item as a result of the cancellation of the dividend distribution in accordance with the recommendations of the European Central Bank and the Bank of Italy on dividend distributions during the Covid-19 pandemic.

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

TABLE 41: STATEMENT OF DETERMINATION OF THE TOTAL ADDED VALUE

	ITEMS (IN € THOUSAND)	2020	2019	VAR,	%
10.	Interest income and similar revenues	95,857	82,861	12,996	15.7%
20.	Interest expense and similar charges	-6,213	-8,846	2,633	-29.8%
40.	Fee income	924,117	881,014	43,103	4.9%
50.	Fee expense (net of expenses related to Financial Advisor network) (1)	-45,280	-40,371	-4,909	12.2%
70.	Dividends and similar income	2,328	2,891	-563	-19.5%
80.	Net income (loss) from trading activities	6,045	5,606	439	7.8%
90.	Net income (loss) from hedging	-906	18	-924	n.a.
100.	Gains (losses) on disposal or repurchase of:	15,293	5,839	9,454	161.9%
	a) financial assets at amortised cost	17,450	315	17,135	n.a.
	b) financial assets at fair value through other comprehensive income	-2,157	5,524	-7,681	-139.0%
110.	Net income (loss) from other financial assets and liabilities at fair value through profit and loss (7)	-2,821	2,157	-4,978	n.a.
	b) financial assets and liabilities mandatorily measured at fair value (7)	-2,821	2,157	-4,978	n.a.
130.	Net adjustments/reversals due to credit risk relating to:	-662	-5,387	4,725	-87.7%
	a) financial assets at amortised cost	-779	-5,591	4,812	-86.1%
	b) financial assets at fair value through other comprehensive income (7)	117	204	-87	n.a.
230.	Other operating expenses/income (4)	68,045	60,520	7,525	12.4%
250.	Gains (losses) from equity investments (portion of gains/losses on disposal)	-	-	-	n.a.
280.	Gains (losses) on disposal of investments	10	-262	272	-103.8%
320.	Profit (loss) from discontinued operations, net of taxes	-	-	-	n.a.
	A. TOTAL ECONOMIC VALUE GENERATED	**1,055,813**	**986,040**	**69,773**	**7.1%**
190.b	Other general and administrative expenses (2)	-90,392	-88,138	-2,254	2.6%
	ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	**-90,392**	**-88,138**	**-2,254**	**2.6%**
190.a	Staff expenses	-102,782	-98,199	-4,583	4.7%
50.	Fee expense – expenses and provision for external networks (cost of Financial Advisors) (5)	-390,393	-359,060	-31,333	8.7%
	ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND COLLABORATORS	**-493,175**	**-457,259**	**-35,916**	**7.9%**
340.	Profit (loss) for the year attributable to minority interests	25	17	8	n.a.
	ECONOMIC VALUE DISTRIBUTED TO THIRD PARTIES	**25**	**17**	**8**	**n.a.**
	Profit distributed to Shareholders (8)	-274,919	-	-274,919	n.a.
	ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS	**-274,919**	**-**	**-274,919**	**n.a.**
190.b	Other general and administrative expenses: indirect taxation (6)	-71,914	-64,918	-6,996	10.8%
190.b	Other general and administrative expense for charges for the Italian National Resolution Fund and the Interbank Deposit Protection Fund (6)	-11,282	-10,645	-637	6.0%
300.	Income taxes for the year on operating activities (portion related to current taxes)	-72,289	-52,396	-19,893	38.0%
	ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND LOCAL ADMINISTRATIONS	**-155,485**	**-127,959**	**-27,526**	**21.5%**
190.b	Other general and administrative expenses: charitable gifts (6)	-2,649	-1,318	-1,331	101.0%
	Net profit allocated to the charity fund	-	-	-	n.a.
	ECONOMIC VALUE DISTRIBUTED TO COMMUNITIES AND THE ENVIRONMENT	**-2,649**	**-1,318**	**-1,331**	**101.0%**
	B. TOTAL ECONOMIC VALUE DISTRIBUTED	**-1,016,595**	**-674,657**	**-341,938**	**50.7%**
200.	Net provisions for liabilities and contingencies (3)	-5,812	-6,888	1,076	-15.6%
	a) commitments and guarantees issued	-17	-22	5	n.a.
	b) other net provisions (3)	-5,795	-6,866	1,071	-15.6%
210.	Net adjustments/reversals of property and equipment	-21,511	-20,145	-1,366	n.a.
220.	Net adjustments/reversals of intangible assets	-11,447	-9,810	-1,637	16.7%
250.	Gains (losses) from equity investments (portion of valuational component)	-341	-1,605	1,264	n.a.
260.	Net result of fair value measurement of property, equipment and intangible assets	-	-	-	n.a.
270.	Adjustments of goodwill	-	-	-	n.a.
300.	Income taxes for the year on operating activities (change in deferred tax assets and liabilities)	-107	-796	689	n.a.
	Profit allocated to reserves (8)	-	-272,139	272,139	-100.0%
	C. TOTAL ECONOMIC VALUE RETAINED	**-39,218**	**-311,383**	**272,165**	**-87.4%**

(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.
(7) This figure differs from that included in the Financial Statements as it was modified to exclude the charges related to the Bank's commitment to contribute to the Interbank Deposit Protection Fund (FITD) aimed at supporting the Italian banking system, restated under a specific item.
(8) The 2019 dividend paid to Shareholders was restated under the Profit allocated to reserves item as a result of the cancellation of the dividend distribution in accordance with the recommendations of the European Central Bank and the Bank of Italy on dividend distributions during the Covid-19 pandemic.

The Group's Capital and Financial Position

At the end of 2020, total **consolidated assets** amounted to **13.2 billion euros**, up by approximately 1.4 billion euros (+12.0%) compared to the end of 2019.

Total net inflows stood at **11.5 billion euros**, up 1.0 billion euros overall, equally composed of the growth of the interbank component, +0.5 billion euros as a result of TLTRO, and the customer sight deposits (+0.5 billion euros).

Core loans thus amounted to **12.4 billion euros**, up 1.4 billion euros (+12.5%), benefiting from higher resources available following the non-distribution of the dividend for financial year 2019 (0.2 billion euros).

TABLE 42: CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	48,455	64,998	-16,543	-25.5%
Financial assets at fair value through other comprehensive income	2,730,098	2,778,836	-48,738	-1.8%
Financial assets at amortised cost	9,657,380	8,206,525	1,450,855	17.7%
a) Loans to banks (*)	1,236,556	1,130,690	105,866	9.4%
b) Loans to customers	8,420,824	7,075,835	1,344,989	19.0%
Equity investments	1,717	2,061	-344	-16.7%
Property, equipment and intangible assets	288,598	298,354	-9,756	-3.3%
Tax receivables	49,846	51,168	-1,322	-2.6%
Other assets	400,895	363,634	37,261	10.2%
Total assets	**13,176,989**	**11,765,576**	**1,411,413**	**12.0%**

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

LIABILITIES (€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial liabilities at amortised cost	11,506,596	10,503,986	1,002,610	9.5%
a) Due to banks	598,129	94,807	503,322	n.a.
b) Due to customers	10,908,467	10,409,179	499,288	4.8%
Financial liabilities held for trading and hedging	69,404	8,685	60,719	n.a.
Tax liabilities	42,516	13,618	28,898	212.2%
Other liabilities	181,697	147,097	34,600	23.5%
Special purpose provisions	192,272	174,522	17,750	10.2%
Valuation reserves	4,139	3,813	326	8.5%
Equity instruments	50,000	50,000	-	-
Reserves	726,471	454,465	272,006	59.9%
Share premium reserve	57,062	57,729	-667	-1.2%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-45,185	-37,356	-7,829	21.0%
Net equity attributable to minority interests	246	26	220	n.a.
Net profit (loss) for the year (+/-)	274,919	272,139	2,780	1.0%
Total net equity and liabilities	**13,176,989**	**11,765,576**	**1,411,413**	**12.0%**

TABLE 43: QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	01.01.2019 FTA
Financial assets at fair value through profit or loss	48,455	47,487	46,448	62,072	64,998	75,912	78,309	103,924	90,640
Financial assets at fair value through other comprehensive income	2,730,098	2,363,387	2,430,834	3,117,048	2,778,836	3,221,993	2,435,849	2,224,602	1,987,315
Financial assets at amortised cost	9,657,380	9,703,228	9,107,038	8,558,941	8,206,525	7,782,394	7,652,682	7,057,490	7,166,172
a) Loans to banks	1,236,556	1,484,651	1,347,317	1,005,579	1,130,690	1,329,225	1,138,080	849,522	1,434,533
b) Loans to customers	8,420,824	8,218,577	7,759,721	7,553,362	7,075,835	6,453,169	6,514,602	6,207,968	5,731,639
Equity investments	1,717	1,906	1,959	2,024	2,061	1,587	1,610	1,629	1,661
Property, equipment and intangible assets	288,598	283,030	286,155	291,560	298,354	272,476	232,368	235,350	240,549
Tax receivables	49,846	47,980	47,735	54,407	51,168	44,806	44,019	48,842	52,799
Other assets	400,895	386,671	402,505	420,815	363,634	392,787	418,060	356,542	332,569
HFS assets	-	-	-	1,268	-	-	-	-	-
Total assets	**13,176,989**	**12,833,689**	**12,322,674**	**12,508,135**	**11,765,576**	**11,791,955**	**10,862,897**	**10,028,379**	**9,871,705**

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	01.01.2019 FTA
Financial liabilities at amortised cost	11,506,596	11,317,120	10,788,256	11,145,226	10,503,986	10,568,557	9,767,443	8,879,340	8,811,407
a) Due to banks	598,129	593,496	580,630	119,156	94,807	94,205	100,087	100,287	128,725
b) Due to customers	10,908,467	10,723,624	10,207,626	11,026,070	10,409,179	10,474,352	9,667,356	8,779,053	8,682,682
Financial liabilities held for trading and hedging	69,404	40,891	27,243	11,059	8,685	15,484	3,490	506	384
Tax liabilities	42,516	42,331	27,094	31,492	13,618	20,106	27,826	22,586	18,018
Other liabilities	181,697	184,842	472,417	159,176	147,097	238,696	175,500	154,919	142,176
HFS liabilities	-	-	-	356	-	-	-	-	-
Special purpose provisions	192,272	180,774	176,336	177,981	174,522	157,634	153,924	162,741	164,845
Valuation reserves	4,139	3,284	877	-10,866	3,813	6,766	-1,698	-5,974	-11,636
Equity instruments	50,000	50,000	50,000	50,000	50,000	-	-	-	-
Reserves	726,471	689,914	507,834	727,414	454,465	451,610	449,846	595,619	414,368
Share premium reserve	57,062	57,066	57,202	57,729	57,729	57,591	57,591	57,819	57,889
Share capital	116,852	116,852	116,852	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-45,185	-45,200	-33,395	-37,356	-37,356	-37,371	-20,677	-22,653	-22,724
Net equity attributable to minority interests	246	35	10	20	26	-	-	-	-
Net profit (loss) for the year (+/-)	274,919	195,780	131,948	79,052	272,139	196,030	132,800	66,624	180,126
Total net equity and liabilities	**13,176,989**	**12,833,689**	**12,322,674**	**12,508,135**	**11,765,576**	**11,791,955**	**10,862,897**	**10,028,379**	**9,871,705**

Direct Inflows from Customers

Total direct inflows from customers amounted to 10.9 billion euros, with an increase of 499 million euros (+4.8%) compared to the figure at 31 December 2019, chiefly attributable to the rise in the balances of the accounts of retail customers.

TABLE 44: DUE TO CUSTOMERS

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
1. Current accounts and sight deposits	10,440,898	9,982,548	458,350	4.6%
2. Term deposits	-	-	-	n.a.
3. Financing	144,937	116,218	28,719	24.7%
Repurchase agreements	144,937	116,218	28,719	24.7%
4. Other debts	322,632	310,413	12,219	3.9%
IFRS 16-related lease liabilities	148,952	158,064	-9,112	-5.8%
Operating debts to sales network	122,752	110,455	12,297	11.1%
Other debts (money orders, amounts at the disposal of customers)	50,928	41,894	9,034	21.6%
Total due to customers	**10,908,467**	**10,409,179**	**499,288**	**4.8%**

Inflows from sight deposits, showed an increase of **458 million euros**, chiefly gathered by Financial Advisors' networks from retail customers (+553 million euros), and awaiting reinvestment as part of a specific investment plan.

By contrast, **captive inflows** generated from the treasury activity of the companies within the Assicurazioni Generali Group decreased by 97 million euros to **333 million euros** at the end of the period, thus accounting for 3.1% of total inflows.

TABLE 45: INFLOWS FROM CUSTOMERS

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Inflows from Parent Company	25,235	27,499	-2,264	-8.2%
Inflows from other subsidiaries of the Generali Group	236,703	327,856	-91,153	-27.8%
IFRS 16-related lease financial liabilities	71,191	74,499	-3,308	-4.4%
Total inflows from Generali Group	**333,129**	**429,854**	**-96,725**	**-22.5%**
Inflows from other parties	10,575,338	9,979,325	596,013	6.0%
of which: current accounts	*10,179,540*	*9,627,779*	*551,761*	*5.7%*
Total inflows from customers	**10,908,467**	**10,409,179**	**499,288**	**4.8%**

Net inflows from repurchase agreements referred exclusively to short-term repurchase agreements entered into on the eMTS Repo market managed by CC&G.

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 available to customers, primarily relating to claims settlement activity by the Group's companies (money orders). Conversely, this segment increased, mostly as a result of the money orders issued in relation with claims at the end of December on behalf of insurance companies and of higher accounts payable to the sales network for the fees accrued.

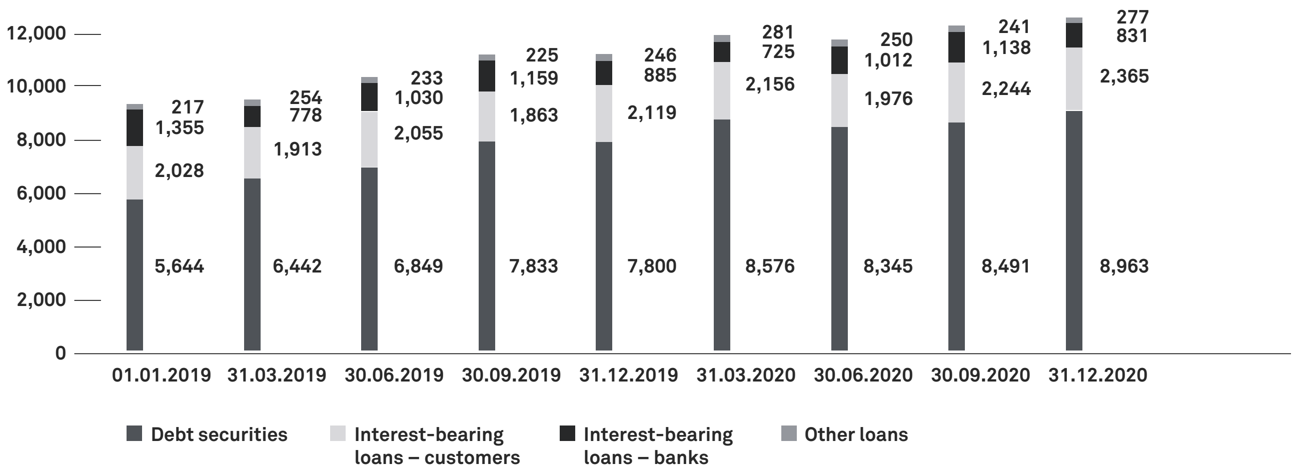
Core loans

Core loans totalled **12.4 billion euros**, with a net increase of nearly 1,386 million euros compared to 31 December 2019 (+12.5%).

Investments in the portfolio of financial assets, which increased by 1,169 million euros (+14.9%), were the most significant component of the aggregate, which, however, was also buoyed by a significant expansion of loans to customers (+246 million euros), driven by both measures in favour of the economic system (moratoria and mortgage loans guaranteed by the SME Fund) and the organic growth of secured Lombard loans.

Interbank exposures declined, mainly due to the closing out of several repurchase agreement funding transactions (153 million euros).

CHART 17: QUARTERLY EVOLUTION OF LOANS (€ MILLION)



Overall, investments in financial assets accounted for 72.5% of the core loan aggregate's total, slightly increasing compared to 71.1% at the end of 2019, and continued to be mainly driven by the expansion of the government securities portfolio (+13.1%), despite showing also a greater diversification of investments on debt corporate and — to a lesser extent — financial securities.

TABLE 46: INTEREST-BEARING FINANCIAL ASSETS AND LOANS

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	48,455	64,998	-16,543	-25.5%
Financial assets at fair value through other comprehensive income	2,730,098	2,778,836	-48,738	-1.8%
Financial assets at amortised cost	6,247,549	5,013,479	1,234,070	24.6%
Financial assets	**9,026,102**	**7,857,313**	**1,168,789**	**14.9%**
Loans to and deposits with banks (*)	831,313	885,168	-53,855	-6.1%
Loans to customers	2,364,706	2,118,873	245,833	11.6%
Operating loans and other loans	213,812	189,005	24,807	13.1%
Total interest-bearing financial assets and loans	**12,435,933**	**11,050,359**	**1,385,574**	**12.5%**

(*) ECB sight deposits included.

TABLE 47: FINANCIAL ASSETS

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Government securities	7,611,129	6,727,904	883,225	13.1%
Other public institutions	49,236	47,110	2,126	4.5%
Securities issued by banks	605,190	527,970	77,220	14.6%
Securities issued by other issuers	697,621	497,097	200,524	40.3%
Equity securities and other securities	62,926	57,232	5,694	9.9%
Total financial assets	**9,026,102**	**7,857,313**	**1,168,789**	**14.9%**

On the basis of the guidelines laid down in the risk framework and 2019-2021 Business Plan, investments in financial assets continued to favour the held-to-collect (HTC) portfolio, i.e., financial assets measured at amortised cost and held for long-term investment purposes, which grew by 1,234 million euros (+24.6%), reaching 6.2 billion euros.

Within this portfolio growth was fuelled for nearly two thirds by government bond purchases (+826 million euros), leaving room both for the increase of the banking component (+159 million euros) and investments in new classes of financial assets featuring a better risk/return profile such as securitisations.

The high financial market volatility resulted instead in more rapid turnover of the portfolio of financial assets at fair value through other comprehensive income (HTCS). However, in the last quarter of the year it recovered significantly and reached substantially the same levels as those reported in the previous year (-1.8%).

The overall portfolio remained however focused on sovereign debt and increased by 885 million euros, accounting for 84.9% of total investments in financial instruments, slightly down compared to the end of the previous year (86.3%).

The foreign component of the government securities portfolio also continued to grow and, with an increase of approximately 785 million euros (+56%), reached 2,186 million euros, equal to 28.5% of total government portfolio, and was allocated both to the to the HTCS portfolio (1,598 million euros) and to the HTC portfolio (588 million euros). Exposures were chiefly concentrated on EU countries' securities, with particular regard to the Iberian Peninsula, Greece and Eastern Europe.

TABLE 48: EXPOSURE TO THE SOVEREIGN RISK BY PORTFOLIO

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
Financial assets at fair value through profit or loss	45	52	-7	-13.5%
Financial assets at fair value through other comprehensive income	2,337,209	2,278,815	58,394	2.6%
Financial assets at amortised cost	5,323,111	4,496,147	826,964	18.4%
Total	**7,660,365**	**6,775,014**	**885,351**	**13.1%**

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.

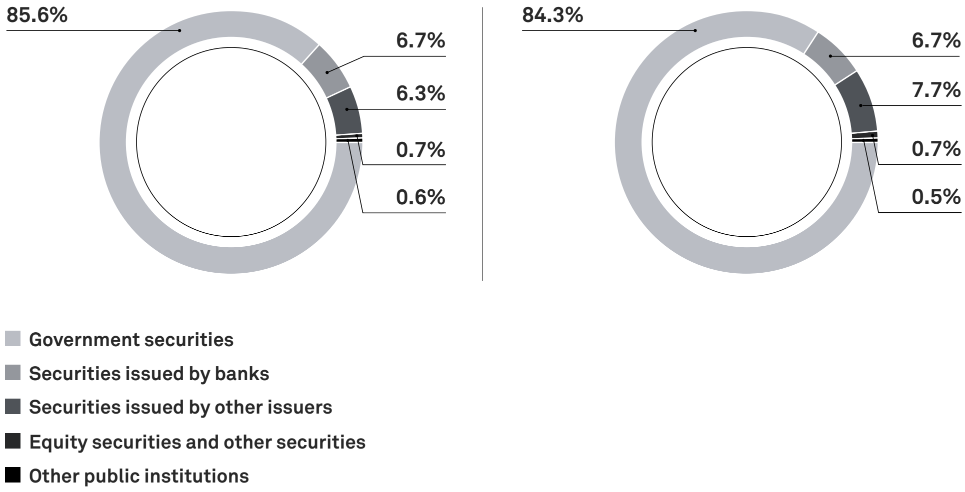
For each hedging derivative a specific highly effective fair value hedging relationship is formed.

At year-end, the notional amounts of the hedging derivatives outstanding amounted to approximately 1,835 million euros, of which 285 million euros relating to the HTCS portfolio with a net negative fair value of 65.4 million euros.

The overall geographical breakdown of the debt securities portfolio indicates a decline in the concentration of investments in Italian securities, which fell from 76.6% at the end of 2019 to 70.6%, reflecting an increase in the exposure to Spain, primarily represented by government bonds, which amounted to 16.8%.

CHART 18: BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO

AT 31.12.2019 AT 31.12.2020



At the end of 2020, the share of financial assets with a maturity of more than 3 years rose slightly to 50.8% compared to the end of 2019 (48.9%).

The portfolio of debt securities had an overall average residual life of about 3.5 years. In particular, the average maturity of the HTC portfolio was 4.7 years, whereas the average maturity of the HTCS portfolio declined to 0.7 years.

47.5% of the portfolio was made up of variable-rate or inflation-linked issues (40.4% at the end of 2019), 51.4% of fixed-rate issues and 1.0% of zero coupons.

CHART 19: BONDS PORTFOLIO MATURITY (€ million)

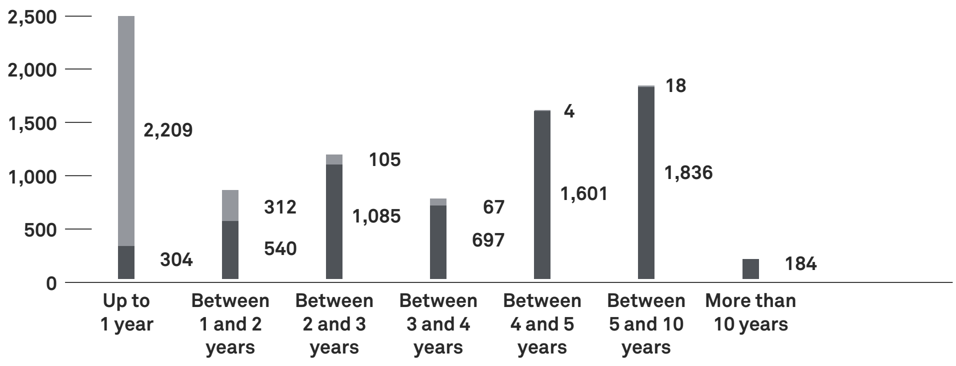
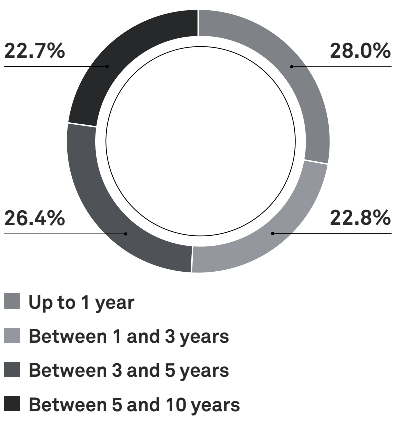


CHART 20: BREAKDOWN OF BONDS PORTFOLIO BY MATURITY AT 31.12.2020



Loans to customers reached 2,365 million euros and, net of short-term treasury repurchase agreement transactions on the multilateral system eMTS Repo managed by CC&G, rose by nearly 291 million euros compared to the end of 2019 (+15.2%) due to both initiatives in support of the economic system within the framework of the Covid-19 emergency and the effect of the new Lombard loans granted.

In particular, moratorium applications, both public and specific to the Bank, such as the "Liquidity for the Nation" initiative, totalled 157 million euros, whereas new mortgage loans secured by guarantees from the SME fund, pursuant to Article 13 of the Liquidity Decree-Law No. 23/2020, amounted to 104 million euros at year-end.

New Lombard loans, fully secured by pledged financial instruments, amounted to 175 million euros, bringing the total for this type of exposure to over 923 million euros.

TABLE 49: LOANS ANDOPERATING LOANS AND OTHER LOANS

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
Current accounts	1,299,682	1,112,437	187,245	16.8%
Mortgages and personal loans	898,703	798,111	100,592	12.6%
Other financing and loans not in current accounts	5,414	2,256	3,158	140.0%
RRPs with CC&G on MTS REPO	160,907	206,069	-45,162	-21.9%
Loans	**2,364,706**	**2,118,873**	**245,833**	**11.6%**
Operating loans to management companies	150,735	141,906	8,829	6.2%
Sums advanced to Financial Advisors	23,297	18,415	4,882	26.5%
Stock exchange interest-bearing daily margin	24,096	14,091	10,005	71.0%
Charges to be debited and other loans	14,977	14,187	790	5.6%
Operating loans and other loans	**213,105**	**188,599**	**24,506**	**13.0%**

Among **operating and other loans** there was an overall increase (+13%) driven by trade receivables accrued in the last quarter on the placement and distribution of financial and insurance products, and the rise in the margins paid in relation with derivatives trading on the Eurex market.

Net non-performing exposures on loans to customers amounted to **24.6 million euros**, or 1.04% 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. (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 **7.0 million euros** and consisted for almost 92% 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 0.5 million euros, or around 0.02% of total loans to customers.

The portfolio of non-performing loans (loans to customers excluding operating loans and securities) declined by 2.3 million euros, mainly attributable to the recovery of a position secured by an indemnity, amounting to 2.6 million euros.

TABLE 50: NON-PERFORMING EXPOSURES

	31.12.2020				31.12.2019					
(€ THOUSAND)	BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	TOTAL	BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	TOTAL	DELTA	CHANGE %
Gross exposure	29,034	4,078	3,563	36,675	32,407	4,566	2,142	39,115	-2,440	-6%
Adjustments	10,129	1,212	738	12,079	10,835	945	424	12,204	-125	-1%
Total net exposure	**18,905**	**2,866**	**2,825**	**24,596**	**21,572**	**3,621**	**1,718**	**26,911**	**-2,315**	**-9%**
Gross exposure	26,116	-	-	26,116	28,694	-	-	28,694	-2,578	-9%
Adjustments	8,484	-	-	8,484	8,455	-	-	8,455	29	-
Exposure guaranteed by net indemnity	**17,632**	**-**	**-**	**17,632**	**20,239**	**-**	**-**	**20,239**	**-2,607**	**-13%**
Gross exposure	2,918	4,078	3,563	10,559	3,713	4,566	2,142	10,421	138	1%
Adjustments	1,645	1,212	738	3,595	2,380	945	424	3,749	-154	-4%
Exposure net of indemnity	**1,273**	**2,866**	**2,825**	**6,964**	**1,333**	**3,621**	**1,718**	**6,672**	**292**	**4%**
Net guaranteed exposure	1,246	2,596	2,574	6,416	1,299	3,455	1,504	6,258	158	3%
Net exposure not guaranteed	**27**	**270**	**251**	**548**	**34**	**166**	**214**	**414**	**134**	**32%**

At 31 December 2020, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of **233 million euros**, sharply down compared to a net exposure of 790 million euros at the end of the previous year.

The decrease was attributable to the launch of a new financing transaction with the ECB under the fourth cycle of the TLTRO III programme for 500 million euros and the unwinding of several repurchase transactions relating to loans with banking counterparties. Said decline was partly offset by a moderate increase in sight deposits with the said Central Bank (+46 million euros), and collateral margins paid.

TABLE 51: NET INTERBANK POSITION

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
1. Repayable on demand	**640,814**	**599,103**	**41,711**	**7.0%**
Sight deposits with ECB and Bank of Italy (*)	548,980	503,443	45,537	9.0%
Sight deposits with credit institutions	190	67	123	n.a.
Transfer accounts	91,644	95,593	-3,949	-4.1%
2. Time deposits	**190,499**	**286,065**	**-95,566**	**-33.4%**
Mandatory reserve	107,772	101,063	6,709	6.6%
Term deposits	24,585	22,395	2,190	9.8%
Repurchase agreements	-	152,969	-152,969	-100.0%
Collateral margins	58,142	9,638	48,504	503.3%
Total loans to banks	**831,313**	**885,168**	**-53,855**	**-6.1%**
1. Due to Central Banks	**497,361**	**-**	**497,361**	**n.a.**
TLTRO	497,361	-	497,361	n.a.
2. Due to banks	**100,768**	**94,807**	**5,961**	**6.3%**
Transfer accounts	77,034	72,790	4,244	5.8%
Repurchase agreements	6,014	-	6,014	n.a.
Collateral margins	-	1,690	-1,690	-100.0%
Other debts	17,720	20,327	-2,607	-12.8%
Total due to banks	**598,129**	**94,807**	**503,322**	**530.9%**
Net interbank position	**233,184**	**790,361**	**-557,177**	**-70.5%**

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

The TLTRO III (Targeted Loan Term Refinancing Operation) financing disbursed on 24 June 2020 and preceded by bridge financing (additional Covid-19 LTROs) of 300 million euros that began the previous month has a term of three years, maturing on 24 June 2023, with an early repayment option starting at the end of the second year.

The financing provides for a "special interest rate period" from June 2020 to June 2021, in which interest accrues at a rate equal to that in effect from time to time for the main refinancing transactions, currently a negative -0.5%, which may be reduced up to a negative rate of 1% if during the period from March 2020 to March 2021 the eligible net financing 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.

In the second period from June 2021 to June 2023, the financing will bear interest at a rate equal to that of the main refinancing operations in effect from time to time, currently -0.5%, which may be increased up to 0% if the targets set by the Central Bank are not reached during the reference period. It should be noted that as at 31 December 2020 Banca Generali was well above the targets.

Provisions

Special purpose provisions totalled **192 million euros** overall, up by 17.7 million euros compared to the previous year (+10.2%).

The increase in the aggregate was determined by provisions for contractual indemnities for the sales network (+23.5 million euros), partly offset by the decline in the balance of other provisions.

TABLE 52: PROVISIONS

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
Provision for termination indemnity	4,936	5,153	-217	-4.2%
Provisions for guarantees issued and commitments	124	108	16	14.8%
Provisions for pensions and similar obligations	3,751	3,854	-103	-2.7%
Other provisions for liabilities and contingencies	**183,461**	**165,407**	**18,054**	**10.9%**
Provisions for staff expenses	15,541	14,867	674	4.5%
Restructuring provision – Redundancy incentives plan	162	1,741	-1,579	-90.7%
Provisions for legal disputes	12,923	12,899	24	0.2%
Provisions for contractual indemnities to the sales network	121,433	97,879	23,554	24.1%
Provisions for sales network incentives	27,522	31,034	-3,512	-11.3%
Other provisions for liabilities and contingencies	5,880	6,987	-1,107	-15.8%
Total provisions	**192,272**	**174,522**	**17,750**	**10.2%**

Contractual indemnities referred for **74.1 million euros** to the provisions for termination indemnities for Financial Advisors pursuant to Article 1751 of the Italian Civil Code (calculated on an actuarial basis), and for 26.8 million euros to other indemnities relating to the termination of the agency relationship or managerial position (managerial incentive indemnity, portfolio development indemnity, pension bonus).

The aggregate included a 20.5 million euros 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 fourth annual cycle (2020-2026) in 2020. The provisions relating to the fourth cycles that have been launched thus far 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.

Tax dispute

Provisions for other risks and charges also include 2.6 million euros set aside to cover the tax dispute, following the audit conducted on financial year 2014 by the Italian Revenue Agency.

It should be noted that:
› the preparation of an initial report laying out charges regarding accrual was finalised on 22 December 2017;

- the charges relating to violations of transfer-pricing rules were formulated in the auditors' report on findings drafted on 29 June 2018;
- the findings of both audits are currently still being evaluated by the competent Large Business Taxpayers Office, with which Banca Generali has entered into discussions;
- 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.

It should also be noted that in March 2020 a new tax audit regarding the years 2015 and following was launched by the Trieste Economic and Financial Police Unit of the Italian Finance Police. The audit, suspended following the implementation of the lockdown measures adopted to check the spread of the pandemic, was resumed in July and again suspended in October due to the second wave of Covid 19 in Italy.

Net equity and regulatory aggregates

As at 31 December 2020, the Banking Group's **net equity**, inclusive of net profit for the year, amounted to **1,184.5 million euros**, sharply up compared to the previous year, mainly due to the reallocation to equity reserve of the dividend of 216.2 million euros for year 2019 authorised by the Shareholders' Meeting on 23 April 2020, in accordance with the Recommendations subsequently issued by the ECB, extended by the Bank of Italy to less significant directly supervised institutions[29].

In such regard it should be noted that, in order to comply with the first Recommendation (ECB/2020/19), on 1 April 2020 Banca Generali's Board of Directors had amended the proposed allocation of the profit reported in 2019 resolving to distribute a dividend of 1.55 euros per share in the timeframe between 15 October and 31 December 2020 and a dividend of 0.30 euros per share between 15 January and 31 March 2021, subject to the Board of Directors' prior verification that: (i) the conditions indicated in the said Recommendation are met, (ii) the supervisory regulations and guidelines applicable from time to time are complied with, and (iii) Total Capital Ratio at the company and consolidated level exceeds the SREP minimum requirements plus a 1.2% buffer, thus equal to 9.2% and 13.0% respectively.

Afterwards however, the European Central Bank issued two new Recommendations which extended the request to refrain from paying dividends, or from entering into irrevocable payment commitments, from 1 October 2020 firstly to 1 January 2021 (ECB/2020/35) and then to 30 September 2021 (ECB/2020/62).

Banca Generali's Board of Directors thus acknowledged that it was impossible to proceed with payment of the dividend, formally announcing the cancellation of the first tranche on 15 October 2020 and of the second on 10 February 2021.

TABLE 53: CONSOLIDATED NET EQUITY

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	57,062	57,729	-667	-1.2%
Reserves	726,471	454,465	272,006	59.9%
(Treasury shares)	-45,185	-37,356	-7,829	21.0%
Valuation reserves	4,139	3,813	326	8.5%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the year	274,919	272,139	2,780	1.0%
Group net equity	**1,184,258**	**917,642**	**266,616**	**29.1%**
Net equity attributable to minority interests	246	26	220	n.a.
Consolidated net equity	**1,184,504**	**917,668**	**266,836**	**29.1%**

29 Recommendation ECB/2020/19 "*On dividend distributions during the Covid-19 pandemic*", of 27 March 2020 subsequently repealed by Recommendation ECB/2020/35 of 27 July 2020 and Recommendation ECB/2020/62 of 15 December 2020, extended by the Bank of Italy to less significant institutions supervised (Bank of Italy's Notices of 27 March 2020, 28 July 2020 and 16 December 2020).

The change in net equity in 2020 was influenced, beside the evolution of the above-mentioned dividend for financial year 2019, by the buy-back of treasury shares, the negative performance of fair value valuation reserves for the portfolio of financial assets 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 being generated, as shown in the following table.

TABLE 54: CHANGE IN NET EQUITY

(€ THOUSAND)	31.12.2020	31.12.2019
Net equity at year-start	**917,668**	**734,875**
Dividend distributed	-	-144,900
Purchase of treasury shares	-12,688	-17,786
Issue of shares (minority interests)	248	-
Change in IFRS 2 reserves	5,823	7,860
Change in OCI valuation reserves	332	15,611
Changes and dividends on AT1 equity instruments	-1,631	50,000
Consolidated net profit	274,894	272,122
Other effects	-142	-114
Net equity at year-end	**1,184,504**	**917,668**
Change	**266,836**	**182,793**

The third quarter of the year saw the completion of the plan to repurchase treasury shares, passed by Shareholders' Meeting on 23 April 2020, authorised by the Supervisory Authority on 16 July 2020 and then launched by the Bank on 3 August 2020.

As part of the plan, a total of 491,000 treasury shares were repurchased for an overall value of 12,688 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 remuneration plans for key personnel in 2020, the fourth cycle of the retention plan for 2020 and the Long-Term Incentive Plan for the three-year period 2020-2022.

During the year, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 190,903 treasury shares, with a value of 4,859 thousand euros, were also allotted to employees and Financial Advisors falling within Key Personnel, and to network managers.

At 31 December 2020, the Parent Company, Banca Generali, thus held **1,767,676 treasury shares**, equal to 1.51% of share capital, with a value of 45,185 thousand euros, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

TABLE 55: CHANGES IN TREASURY SHARES

	NO. OF SHARES	VALUE	AVERAGE PRICE	AVERAGE NO. OF SHARES
Amount at year-start	**1,467,579**	**37,356,127**	**25.45**	**1,467,579**
Allotments	-190,903	-4,859,117	25.45	-103,107
Purchases	491,000	12,688,174	25.84	60,411
Amount at year-end 2020	**1,767,676**	**45,185,184**	**25.56**	**1,424,883**

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed only a slight net increase of 0.7 million euros, due to the good performance of financial markets following the measures taken by international central banks to mitigate the financial effects of the pandemic emergency.

TABLE 56: VALUATION RESERVES

(€ THOUSAND)	31.12.2020 POSITIVE RESERVE	31.12.2020 NEGATIVE RESERVE	31.12.2020 NET RESERVE	31.12.2019 NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	7,305	-275	7,030	6,170	860
Valuation reserves - OCI equity securities	-	-510	-510	-300	-210
Exchange differences	-	-131	-131	-128	-3
Actuarial gains (losses) from defined benefit plans	-	-2,250	-2,250	-1,929	-321
Total	**7,305**	**-3,166**	**4,139**	**3,813**	**326**

Consolidated own funds stood at **676.1 million euros**, with an increase of 105.2 million euros compared to the end of the previous year, mainly due to the reallocation to an equity reserve of the dividend related to financial year 2019 and the planning of a maxi dividend of 385.6 million euros for 2020, related to the entire 2020 consolidated net profit (274.9 million euros), with the remainder drawn from consolidated retained earnings (110.7 million euros).

TABLE 57: CHANGES IN OWN FUNDS

(€ THOUSAND)	
Own funds at 31.12.2019	**570,939**
Purchase of treasury shares	-12,688
Change in reserves for share-based payments (IFRS 2)	5,823
Reallocation to equity reserve of the dividend for the previous year	216,176
Proposal of allocation to retained earnings	-110,691
Change in OCI reserves on HTCS	649
Change in IAS 19 OCI reserves	-322
Change in goodwill and intangible assets (net of related DTLs)	8,221
Negative prudential filters (prudent valuation - simplified method)	65
DTAs not arising on temporary differences	-305
Dividends on AT1 equity instruments	-1,631
Other effects (other reserves)	-133
Total changes in TIER 1 capital	**105,164**
Own funds at 31.12.2020	**676,103**
Change	**105,164**

In accordance with the current 2019-2021 Dividend policy, Banca Generali's Board of Directors intends to submit to the 2021 General Shareholders' Meeting the proposal to distribute a dividend of 3.30 euros per share, for an overall maximum amount of 385.6 million euros.

The proposal, which aims to offset the effects due to the cancellation of the 2019 dividend payment, envisages a payout of 70.5%, calculated on the total consolidated net profit for the years 2019 and 2020. It is therefore fully in line with the Dividend Policy currently in force, which calls for an annual payout in the range of 70%-80% of consolidated net profit and a quantitative floor of 1.25 euros per share up to 100% of the consolidated net profit.

Dividend payout will take place in two tranches, of 2.70 euros in the fourth quarter of 2021 and 0.60 euros in the first quarter of 2022, respectively, and will be subject to the satisfaction of the same conditions as those already provided for with regard to 2019 dividend, in accordance with the provisions of the Recommendation ECB/2020/62[30].

[30] Without prejudice to the increase of regulatory buffer from 1.2% to 1.7% which in turn brought Total Capital Ratio at the company and consolidated level to 9.7% and 13.5%, respectively.

TABLE 58: OWN FUNDS AND CAPITAL RATIOS

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
Common Equity Tier 1 capital (CET1)	626,103	520,939	105,164	20.2%
Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total Own funds	**676,103**	**570,939**	**105,164**	**18.4%**
Credit and counterparty risk	218,677	198,294	20,383	10.3%
Market risk	38	294	-256	-87.1%
Operating risk	74,507	85,192	-10,685	-12.5%
Total absorbed capital (Pillar I)	**293,222**	**283,780**	**9,442**	**3.3%**
Total SREP minimum requirements (Pillar II)	**433,969**	**419,994**	**13,974**	**3.3%**
Excess over SREP minimum requirements	242,134	150,945	91,190	60.4%
Risk-weighted assets	3,665,275	3,547,248	118,028	3.3%
CET1/Risk-weighted assets	17.1%	14.7%	2.4%	16.3%
Tier 1/Risk-weighted assets	18.4%	16.1%	2.4%	14.6%
Total own funds/Risk-weighted assets (Total Capital Ratio)	**18.4%**	**16.1%**	**2.4%**	**14.6%**

Against the significant increase in own funds, capital absorbed increased by 9.4 million euros (+3.3%), due to the conflicting effects of the following factors:

- an increase in capital absorbed by credit and counterparty risk of 20.3 million euros (+10.3%) due to the diversification of the financial instruments portfolio beyond government bonds and the increased lending to businesses and retail customers (partly backed by government guarantees granted in response to the Covid-19 emergency);
- a sharp reduction in capital absorbed by operational risk, resulting from the adoption of the TSA (Traditional Standard Approach), which due to the application of differentiated weights to the Banking Group's various business lines made it possible to take advantage of the lower risk level of portfolio management and business with retail and SME customers.

At the end of the reporting period, CET1 ratio reached 17.1%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 18.4%, compared to the SREP minimum requirement of 11.84%[31].

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 of 1.5 million euros, whereas the recognition of IT investments in software benefited own funds for approximately 10 million euros.

[31] Moreover, it should be noted that on 12 March 2020 the ECB introduced various prudential mitigation measures aimed at reducing the impact of the Covid-19 emergency on the banking system, such as an option to operate temporarily beneath the capital conservation buffer and Pillar 2 guidance (P2G) and to comply with the binding Pillar 2 requirement (P2R) partially by using equity instruments not classified as CET1. On the basis of these measures, the total binding requirement for the Banking Group would temporarily amount to 9.34%, exceeding own funds by over 330 million euros.

Lastly, the Bank's liquidity ratios maintained excellent levels, with the Liquidity Coverage Ratio (LCR) at 443% (from 441%) and Net Stable Funding Ratio (NSFR) at 223% (from 216%). Bank's leverage ratio — net of the dividend — stood at 5.1% (from 4.8%).

TABLE 59: RECONCILIATION STATEMENT BETWEEN PARENT COMPANY BANCA GENERALI'S NET EQUITY AND CONSOLIDATED NET EQUITY

	31.12.2020		
(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	**782,380**	**289,207**	**1,071,587**
Differences between net equity and book value of companies consolidated using the line-by-line method	76,406	1,229	77,635
- profit carried forward of consolidated companies	66,754	-	66,754
- goodwill	8,707	-	8,707
- other changes	945	1,229	2,174
Dividends from consolidated companies	59,320	-238,320	-179,000
Consolidated companies' result for the year	-	223,028	223,028
Net profit attributable to minority interests	271	-25	246
Result of associates valued at equity	45	-200	-155
Valuation reserves - consolidated companies	-130	-	-130
Goodwill	-8,707	-	-8,707
Net equity of the Banking Group	**909,585**	**274,919**	**1,184,504**

Cash flows

In 2020, operating activities generated a total of nearly **79 million euros** in **cash flows**.

In detail, cash inflows were primarily generated by operations (342 million euros) and the increase in net inflows from banks, as a result of the launch of the new TLTRO III of 500 million euros and net inflows from customers (477 million euros).

This liquidity was absorbed by investments in financial assets (-1,117 million euros) and loans to customers (-256 million euros), due to the expansion of account credit facilities and mortgage loan transactions guaranteed by the SME fund carried out in relation to the Covid emergency.

The Banking Group's financial position also benefited from the cancellation of the dividends for financial year 2019 for 216 million euros, in accordance with the ensuing Recommendations issued by the ECB and extended by the Bank of Italy to less significant directly supervised institutions.

The surplus generated by operating activity was more than enough to cover the liquidity used in the investments made and the customary plans to buy back shares in service of Remuneration Policies.

Cash and cash equivalents at period-end amounted to 574 million euros, with a 49 million euro increase compared to the end of the previous year.

TABLE 60: CASH FLOWS

(€ THOUSAND)	2020	2019	CHANGE
Liquidity generated by operations	**341,748**	**234,634**	**107,114**
Financial assets	-1,116,546	-2,105,806	989,260
Loans to banks	99,375	-16,050	115,425
Loans to customers	-255,579	-88,192	-167,387
Other operating assets	-33,111	-10,063	-23,048
Total assets	**-1,305,861**	**-2,220,111**	**914,250**
Amounts due to banks	505,968	-34,278	540,246
Amounts due to customers	476,888	1,685,845	-1,208,957
Other operating liabilities	60,225	5,278	54,947
Total liabilities	**1,043,081**	**1,656,845**	**-613,764**
Liquidity generated by/used for operating activities	**78,968**	**-328,632**	**407,600**
Investments	-15,275	-19,467	4,192
Acquisition and disposal of business units and equity investments	-294	-26,707	26,413
Liquidity generated by/used for investing activities	**-15,569**	**-46,174**	**30,605**
Dividends paid	-2,251	-144,900	142,649
Issue/purchase of treasury shares	-12,440	32,215	-44,655
Liquidity generated by/used for funding activities	**-14,691**	**-112,685**	**97,994**
Net liquidity generated/used	**48,708**	**-487,491**	**536,199**
Cash and cash equivalents	**574,108**	**525,400**	**48,708**

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.

The merger into Banca Generali of the subsidiaries Nextam Partners S.p.A. ("NP S.p.A.") and Nextam Partners SGR ("NP SGR"), acquired in the previous year, was finalised on 1 July 2020.

The transaction took effect for accounting and tax purposes retroactively from 1 January 2020 and the Financial Statements of Banca Generali at 31 December 2020 also include the operations of the two companies merged in the first half of 2020, including the contribution by Nextam Partners SGR of the business unit responsible for managing Italian UCITS (the "UCITS Unit") to the independent asset management company 8a+ Investimenti SGR ("8 a+ SGR") on 30 June 2020.

The business combination between entities under common control, beyond the scope of IFRS3, was undertaken on a continuous values basis, according to the carrying amounts of the merged company's assets and liabilities at the consolidated level, which also include the goodwill and other intangible assets identified upon the purchase price allocation. For further details, reference should be made to Part G of the Notes and Comments to the Financial Statements for the year ended 31 December 2020.

The merger does not materially impact the Bank's main balance sheet and profit and loss account items. An analysis of the most significant impacts on the various items of the Profit and Loss Account is thus provided below.

Profit and Loss Result

Banca Generali closed 2020 with **net profit of 289.2 million euros**, up compared to 248.4 million euros at the end of the previous year, and setting a new record for the Bank.

TABLE 61: INCOME STATEMENT

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Net interest income	**90,080**	**74,278**	**15,802**	**21.3%**
Net income (loss) from trading activities	17,695	11,302	6,393	56.6
Dividends	240,645	215,504	25,141	11.7%
of which: dividends from equity investments	*238,320*	*212,613*	*25,707*	*12.1%*
Net financial income	**348,420**	**301,084**	**47,336**	**15.7%**
Fee income	620,305	581,992	38,313	6.6%
Fee expense	-385,806	-363,135	-22,671	6.2%
Net fees	**234,499**	**218,857**	**15,642**	**7.1%**
Net banking income	**582,919**	**519,941**	**62,978**	**12.1%**
Staff expenses	-90,066	-86,485	-3,581	4.1%
Other general and administrative expenses	-90,584	-88,238	-2,346	2.7%
Net adjustments of property, equipment and intangible assets	-31,502	-28,833	-2,669	9.3%
Other operating expenses/income	4,283	5,123	-840	-16.4%
Net operating expenses	**-207,869**	**-198,433**	**-9,436**	**4.8%**
Operating result	**375,050**	**321,508**	**53,542**	**16.7%**
Net adjustments for non-performing loans	-264	-5,387	5,123	-95.1%
Net provisions	-30,820	-24,274	-6,546	27.0%
Contributions and charges related to the banking system	-11,282	-8,222	-3,060	37.2%
Gains (losses) from the disposal of equity investments	-1,363	-2,321	958	-41.3%
Operating profit before taxation	**331,321**	**281,304**	**50,017**	**17.8%**
Income taxes for the year of current operations	-42,114	-32,946	-9,168	27.8%
Net profit	**289,207**	**248,358**	**40,849**	**16.4%**

Reclassified[32] **net banking income**, net of the dividends distributed by the Banking Group's investees, **rose by approximately 37.3 million euros** (+12.1%) compared to the previous year, primarily due to the increase in net fees (+15.6 million euros) and net interest income (+15.8 million euros). Net income (loss) from trading activities grew to 20.0 million euros compared to 14.2 million euros in 2019. The impact on net banking income of the merger of Nextam SGR and Nextam S.p.A. was quite modest (-0.4%).

Net interest income was **90.1 million euros**, up 21.3% on the comparison figure (74.3 million euros). The increase was attributable to higher interest income on Italian government bonds (+3.8 million euros) and on hedging derivative transactions (+4.4 million euros). Interest expense due to the interbank system, in particular on the excess of the reserve requirement (-1.0 million euros), and to customers declined due to the repayment, at the end of 2019, of the subordinated loan with Generali Beteiligungs GmbH, which had accrued interest expense for 1.4 million euros in the previous year.

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 238.3 million euros, up 25.7 million euros compared to the previous year.

32 In order to ensure a better understanding of operating performance, in the Profit and Loss Account the provisions for sales incentives 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 14.8 million euros for 2020 and 13.3 million euros for 2019.

Net fees were 234.5 million euros, up sharply compared to the previous year (+7.1%). The contribution to net fees arising from the merger of Nextam S.p.A. and Nextam SGR was approximately one percentage point.

TABLE 62: NET FEES

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Fees for portfolio management	73,282	75,392	-2,110	-2.8%
Fees for placement of securities and UCITS	225,311	211,013	14,298	6.8%
Fees for distribution of third-party financial products	249,573	239,015	10,558	4.4%
Fees for trading, receipt of orders, and custody of securities and currencies	30,373	23,737	6,636	28.0%
Advisory fees	32,634	23,699	8,935	37.7%
Fees for collection and payment services	4,180	4,329	-149	-3.4%
Fees for other banking services	4,952	4,807	145	3.0%
Total fee income	**620,305**	**581,992**	**38,313**	**6.6%**
Fees for off-premises offer	369,992	349,970	20,022	5.7%
Fees for collection and payment services	3,871	4,397	-526	-12.0%
Fees for trading and securities custody	7,510	5,644	1,866	33.1%
Fees for portfolio management	1,051	1,157	-106	-9.2%
Fees for other banking services	3,382	1,967	1,415	71.9%
Total fee expense	**385,806**	**363,135**	**22,671**	**6.2%**
Net fees	**234,499**	**218,857**	**15,642**	**7.1%**

Fee income from the solicitation of investment and asset management of households reached **548.2 million euros**, with an increase compared to 2019 (+4.3%). This result was attributable to higher revenues from the distribution of insurance products (+10.3 million euros, +4.3%), 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 (+6.9 million euros, +6.9%) and of third parties (+5.1 million euros, +5.3%). This increase was partly offset by the decline in fees for discretionary mandates (-2.1 million euros; -2.8%).

Worth of mention is also the excellent result of the placement of certificates, which generated fees for over 14.4 million euros, despite the very complex market context.

TABLE 63: ASSET MANAGEMENT FEE INCOME

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
1. Individual portfolio management	73,282	75,392	-2,110	-2.8%
Fees for portfolio management	**73,282**	**75,392**	**-2,110**	**-2.8%**
1. Placement of Banking Group's UCITS units	105,957	99,092	6,865	6.9%
2. Placement of UCITS units	101,822	96,692	5,130	5.3%
3. Bond placement	17,532	15,229	2,303	15.1%
of which: certificates	*14,422*	*13,869*	*553*	*4.0%*
4. Distribution of portfolio management services	899	834	65	7.8%
5. Distribution of insurance products	247,969	237,633	10,336	4.3%
6. Distribution of other third-party financial services	705	548	157	28.6%
Fees for the placement and distribution of third-party products	**474,884**	**450,028**	**24,856**	**5.5%**
Total	**548,166**	**525,420**	**22,746**	**4.3%**

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 **72.1 million euros**, up 15.6 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, also supported by and the start of operations on the BG SAXO trading platform.

Fee expense, including fee provisions, amounted to **385.8 million euros**, up 6.2% compared to the previous year, mostly due to the increase in fees paid to the Financial Advisor network for off-premises offers (+20.0 million euros; +5.7%).

The Bank's total payout ratio to total fee income was thus 62.2%, in line with 62.4% in 2019.

The payout ratio for off-premises offers alone, calculated on the basis of asset management fees, amounted to 67.5%, slightly up compared to 66.6% for the previous year.

The aggregate of **operating expenses**[33] amounted to **207.9 million euros**, up 9.4 million euros compared to the previous year (+4.8%), chiefly attributable to the effect arising from the merger of Nextam SGR and Nextam S.p.A. that accounted for 3.2%.

TABLE 64: OPERATING EXPENSES

(€ THOUSAND)	2020	2019	CHANGE AMOUNT	CHANGE %
Staff expenses	90,066	86,485	3,581	4.1%
Other general and administrative expenses (net of duty recovery)	90,584	88,238	2,346	2.7%
Net adjustments of property, equipment and intangible assets	31,502	28,833	2,669	9.3%
Other income and expenses (net of duty recovery)	-4,283	-5,123	840	-16.4%
Operating expenses	**207,869**	**198,433**	**9,436**	**4.8%**

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 51.2%, compared to **55.2%** reported in 2019.

Staff expenses, including full-time employees, interim staff and directors, reached **90.1 million euros**, up compared to the previous year (+4.1%). The rise was attributable to both the increase in the ordinary component of remuneration following the workforce expansion (+42 staff compared to 2019, also due to the effect arising from the merger of Nextam SGR and Nextam S.p.A.) and to the higher variable component linked to the Bank's positive result for the year. In detail, the contribution to the item of the merger of the two Netxam companies was 4.3%.

Other general and administrative expenses, net of recoveries of taxes paid by clients, amounted to **90.6 million euros**, increasing by 2.3 million euros (+2.7%) compared to the previous year. The increase is largely attributable to the higher costs incurred for IT outsourcing and software maintenance and support services, as well as to charges associated with Covid-19-related donations (1.0 million euros). The impact on other administrative expenses of the merger of the two Nextam companies was 1.9%.

In addition, the greater depreciation and amortisation due to the merger of Nextam S.p.A. and Nextam SGR, totalling approximately 1 million euros, consisted of 402 thousand euros of property and equipment primarily relating to IFRS 16 rights of use and 557 thousand euros attributable to the amortisation of the customer relationship intangible asset identified during the PPA.

[33] In order to facilitate the understanding of operating performance, in the presentation of the profit and loss account, taxes recovered from customers have been reclassified to the other administrative expenses aggregate. As a result, the other income aggregate was restated net of these items for an amount of 70.3 million euros for 2020 and 62.9 million euros for 2019. In addition, 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) have been separated from the administrative expenses aggregate and reclassified to a separate item in order to better represent the performance of the costs most closely connected to the Bank's operating structure.

Net provisions not related to fees amounted to **30.8 million euros**, with an increase of 6.5 million euros (+27.0%) compared to 2019. The increase in this item was led by provisions for contractual indemnities for the sales network (+10.3 million euros), chiefly due to the adjustment of discount rate applied to the statistical-actuarial assessment, partly offset by the decline in other types of provisions.

Net adjustments for non-performing loans totalled **0.3 million euros**, compared to 5.4 million euros for the previous year. The 2019 result had been impacted by the 8.6 million euro impairment loss on the Tyndaris convertible bond, partially offset by the reversals on the collective reserves for debt securities held in the HTC and HTCS portfolios, allocated in the previous year.

Contributions and charges relating to the banking system of **11.3 million euros** included contributions paid during the year to system protection funds and rose by 3.1 million euros on the end of 2019, primarily due to the share of recoveries of measures by the Interbank Deposit Protection Fund (FITD) benefiting Carige and Banca Popolare di Bari (+1.8 million euros).

Losses on equity investments of approximately **1.4 million euros** were due to the write-down of the equity investments in Ioca Entertainment Ltd e Nextam Partners Ltd. The former, already impaired in the previous year, was fully written off for its residual value of 141 thousand euros, given the lack of prospects for future cash flow generation for the Bank.

The latter was impaired by 1.2 million euros at the end of 2020 following the voluntary liquidation procedure launched by the company. The residual value of the equity investment at year-end, approximately 232 thousand euros, was therefore the amount that, according to the Declaration of Solvency filed for access to the liquidation procedure, was expected to remain upon discontinuation of operation.

Current and deferred **taxes for the year** were estimated at **42.1 million euros**, up +9.2 million euros on the expected amount as at 31 December 2019.

The Bank's overall tax rate stood at 12.7%, increasing by a percentage point compared to the 2019 figure.

Balance sheet and net equity aggregates

At the end of 2020, **total assets** amounted to **13.1 billion euros**, increasing by 1.4 billion euros compared to the end of 2019 (+12.0%).

Total net inflows rose to 11.6 billion euros (+9,4%); the increase in the amount due to banks referred to the participation in the auction held in June by the ECB for the TLTRO 3, for a total value of 500 million euros.

The volume of **core loans** at the end of the year was **12.4 billion euros** (+12.5%).

TABLE 65: ASSETS

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
Financial assets at fair value through profit or loss	48,455	64,997	-16,542	-25.5%
Financial assets at fair value through other comprehensive income	2,730,098	2,778,836	-48,738	-1.8%
Financial assets at amortised cost	9,576,590	8,134,941	1,441,649	17.7%
a) Loans to banks (*)	1,213,399	1,119,687	93,712	8.4%
b) Loans to customers	8,363,191	7,015,254	1,347,937	19.2%
Hedging derivatives	2,486	4,727	-2,241	-47.4%
Equity investments	16,827	37,463	-20,636	-55.1%
Property, equipment and intangible assets	270,632	259,008	11,624	4.5%
Tax receivables	48,107	49,299	-1,192	-2.4%
Other assets	397,354	355,783	41,571	11.7%
Total assets	**13,090,549**	**11,685,054**	**1,405,495**	**12.0%**

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

TABLE 66: NET EQUITY AND LIABILITIES

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial liabilities at amortised cost	11,563,118	10,565,184	997,934	9.4%
a) Due to banks	598,129	94,767	503,362	n.a.
b) Due to customers	10,964,989	10,470,417	494,572	4.7%
HFT financial liabilities	1,551	1,204	347	28.8%
Hedging derivatives	67,853	7,481	60,372	n.a.
Tax liabilities	21,859	9,569	12,290	128.4%
Other liabilities	176,262	140,178	36,084	25.7%
Special purpose provisions	188,319	169,841	18,478	10.9%
Valuation reserves	4,158	3,999	159	4.0%
Equity instruments	50,000	50,000	-	-
Reserves	599,493	352,015	247,478	70.3%
Share premium reserve	57,062	57,729	-667	-1.2%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-45,185	-37,356	-7,829	21.0%
Net profit (loss) for the year (+/-)	289,207	248,358	40,849	16.4%
Total net equity and liabilities	**13,090,549**	**11,685,054**	**1,405,495**	**12.0%**

Direct inflows from customers exceeded **10.9 billion euros**, up 0.5 billion euros compared to 31 December 2019, mainly as a result of the increase in sight deposits by retail customers (+454.8 million euros) and in repurchase agreements (+28.7 million euros).

TABLE 67: LOANS TO CUSTOMERS

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
1. Current accounts and sight deposits	10,511,304	10,056,493	454,811	4.5%
2. Financing	144,937	116,218	28,719	24.7%
Repurchase agreements	144,937	116,218	28,719	24.7%
3. Other debts	308,748	297,706	11,042	3.7%
Operating debts to sales network	114,029	102,122	11,907	11.7%
IFRS16-related lease liabilities	143,791	153,690	-9,899	-6.4%
Other (money orders, amounts at the disposal of customers)	50,928	41,894	9,034	21.6%
Total debiti verso clientela	**10,964,989**	**10,470,417**	**494,572**	**4.7%**

Captive inflows from subsidiaries and the companies within the Assicurazioni Generali Group, inclusive of IFRS16-related financial liabilities (68.7 million euros), decreased by 102.7 million euros to **400.5 million euros** at the end of 2020, thus accounting for 3.7% of total net inflows.

TABLE 68: INFLOWS FROM CUSTOMERS

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Inflows from subsidiaries	70,406	73,945	-3,539	-4.8%
Inflows from Parent Company	25,235	27,499	-2,264	-8.2%
Inflows from other subsidiaries	236,153	327,282	-91,129	-27.8%
IFRS 16-related lease financial liabilities	68,713	74,499	-5,786	-7.8%
Total inflows from Generali Group	**400,507**	**503,225**	**-102,718**	**-20.4%**
Inflows from other parties	10,564,482	9,967,192	597,290	6.0%
of which: current accounts	*10,179,539*	*9,627,780*	*551,759*	*5.7%*
Total inflows from customers	**10,964,989**	**10,470,417**	**494,572**	**4.7%**

Inflows from customers external to the Insurance Group continued to be driven by sight deposits, which increased by 551.8 million euros to 10.2 billion 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 11 million euros.

Core loans totalled **12.4 billion euros** overall, up 1,376.4 million euros (+12.5%) compared to 31 December 2019, mainly as a consequence of the increase in investments in financial asset portfolios, which grew by 1,168.8 million euros (+14.9%).

TABLE 69: INTEREST-BEARING LOANS

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	48,455	64,997	-16,542	-25.5%
Financial assets at fair value through other comprehensive income	2,730,098	2,778,836	-48,738	-1.8%
Financial assets at amortised cost	9,576,590	8,134,941	1,441,649	17.7%
a) Loans to banks	1,213,399	1,119,687	93,712	8.4%
Deposits and financing (*)	808,156	874,165	-66,009	-7.6%
Debt securities	404,536	245,116	159,420	65.0%
Other operating loans	707	406	301	74.1%
b) Loans to customers	8,363,191	7,015,254	1,347,937	19.2%
Loans	2,364,796	2,120,071	244,725	11.5%
Debt securities	5,843,012	4,768,362	1,074,650	22.5%
Other operating loans	155,383	126,821	28,562	22.5%
Total interest-bearing financial assets and loans	**12,355,143**	**10,978,774**	**1,376,369**	**12.5%**

(*) ECB sight deposits included.

Loans to customers reached **2,365 million euros**, up compared to year-end 2019 (+11.5%), as a result of the combined effect of the decline in repurchase agreements and the growth of account credit facilities and mortgages.

TABLE 70: LOANS AND OPERATING LOANS AND OTHER LOANS

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Current accounts	1,299,682	1,112,435	187,247	16.8%
Mortgages and personal loans	898,703	799,311	99,392	12.4%
Other financing and loans not in current accounts	5,504	2,256	3,248	144.0%
Reverse repurchase agreements	160,907	206,069	-45,162	-21.9%
Total loans	**2,364,796**	**2,120,071**	**244,725**	**11.5%**
Operating loans to management companies	93,027	81,533	11,494	14.1%
Sums advanced to Financial Advisors	23,297	18,415	4,882	26.5%
Stock exchange interest-bearing daily margin	24,096	14,091	10,005	71.0%
Charges to be debited and other loans	14,963	12,782	2,181	17.1%
Operating loans and other loans	**155,383**	**126,821**	**28,562**	**22.5%**

Net non-performing exposures on loans to customers amounted to **24.6 million euros**, or 1.04% 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.[34] upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty.

[34] 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.

Net of this aggregate, non-performing exposures on loans to customers amounted to 7.0 million euros and consisted for 92% 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 0.5 million euros, or around 0.02% of total loans to customers.

At 31 December 2020, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of **210.0 million euros**, sharply down compared to a net credit imbalance of 779.4 million euros at the end of the previous year.

This situation was essentially due to the increase in amounts due to central banks as a result of the new financing operation entered into with the BCE in the fourth cycle of the TLTRO III programme, amounting to 500 million euros[35] , and the closing out of repurchase agreement transactions outstanding at the end of the previous year (-153.0 million euros), the effects of which were only partially offset by the increase in sight deposits with the same central bank (+45.5 million euros) and credit exposures for guarantee margins for derivatives and repurchase agreements (+48.5 million euros).

TABLE 71: NET INTERBANK POSITION

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
1. Repayable on demand	**617,819**	**588,262**	**29,557**	**5.0%**
Sight deposits with ECB and Bank of Italy	548,980	503,443	45,537	9.0%
Transfer accounts	68,839	84,819	-15,980	-18.8%
2. Time deposits	**190,337**	**285,903**	**-95,566**	**-33.4%**
Mandatory reserve	107,772	101,063	6,709	6.6%
Term deposits	24,423	22,233	2,190	9.9%
Repurchase agreements	-	152,969	-152,969	-100.0%
Collateral margins	58,142	9,638	48,504	503.3%
Total loans to banks	**808,156**	**874,165**	**-66,009**	**-7.6%**
1. Due to Central Banks	**497,361**	**-**	**497,361**	**n.a.**
TLTRO	497,361	-	497,361	n.a.
2. Due to banks	**100,768**	**94,767**	**6,001**	**6.3%**
Transfer accounts	77,034	72,750	4,284	5.9%
Repurchase agreements	6,014	-	6,014	n.a.
Collateral margins	-	1,690	-1,690	-100.0%
Other debts	17,720	20,327	-2,607	-12.8%
Total due to banks	**598,129**	**94,767**	**503,362**	**531.2%**
Net interbank position	**210,027**	**779,398**	**-569,371**	**-73.1%**

(*) Reclassified from Item 10 – Loans repayable on demand with Central Banks.

35 The TLTRO 3 (Targeted Long Term Refinancing Operation) disbursed on 24 June 2020 has a term of three years, with maturity on 24 June 2023, and the possibility of early repayment starting at the end of the second year.

Net equity and regulatory aggregates

At 31 December 2020, **net equity**, including net profit for the year, amounted to **1,071.6 million euros** compared to 791.6 million euros at the end of the previous year.

TABLE 72: NET EQUITY

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Share capital	116,852	116,852	-	-
Share premium reserve	57,062	57,729	-667	-1.2%
Reserves	599,493	352,015	247,478	70.3%
(Treasury shares)	-45,185	-37,356	-7,829	21.0%
Valuation reserves	4,158	3,999	159	4.0%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the year	289,207	248,358	40,849	16.4%
Total net equity	**1,071,587**	**791,597**	**279,990**	**35.4%**

The 280.0 million euro change in net equity reported in 2020 was chiefly attributable to the reallocation to an equity reserve of the dividend for financial year 2019 authorised by the Shareholders' Meeting on 23 April 2020, for a total amount of 216.2 million euros, in accordance with the ensuing Recommendation issued by the ECB, and extended by the Bank of Italy to less significant directly supervised institutions.

In addition to the evolution of the above-mentioned dividend for financial year 2019, the change in net equity in 2020 was influenced by the buy-back of treasury shares, the negative performance of fair value valuation reserves for the portfolio of financial assets 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 being generated, as shown in the following table.

TABLE 73: CHANGES IN NET EQUITY

(€ THOUSAND)	31.12.2020
Net equity at year-start	**791,597**
Merger of Nextam SGR and Nextam S.p.A.	-803
Dividend on AT1 equity instruments	-1,631
Buy-back of treasury shares	-12,688
Change in IFRS 2 reserves	5,746
Change in OCI valuation reserves	159
Net profit for the year	289,207
Net equity at year-end	**1,071,587**
Change	**279,990**

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a net increase of 0.7 million euros, primarily owing to the portfolio of Italian government bonds, for which net reserves amounted to +5.0 million euros, compared to +3.9 million euros at the end of the previous year.

The aggregate had an overall positive balance of 4.2 million euros, up compared to 4.0 million euros at the end of 2019 (+0.2 million euros).

Own funds amounted to 575.5 million euros, with an increase of 99.9 million euros compared to 31 December 2019.

TABLE 74: CHANGES IN OWN FUNDS

(€ THOUSAND)	31.12.2020
Own funds at year-start	**475,558**
Merger of Nextam S.p.A. and Nextam SGR	-803
Buy-back of treasury shares	-12,688
Reallocation to equity reserve of the dividend related to financial year 2019	216,176
Dividend payout on equity instruments	-1,631
Distribution of retained earnings	-96,403
Change in IFRS 2 reserves	5,746
Change in OCI reserves on HTCS	743
Change in IAS 19 OCI reserves	-584
Change in goodwill and other intangible assets, net of DTLs	-10,680
Negative prudential filters and other negative items	64
Total changes in TIER 1 capital	**99,940**
Own funds at year-end	**575,498**
Change	**99,940**

At year-end, the aggregate capital for regulatory purposes recorded 234.3 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.

Absorbed capital for credit risk rose by 18.8 million euros compared to the previous year, mostly due to the diversification of the financial instruments portfolio beyond government bonds and the increased lending to businesses and retail customers, partly backed by government guarantees granted to respond to the Covid-19 emergency.

TABLE 75: OWN FUNDS AND CAPITAL RATIOS

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
Total Common Equity Tier 1 capital (CET1)	525,498	425,558	99,940	23.5%
Total Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Total Own funds	**575,498**	**475,558**	**99,940**	**21.0%**
Credit risk	212,569	193,728	18,841	9.7%
Market risks	38	294	-256	-87.1%
Operating risk	47,337	52,344	-5,007	-9.6%
Total own funds absorbed (Pillar I)	**259,944**	**246,366**	**13,578**	**5.5%**
Total SREP minimum requirements (Pillar II)	**341,177**	**323,356**	**17,821**	**5.5%**
Excess over SREP minimum requirements	234,322	152,202	82,119	54.0%
Risk-weighted assets	3,249,300	3,079,579	169,721	5.5%
CET1/Risk-weighted assets	16.2%	13.8%	2.4%	17.0%
Tier 1/Risk-weighted assets	17.7%	15.4%	2.3%	14.7%
Own funds/Risk-weighted assets (Total Capital Ratio)	**17.7%**	**15.4%**	**2.3%**	**14.7%**

Treasury shares

At 31 December 2020, the Parent Company, Banca Generali, held **1,767,676 treasury shares, equal to 1.51% of share capital, with a value of 45,185 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 23 April 2020, authorised by the Supervisory Authority on 16 July 2020 and then launched by the Bank on 3 August 2020.

As part of the plan, a total of 491,000 treasury shares were repurchased for an overall value of 12,688 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 remuneration plans for Key Personnel in 2020, the fourth cycle of the Framework Loyalty Programme for 2020 and the Long-Term Incentive Plan for the three-year period 2020-2022.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 190,903 treasury shares, with a value of 4,859 thousand euros, were allotted to employees and Financial Advisors falling within Key Personnel and to network managers.

During the year, treasury shares showed the following movements:

TABLE 76: CHANGES IN TREASURY SHARES

	NO. OF SHARES	VALUE	AVERAGE PRICE	AVERAGE NO. OF SHARES
Amount at year-start	**1,467,579**	**37,356,127**	**25.45**	**1,467,579**
Allotments	-190,903	-4,859,117	25.45	-103,107
Purchases	491,000	12,688,174	25.84	60,411
Amount at year-end	**1,767,676**	**45,185,184**	**25.56**	**1,424,883**

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 2020, 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 2020, they were measured at fair value in the amount of 883 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

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 early March 2020, the management company acquired delegated management of the Luxembourg Sicav Nextam Partners Sicav with total AUM of 243 million euros as of the said date.

BGFML ended 2020 with **net profit of 225 million euros**, down 10.4 million euros compared to the previous year.

Performance fees declined by 1.7 million euros, whereas management rose by 12.3 million euros.

Net banking income amounted to 262.8 million euros (+1.4 million euros on 2019). Operating expenses were 7.1 million euros (-0.9 million euros), of which 4.9 million euros consisted of staff expenses.

The company's net equity amounted to 113.9 million euros, net of a dividend payout of 238.3 million euros, as payment in advance for the 2020 result and total payment for 2019.

Overall, assets under management at 31 December 2020 amounted to 18,818 million euros, up 1,885 million euros compared to 16,933 million euros at 31 December 2019.

Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended 2020 with a slight net profit and **net equity** amounting to about **0.9 million euros**.

Net banking income amounted to about 1.3 million euros and virtually covered operating expenses.

Assets under management totalled 1,238 million euros (1,242 million euros for 2019).

Performance of the Nextam Partners Group

The Nextam Partners Group, which became part of the Banking Group on 25 July 2019, has been offering asset and wealth management and advisory services to private-banking and institutional clients in Italy since 2001.

In 2020, a complex reorganisation of the Group was undertaken:
› on 30 June 2020, the business unit responsible for managing Italian UCITS (the "UCITS Unit") was contributed by Nextam Partners SGR to the independent asset management company 8a+ Investimenti SGR ("8a+ SGR"), resulting in the acquisition of an equity interest in the latter of 19.5%. This transaction resulted in a capital gain of 612 thousand euros on the acquisition of the equity investment in 8a+ SGR, valued at 912 thousand euros;
› the subsequent merger of Nextam Partners S.p.A. ("NP S.p.A.") and Nextam Partners SGR ("NP SGR") into the parent company Banca Generali was finalised on 1 July 2020, with retroactive effect for accounting and tax purposes from 1 January 2020;
› on 16 December 2020, Nextam Partners LTD proceeded with the voluntary liquidation procedure (member's voluntary liquidation), which is expected to be concluded in early 2021 in the absence of obstacles; on 12 September 2020, the company had already obtained approval from the UK Financial Conduct Authority (FCA) for the cancellation of its authorisation to provide regulated investment services (deregistration). It should be noted that, in order to comply with the capital requirements imposed by the FCA until it ceased to operate, in July 2020 the company had carried out a capital increase of GBP 590 thousand, fully subscribed by the parent company Banca Generali S.p.A. At the end of 2020, the equity investment was subject to impairment.

Nextam Partners Ltd. ended 2020 with a **net loss amounting to GBP 847 thousand**, up compared to a net loss of GBP 74 thousand for the previous year (GBP 63 thousand recognised by the Banking Group).

Net banking income amounted to GBP 111 thousand and operating expenses were GBP 1,104 thousand, of which 618 thousand staff expenses.

Nextam SIM S.p.A. ended of 2020 with a net loss of 1,175 thousand euros, down sharply compared to the net profit of 767 thousand euros for the previous year (817 thousand recognised by the Banking Group). Net banking income amounted to 486 million euros and operating expenses were 1.7 million euros, of which 1.0 million euros staff expenses.

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 2020 with **net profit of CHF 6.1 thousand (5.7 thousand euros)**, calculated based on local GAAP.

Revenues generated mainly from asset management and advisory services amounted to approximately CHF 9.3 million, whereas operating expenses totalled CHF 8.8 million (of which CHF 6.9 million staff expenses).

The BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled CHF 3.0 million at 31 December 2020.

On 30 November 2020, the subsidiary BG Valeur S.A. undertook a capital increase of CHF 2.7 million, the relevant share of which was subscribed by Banca Generali S.p.A. (90.1%) and the remainder by the minority shareholders, intended to bring its capital into line with both the new capital requirements set by the new federal law on financial institutions (LIsFi), which entered into effect on 1 January 2020, and with business development prospects.

At 31 December 2020, total assets under management amounted to 1,067 million euros, down compared to 1,170.1 million euros at 31 December 2019.

Related Party Transactions

The Banca Generali's Board of Directors approved the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance, in force as from 1 January 2011 and most recently updated with effect as of 15 May 2017, which 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 and transactions of greater importance, governing the related investigation, approval, reporting and disclosure activities.

On 18 December 2012, the internal policies governing controls of risk assets and conflicts of interest in relation to connected parties were approved in view of the actual implementation of the above-mentioned procedure. Said policies were most recently updated by the Board of Directors on 9 May 2017.

This Procedure envisages that authorisation must be obtained from the Company, in any event, for any and all highly significant transactions with related parties or connected parties to be effected by Italian or foreign subsidiaries within the meaning of Article 2359 of the Italian Civil Code.

To ensure full and proper disclosure of any and all related party and connected party transactions effected by the Company, the Procedure also requires that:

1. the Company's Board of Directors include an account of all related party transactions concluded during any financial year, including through subsidiaries, in the Directors' Report on Operations as per Article 2428 of the Italian Civil Code;
2. the Chief Executive Officer and General Manager report to the Board of Directors, as well as the Board of Statutory Auditors in respect of the conclusion of any and all Moderately Significant Related Party and Connected Party Transactions, at least on a quarterly basis;
3. the Chairman of the Board of Directors ensure that adequate information on all Moderately Significant Transactions falling within the remittance of the Board of Directors and on all Highly Significant Transactions is made available to all Directors in compliance with Article 2381 of the Italian Civil Code and to the Board of Statutory Auditors;
4. the Board of Statutory Auditors monitor compliance with the provisions of the above-mentioned Procedure and submit a report in such regard to the Shareholders' Meeting as per Article 2429, paragraph 2, of the Italian Civil Code and Article 153 of the Consolidated Law on Finance.

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.

Disclosure of Related Party Transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in 2020, 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 2020, 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[36], 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 above significance threshold established in the Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance) approved with a prior non-binding favourable opinion from the Internal Audit and Risk Committee (with the exception of the cases specified hereunder), the resolutions passed, from time to time, by the Board of Directors are reported below:

1. on 28 February 2020, Banca Generali's Board of Directors approved the merger of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR S.p.A. into Banca Generali. 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;
2. on 9 March 2020, Banca Generali's Board of Directors approved the proposal to grant an amortising loan to a company belonging to the Assicurazioni Generali Group;
3. on 23 April 2020, the Banca Generali's Board of Directors approved the granting of the line of credit to the Chairman, jointly with his spouse, within the framework of the AG Group Executives Agreement; the transaction was also within the scope of application of Article 136 of the Consolidated Law on Banking (TUB), and as such was approved according to the approval process provided for by law (resolution by the Board of Directors, passed unanimously with the interested party excluded from voting and with the vote in favour of all members of the control body);
4. on 23 April 2020, Banca Generali's Board of Directors approved the proposal to increase the line of credit granted to a company belonging to the Banking Group. 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;
5. on 14 May 2020, Banca Generali's Board of Directors approved the proposal to grant a new account overdraft facility, within the framework of the AG Group Executives Agreement, to an executive of the Parent Company, Assicurazioni Generali;
6. on 25 September 2020, Banca Generali's Board of Directors approved the proposal to grant a line of credit, in the form of secured account increased overdraft facility, in accordance with the term and conditions envisaged in the AG Group Executives Agreement, to an executive of the Parent Company, Assicurazioni Generali;
7. on 5 November 2020, Banca Generali's Board of Directors approved the proposal for the renewal of the line of credit granted to the Chief Executive Officer, jointly with his spouse; the transaction was also within the scope of application of Article 136 of the Consolidated Law on Banking (TUB) and, as such, was approved according to the approval process provided for by law (resolution by the Board of Directors, passed unanimously with the interested party excluded from voting and with the vote in favour of all members of the control body);
8. on 5 November 2020, Banca Generali's Board of Directors approved the proposal for 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.
9. on 17 December 2020, Banca Generali's Board of Directors approved the proposal to confirm the outsourcing of an essential or important function (already awarded to a Generali Group company) to another Generali Group company due to a change in the outsourcer's status as a result of the merger of the former into the latter.

[36] 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.

Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in 2020 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 that might have a material effect on the financial situation and the results of the Company and the Banking Group compared to 2019.

The developments of ordinary transactions with related parties are presented in the specific section of the Notes and Comments to the Separate and Consolidated Financial Statements for the year ended 31 December 2020, along with other information on related party transactions.

Proposal for the Distribution of Profits

Shareholders,

In 2020, Banca Generali S.p.A. reported a net profit amounting to 289,207,237 euros. In submitting the Financial Statements for the year ended 31 December 2020 for your approval, we propose allocating the net profit for the year as follows:

TABLE 77: NET PROFIT FOR THE YEAR

Net profit for the year	**289,207,237**
› Use of retained earnings	**96,403,165**
› allocation per each of the 116,851,637 ordinary shares issued of	
– a dividend of 2.7 euros per share, to be paid from 15 October and 31 December 2021	315,499,420
– a dividend of 0.60 euros per share, to be paid from 15 January and 31 March 2022	70,110,982
for a total of	**385,610,402**

In particular, in accordance with the Recommendation issued by the ECB on 15 December 2020 (ECB 2020/62) and endorsed by the Bank of Italy with regard to less significant directly supervised institutions, this proposal calls for:

1) distributing cash dividends for a total amount of 385, 610,402 euros, equal to 3.30 euros per share (gross of legal withholdings) per each of the 116,851,637 shares issued, consisting of an ordinary payout, calculated on the 2020 net profit and up to its total amount, and an extraordinary payout drawn from previous years' retained earnings, for a total of 96,403,165 euros;
2) paying dividends as follows:
   - 2.70 euros per share to be paid between 15 October and 31 December 2021;
   - 0.60 euros per share to be paid between 15 January and 31 March 2022;
3) subjecting the payment to: *(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, and 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;
4) authorising the Board of Directors to verify whether the above conditions have been met, and thus to pay out to the shareholders (if the said conditions have been met) or reallocate the amounts concerned to equity reserves (if the said conditions have not been met).

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 included in any distribution. The portion of dividends associated with such shares will therefore be allocated to retained earnings.

The proposal, which aims to compensate for the effects due to the cancellation of the payment of the dividend for financial year 2019, envisages a payout of 70.5%, calculated on the total consolidated net profit for the years 2019 and 2020. It is therefore fully in line with the Dividend Policy currently in force, which calls for an annual payout in the range of 70%-'80% of consolidated net profit and a quantitative floor of 1.25 euros per shares up to the total amount of the consolidated net profit.

With reference to the aforementioned supervisory regulations and guidelines, Banca Generali believes that the dividend distribution proposal to be submitted to the 2021 General Shareholders' Meeting is strongly justified by the following elements:
1) the sound capital and liquidity position, including in a stress test related to crisis scenarios;
2) the nature and distinctiveness of the business model, that has proved resilient and sustainable over the years, including in very complex contexts;
3) the nature of the lending activity, limited to loans secured by collateral, and the structurally limited exposure to credit risk and non-performing loans;
4) the willingness to satisfy the interests of the various stakeholders in an already very volatile market scenario.

It should be noted that, in the event the proposal is approved, consolidated TCR and CET1 ratio at 31 December 2020 will amount to 18.4% and 17.1%, respectively.

In addition, liquidity ratios confirmed the Group's solidity, with LCR ratio at 443% and NSFR ratio at 223%.

At the end of 2020, the leverage ratio was 5.1%.

In compliance with the applicable capital requirements and the supervisory regulations and guidelines applicable from time to time, Banca Generali confirms its Dividend Policy for the 2021 net profit being generated, with a payout ratio in the range of 70%-80% of consolidated net profit for the year and a quantitative floor of 1.25 euros per share up to an overall total amount equal to 100% of consolidated net profit.

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.

At 31 December 2020, as a result of the disposals and the decrease in capital gains accrued, the amount previously allocated to the restricted reserve may be reduced by 1,581,693 euros through reallocation to retained earnings, and therefore with no need for allocating a portion of the net profit for the year.

Trieste, 5 March 2021

The Board of Directors

Intellectual Capital

Products

The complicated scenario that marked much of 2020 certainly did not disrupt Banca Generali's new product development plans. Although the Covid-19 pandemic forced an unprecedented approach to work, it also showcased the Bank's responsiveness, enabling to design ad-hoc initiatives that meet clients' needs dynamically as they arise, while also consolidating participation in new initiatives — especially sustainability and support for the real economy — to 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

Continuing its long-standing pursuit of innovation, Banca Generali further consolidated its position in keeping with its mission, solidifying its role on the market as the leading sustainability player. The Bank continued to leverage its partnership with MainStreet Partners, expanding its proprietary platform to include **new sustainable strategies** capable of not only covering specific market segments and new investment trends, but also the most sought-after individual SDGs. In particular, the platform is capable of measuring each product's impact on the individual United Nations Sustainable Development Goals (SDGs) and integrating the outputs of this analysis into the traditional financial metrics used to develop portfolios.

The unprecedented, exceptional conditions that prevailed throughout 2020 contributed to accelerate Banca Generali's processes dedicated to creating investment programmes capable of providing tangible, sustainable support for Italy's economic recovery.

This was the impetus for creating **BG4Real**, which uses exclusive, innovative investment solutions to bridge the gap between the SMEs that make up Italy's economic fabric and investors' new return needs. This is a concrete link between the real economy and private investment designed both to promote economic development through concrete contributions to small and medium-sized enterprises in search of capital, and to meet the growing demand for investment solutions capable of providing yields and income return — a resource that is increasingly insufficient as a result of banks' policies and the persistent 'zero rates' environment.

Within this context, in the first half of 2020, the **8a+ Real Innovation fund** was created by 8a+ Investimenti SGR S.p.A. exclusively for Banca Generali. It is an alternative investment fund — a non-reserved AIF — one of whose characteristics is that it may also be subscribed by retail customers with an adequate standing. The project's importance was borne out by a considerable number of messages and communications tools targeting the network of Banca Generali's professionals, primarily through dedicated training webinars, but also, and above all, by the launch and subsequent marketing in the second half of the year of another AIF vehicle, this time under the ELTIF – European Long Term Investment Fund label.

In further efforts to provide a timely response to the liquidity management needs that arose during the Covid-19 emergency, BG Fund Management Luxembourg (BGFML) expanded its Luxembourg-based platform LUX IM to include a new sub-fund, **Lux IM Income Target 2023**, directly managed by the Luxembourg-based Sicav.

In addition, the LUX IM offering was complemented by sustainable and innovative solutions. In fact, during the first quarter, two more highly distinctive alternative strategies were added, under mandate entrusted to BGFML and BlackRock. In further detail:

- **Lux IM Alpha Green**, a sub-fund that benefits from a partnership with Ambienta SGR — a firm specialised in private equity that has stood out for its alternative approaches and investments in environmental sustainability, with a focus on selecting companies whose businesses are driven by strong environmental sustainability trends, relating in particular to efficient use of natural resources, energy efficiency and reduced pollution;

- **Lux IM Blackrock Credit Defensive Strategies,** a bond strategy characterised by a selection of high quality bonds and rigorous monitoring of risk.

In addition, the multi-faceted and, to a some extent, complex scenarios that financial markets continue to face have prompted Banca Generali to make some targeted considerations in relation with BG Selection Sicav, the fund-of-fund platform of BGFML with a track record of over ten years and a distinctive level of coverage in terms of strategies. In addition to the regular monitoring to ensure continuity in terms of consistency of performance and alignment with internal investment guidelines, BGFML promoted, above all in the first half of the year, mergers designed to rationalise the platform's level of efficiency, with benefits for customers.

With the aim of constantly improving its services, in 2020 the Bank forged ahead the targeted expansion and adjustment of its offering by applying the open architecture model. The sustainability theme certainly played an important role in the strategy for developing the catalogue. However, there was also no shortage of selections designed to identify strategies focused on secular trends, the Chinese market, defensive sectors and asset managers with qualified offerings boasting a solid track record in long/short strategies.

The portfolio management service was also expanded to include new management lines, some of which feature a clear sustainable orientation. The expansion of the range, which continued to focus on the private-banking segment in particular, included the launch within BG Solution and BG Solution Top Client of a new family, "Value Approach", and **two more new management lines**, a fund-based discretionary mandate (GPF) and a securities-based discretionary mandate (GPM), both featuring investment policies that combine a traditional financial return target with social and environmental parameters aligned with the sustainable development goals promoted by the United Nations.

Over the past twelve months, the range of insurance solutions was thoroughly revamped, while continuing to deliver considerable results. The first half of the year was undoubtedly dominated by the new 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 solution. Its innovative 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 can be used to build highly diversified portfolios (including ESG UCITS and internal funds).

During the year, there was no lack of initiatives designed to meet the growing need for wealth protection caused by the uncertainty fuelled by the health emergency. **#BGriparte**, an initiative intended to help Financial Advisors during the post-emergency phase, launched a Line I solution with special pricing conditions and placement of BG Stile Libero Special 2.0 resumed, with a 5% subscription bonus for the portion invested in the financial component.

In addition to the revamping of the flagship product **BG Stile Libero**[37], **BG Insieme – Progetti di Vita** was also launched in the second half of the year. Representing the most important new development in the insurance sector, it takes advantage of the experience with BG Vita to allow clients to invest gradually, turning volatility into an opportunity, with the goal of celebrating the client's most important milestones, thus instilling a strong sense of purpose into investment.

In 2020, in line with the current market environment that is consolidating, on the one hand, an established low-interest rate structure and, on the other, customers beginning to show — albeit gradually — interest in illiquid instruments, Banca Generali continued its efforts to strengthen its presence in the private credit markets.

Consolidating its experience curve, Banca Generali continued to focus its range on familiar business segments such as health-care receivables, export financing and Italian SMEs, backed by a guarantee from the Italian Central Guarantee Fund. The securities issued continued to be placed, leveraging securitisation technology, which continues to prove versatile. These are unique solutions capable of, on the one hand, offering Italian SMEs an alternative source of financing to the banking channel and, on the other, providing investors with an interesting investment opportunity.

[37] On 19 October 2020, BG Stile Libero 40 plus was launched: it offers the possibility to invest up to 40% of the investment in segregated accounts.

During the year, the range of asset under custody products focused on the placement of BTP bonds and participation in specific initiatives relating to the credit card industry designed to support merchants and customers.

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, highlighted its flexibility. The platform successfully navigated the financial market tensions caused by the health emergency, presenting a primary market range capable of fully exploiting the various phases that occurred.

Development of new products

Sustainability

In furtherance of its long-standing process of innovation, through its partnership with MainStreet Partners, over one year ago Banca Generali developed a proprietary platform capable of providing an in-depth analysis of the level of sustainability of individual products, including with regard to environmental, social and governance exposure, and to calculate the impact of the investment on the individual SDGs, determining its positive contribution in tangible terms through the use of specific metrics.

In 2020 the Bank, with support from MainStreet Partners, focused its efforts on **expanding the range of sustainable strategies** available on its platform to more than 230 UCITS in order to offer **greater diversification** at the level of individual asset class, ensure **broader coverage of the main themes relating to sustainability and SDGs** and allow clients to achieve environmental, social and good governance results in line with their expectations. The main sustainable indices generally outperformed the traditional indices due to the higher quality of the companies participating in the former, which proved resilient during the periods of severe volatility that marked the year. This trend drove the performances of the Bank's sustainable offerings at the level of both the universe of sustainable strategies and management schemes with specialised advisory service and the portfolio templates offered to clients.

The environmental theme performed strongly, driven by multiple factors, such as the renewed efforts by the various European Union Member State governments, including the Green Deal, and a stronger focus on it by investors and market intermediaries, as well as by consumers and end clients. Despite the strong focus on the environmental theme, Covid-19 once again brought to the fore social problems relating not only to health, but also technological development, the sustainable economy, poverty and a new development paradigm. Within this scenario, Banca Generali remains focused on the client's sensibilities, as well as on key medium-and-long-term trends, seeking to expand its range of sustainable social strategies and leveraging its platform, which continues to evolve and improve its system, becoming increasingly smart and user-friendly.

At 31 December 2020, the platform already offered outstanding solidity and depth, as shown not only by the large number of UCITS that make up its investment universe (around 230), but also, and above all, by the **16.1% share of total AUM in asset management schemes represented by ESG AUM**.

BG4Real

In 2020, Banca Generali launched an investment programme to connect private investment to the real economy through innovative solutions for its clients that also provide sustainable contributions to Italian companies. The project **BG4Real** is a bridge between private investment and the real economy that helps micro, small and medium-sized enterprises develop by providing capital or covering costs. The investment programme **BG4Real** is based on strategic partnerships, support from an open platform and advisory service tailored to the client's specific needs.

BG4Real is developed through the strategic partnership with **8a+ SGR**, an independent Italian boutique with a long track record in alternative investments and a solid infrastructure. **BG4Real**

benefits from an extensive ecosystem and collaborates with major research centres, corporates and international funds. There are currently two alternative investment funds (AIFs) available, one of which with the ELTIF label. Both strategies, among the first on the market, offer broad diversification from the standpoint of strategies, combined according to a prudent allocation, approximately 70-80% to debt and 20-30% to equity.

It was inevitable that Banca Generali's focus on sustainability would extend to these solutions, which invest in the green debt segment (e.g., certified green buildings, student residences, etc.) or sectors of the equity market with a clear exposure to themes that include ESG criteria by purpose or nature. Both solutions pursue sustainability principles and are closely aligned with specific SDGs by virtue of their stated investment targets, with their portfolios exposed to individual themes, sectors and geographical areas.

The two strategies relate to:
› **8A+ Real Innovation**, an alternative investment fund with a European portfolio in which debt investments are concentrated in the senior secured loans segment of specialised credit, in addition to real-estate lending, whereas the equity component consists of venture capital solutions and investments in small and medium Italian enterprises to a residual extent. **8A+ Real Innovation** seeks through its investments to support SDG1 (No Poverty), **SDG3** (Good Health and Wellbeing), **SDG9** (Industry, Innovation and Infrastructure) and **SDG13** (Climate Action) with a strong exposure to themes/sectors such as: **Economic Initiatives** with **SDG1**, **Health Security** with **SDG3**, **Digital Transformation** with **SDG9** and the **Green Transition** with **SDG13**;
› **8A+ Real Italy ELTIF** offers more exposure to the Italian market with broad diversification in terms of bonds (loans to Italian SMEs, mini-bonds and senior-secured loans) and focuses the equity component on forms of direct investment and co-investment in Italian "start-ups" and companies listed on the Italian AIM market. **8A+ Real Italy ELTIF** seeks through its investments to support **SDG 8** (Decent Work and Economic Growth) and **SDG9** (Industry, Innovation and Infrastructure) with a strong exposure to themes/sectors such as: **Social Security SDG8** and **Digital Transformation SDG9**.

Both solutions are reserved for retail and professional clients of Banca Generali that meet certain specific characteristics, for example a minimum capital level (minimum of 500,000 euros for AIFs and of 250,000 euros for ETLIFs) and minimum initial investments (100,000 euros for AIFs and 10,000 euros for investments).

Lux IM

Protection, innovation and sustainability were, without a doubt, the main components driving the expansion of the range on the new Lux IM platform. In further detail:
› **Protection** – In response to the liquidity management needs that arose due to the outbreak of the health emergency, the Luxembourg-based platform Lux IM was expanded to include the new Monetary family, which offers a the sub-fund **LUX IM INCOME TARGET 2023**, under mandate entrusted to BG Fund Management Luxembourg. It is a portfolio characterised by the high creditworthiness of the governmental and corporate issuers selected and by a geographical focus on the Italian market, designed to optimise liquidity management while minimising fluctuations;
› **Innovation** – there is no lack of innovation enriching LUX IM's line; during the year, in order to meet the needs of domestic bond investors and manage a complex scenario featuring important challenges (low returns, liquidity and risk of directional exposure to the markets), a highly qualified strategy was launched under mandate entrusted to BlackRock. This strategy is **LUX IM BLACKROCK CREDIT DEFENSIVE STRATEGIES:** a bond strategy with a focus on the European corporate market and a defensive risk profile confirmed by a portfolio that is over 60% exposed to the investment grade segment and has controlled volatility within a range of 2-4%. The very conservative core component is accompanied by the search for alpha through dynamic duration management and rigorous risk monitoring, in particular through the use of credit default swaps (CDSs) and options;
› **Sustainability** – the process of integrating ESG criteria into the range continued in 2020 by strengthening an already rich and diversified offering of strategies characterised by a high sustainability rate, as confirmed by the assessments of the Bank's advisor MainStreet Partners. The range now offers 13 strategies based on the use of various ESG management styles (e.g., best in class, best effort, engagement and themed), prepared using specific models, typi-

cally of a proprietary nature. Further two strategies have been added to the 11 included in the range as of 2019. In particular:

- an already existing strategic, specific analysis of which have found a high level of sustainability: the Invesco Multi-Asset strategy, which invests and themes and sectors involved in the Belt and Road project;
- a new strategy, under mandate entrusted to BG Fund Management Luxembourg, and which leverages the partnership with Ambienta SGR, an innovative asset manager with a leading position in environmental sustainability and that has a long, solid track record in the private equity sector. This one-of-a-kind strategy successfully combines its focus on selecting companies with businesses powered by strong environmental sustainability trends with the application of a time-tested approach that makes it possible to generate value using both long and short investments.

In keeping with its highly innovative profile and focus on client needs, the platform takes advantage of the new BG Twin Mix solution, which enables clients to invest gradually in financial markets, while also continuing to benefit from specific, custom services such as TWIN MIX and dollar-cost averaging, constantly updated and monitored.

More specifically:

› as part of **#Bgriparte** initiative, the first half of 2020 saw the launch 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);

› 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 2 to 5;

› 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 (dollar-cost averaging) service is also constantly monitored, showing a constant uptrend in its use.

At 31 December 2020, LuX IM had 67 sub-funds, of which 20 managed by BG Fund Management Luxembourg and 48 under mandate entrusted to leading international investment houses. Moreover, all strategies will be available both in the retail class and in the institutional class within Banca Generali innovative wrapper solutions (BG Stile Libero, BG Solution and BG Solution Top Client).

BG Selection Sicav

A diverse, complex and, in some cases, unprecedented market scenario was the backdrop against which the management company designed specific fused solutions released during the year to maintain the high level of efficiency achieved by the platform (which now has a track record of over ten years), while also enabling it to stand apart from its peers in terms of performance levels.

At 31 December 2020, BG Selection Sicav had 28 sub-funds, of which 13 managed by BG Fund Management Luxembourg and 15 under mandate entrusted to leading international investment houses.

Open architecture

Throughout 2020 as well, the topic of sustainability informed the strategy for expanding Banca Generali's product catalogue, which now includes approximately 230 ESG UCITS[38] that are highly specialised and qualified in terms of coverage of specific market segments, new trends and

38 Distributed in all formats.

SDGs. In parallel with sustainability, research also continued to focus on identifying highly distinctive sub-funds from the standpoint of theme and/or coverage of specific market segments/areas. New partner asset managers were selected with a range featuring clear investment goals focused on capturing value according to specific ESG criteria and strategies targeting secular trends and/or specific market segments. In 2020, the catalogue was thus expanded to include:

- **ESG strategies** with a focus on trends such as **the circular economy, sustainable/medical technology, new communication methods and impact approaches**;
- **Specialised strategies** focused on meeting income, Chinese market exposure or protection needs with long/short approaches boasting a long, solid track record;
- **Next Generation Sector strategies** capable of taking advantages of opportunities in artificial intelligence, new technologies, new communication systems, healthcare, etc.

At 31 December 2020, Banca Generali's multi-manager retail platform included 65 asset managers with more than 6,200 UCITS overall.

Portfolio management

In 2020, the expansion of the range continued to focus in particular on the private-banking segment. Changes to the portfolio management service involved:

- **the restyling of the lines managed by the historical team at Nextam Partners** — currently 100% integrated into Banca Generali — entailing the launch of three new lines, the placement of two additional lines in post-sale status and the creation of a new family called "Value Approach" within BG Solution Top Client. It currently consists of five lines characterised by an investment process based on fundamental analysis and the adoption of a "high-conviction" approach that uses value-style stock-picking;
- **the launch**, within BG Solution and BG Solution Top Client, **of two new core investment lines** (GPM and GPF), both of which feature management policies that combine the search for traditional financial returns with specific ESG criteria in line with the Sustainable Development Goals promoted by the United Nations. Specifically, the line:
  - consisting of the fund-based scheme (GPF) allows for up to 100% investment in ESG UCITs belonging to the Generali Group — Generali Investments and Sycamore Asset Management — and other sub-funds of BG Fund Management Luxembourg;
  - consisting of the securities-based scheme (GPM) with financial advisory by MainStreet Partners is designed to invest by selecting financial instruments – securities and/or UCITs – with a clear business goal aimed at reducing, recycling or replacing plastic.

Overall, Banca Generali offers a full portfolio of actively distributed discretionary mandates, composed of BG Solution (41 management lines) and BG Solution Top Client (48 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

Banca Generali's insurance range was thoroughly revamped in 2020 to include additional new traditional and multi-line products, while continuing to deliver extremely attractive performances. In the first half of the year, the insurance range focused above all on private insurance, with the launch of **Lux Protection Life**, the new Generali Luxembourg multi-line policy designed solely for top clients, with the main characteristic of combining all of the Generali Group's best insurance and financial expertise into a single investment solution. In further detail, this innovative policy offers advanced insurance cover and allows up to 40% of the premium to be invested in a segregated account scheme under French law to ensure solidity and protection.

From a financial standpoint, the policy 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 ten dedicated internal funds diversified by manager risk profile and geographical focus.

To continue to meet wealth protection needs during this particularly uncertain year, **BG Custody ed. 02/2020**, a new LOB 1 traditional policy that invests in the Ri.Alto BG segregated account scheme, was launched in the first half of the year. In addition, placement was reopened for **BG Stile Libero Special 2.0**, the single-premium multi-line policy that offers a 5% subscription bonus for the part invested in the financial component (UCITS), with the aim of maintaining a broad insurance range capable of meeting clients' needs in the most difficult environments.

At the end of the first half of the year, as part of the **#Bgriparte** initiative, **BGCustody ed. 02/2020 Promotion** was launched: a traditional LOB I policy that, while continuing to meet wealth protection needs, has also been expanded to include new advantages such as reduced exit penalties and a full discount on underwriting fees.

The second part of the year focused on revamping the flagship product BG Stile Libero. The version **BG Stile Libero 40 plus** was launched, offering the opportunity to invest up to 40% in the segregated account scheme with access to a wide, diversified investment universe (approximately 1,000 UCITs of over 50 asset managers). In this regard, revision of the offering continued, with constant additions to the range of third-party partners, and specifically a further increase in the number of sub-funds featuring investment processes with ESG criteria.

The launch of **BG Insieme – Progetti di vita**, which occurred in the final part of the year, undoubtedly represented the most significant new development of the insurance range. This new recurring-premium policy is designed to leverage the important BG Vita experience to invest gradually, thus turning volatility into an opportunity.

This insurance instrument has an additional central goal: celebrating the most important milestones in clients' lives, thus integrating a significant purpose dimension into their investments.

BG Insieme - Progetti di Vita brings these needs together, accompanying them with an investment solution divided into two investment lines: LUX IM, which offers a free choice of the Luxembourg platform's sub-funds, and the Ri.Alto BG segregated accounts. In addition, the policy is supported by top insurance cover, which guides the plan to its natural conclusion when unforeseen life events do not allow the client to complete the planned project.

Assets Under Administration and Custody (AUC)

The increase in the number of distribution agreements with major new brokers — Citi and Ubs — for the issue on the primary market of AUC instruments such as certificates and structured bonds continued in 2020. These new agreements allow Banca Generali to expand its range with products developed by major international players.

Three BTP instruments were also placed in the twelve months of the reporting period, and the resources were used solely to combat the pandemic, with particular support for the national healthcare system and workers; specifically, these were:
› **a BTP ITALIA** instrument with a maturity of five years and half-yearly coupons calculated on the principal amount, adjusted for inflation and subject to a retention bonus at maturity;
› **two BTP FUTURA** instruments, reserved solely for retail investors and offering step-up half-yearly coupons and a retention bonus at maturity based on Italian GDP.

Finally, in other efforts to maintain the high level of innovation that characterises Banca Generali's entire range, solutions and initiatives were packaged with the sole aim of seeking to respond to and meet the new needs of private-banking clients in the unprecedented Covid-19 emergency scenario. In particular, the main innovations related to:
› **Debit Card *Restyling*:** the overall restyling of the card line was completed and the debit range was rationalised, while keeping a single type of international e-commerce debit card and completely revising the feel and feel, which were brought into line of the graphical style of the other payment cards.
› **Nexi Covid-19 initiatives:** in April, at the peak of the health emergency, the Bank joined the "Digital Solidarity Programme" in collaboration with its partner Nexi to support the reco-

very of commercial businesses. In detail, these are three acquiring initiatives, launched to simplify and increase the advantages offered by digital payment receipt schemes:
- Pay by link – a remote payment receipt service based on the use of links sent by the merchant to the customer. It is a service offered for a monthly fee, with no installation or transaction costs (the latter waived until 31 December 2020);
- Micropayments rebate — an initiative supporting merchants involving commission rebates for small digital payments received from 1 March to 31 December 2020;
- "Nexi Welcome" mobile POS terminal — range designed for new customers who use the payment acceptance service sporadically and not continuously. There are no fees for this service and the Bank covers the installation costs (promotion valid until 31 December 2020). The merchant receives a small, light-weight mobile POS terminal device, which functions together with a smartphone, thus also enabling efficient mobile use.

› Family **credit card promotional campaign:** a new promotional initiative designed to increase the penetration of electronic payment instruments was launched in the second half of the year with Nexi. Specifically, clients were offered the opportunity to apply for a Family Credit Card until December 2020 with zero fees for the first year.
› **Cashless Plan:** following on the government initiatives designed to foster the use of electronic payments that resulted in the launch of the Cashless Plan, near the end of the year Banca Generali, through its partnership with Nexi and with support from its suppliers, made it possible for its clients to participate in the Plan with all payment instruments available in the range and on all payment systems.
› **BG Saxo:** in the final month of the year the range of trading products available on the BG Saxo platform was expanded to included contracts for difference (CFDs) and inflation-linked bonds. The over 9,000 CFDs that can be traded on 36 financial markets were made available to professional clients operating autonomously on the BG Saxo platform.

In line with the previous years:
› 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, in addition to confirming the mechanism for determining the bonus (aimed at rewarding not only the new transfers, but also the assets already included in portfolios);
› with reference to mortgages, the referral agreement with the Intesa Sanpaolo Group, including the related promotions for customers, was confirmed.

Credit Products

Liquidity initiatives: on 16 March 2020, as a prompt response to the first effects of the Covid-19 emergency, a three-month campaign was launched to support clients' liquidity needs, characterised by extremely advantageous conditions for Lombard loans secured by assets under custody.

In April, Banca Generali decided to support and expand the efficacy of the government's measures designed to maintain high liquidity levels throughout the Italian economy by facilitating credit conditions for families and businesses through a series of concrete initiatives. The most significant such product initiatives were:
› the extension to various client targets of the ability to obtain account overdrafts without collateral, through the development of specific new credit products and the temporary extension of credit limits available for several existing products;
› the ability to obtain a guarantee from the Italian Central Guarantee Fund for SMEs on the Bank's line of credit and opportunities for access to instalment-based financing — a specific product designed for the emergency — with a term of five years and special pricing for cases in which 90% coverage from the Fund applies.

Lombard loan extension: in March Lombard Plus was added to the Lombard loan, allowing clients to expand their investment base through the ability to purchase/subscribe for financial and investment products using their account credit facilities. In addition, to meet clients' needs concretely and flexibly, in October 2020 Lombard loans were also extended to the loan brackets from 10,000 euros to 75,000 euros, the first excluded. For this amount bracket, no limits on AUM apply. The range is completed by dedicated pricing and a preferential evaluation procedure.

BG Superbonus 110%: in October 2020 Banca Generali launched a loan offering dedicated to its clients and intended to benefit from government subsidies relating to the 110% superbonus. It allows full freedom of choice of the techniques and suppliers for renovating real estate, without giving up the possibility to use the tax credit accrued where the suppliers are not willing to apply the invoice discount.

The solution makes it possible to cover the financial needs of renovation work, under the government relief measures, with the Bank willing to purchase the tax credit accrued and provide its clients with a temporary overdraft facility to make work progress payments. The solution also features a dedicated current account (*BG Facility*), which is used to provide the overdraft, make the payments for the work and pay the client the price of purchase of the tax credit.

Securitisations

In 2020, Banca Generali responded to the constant need for income and the growing focus by professional customers on investments tied to the real economy by strengthening its presence on the private credit market, and in particular within the segment of illiquid investments backed by high-quality collateral. The main operations dedicated to professional investors in the year were as follows:

- **Argo** – senior tranche, the underlying assets of which are receivables claimed by Italian SMEs from Italy's National Health System and Public Administration;
- **Credimi #ItaliaNonSiFerma**, — senior tranche, a programme in support of Italian SMEs implemented by Credimi[39] with a contribution of Assicurazioni Generali as junior investor. The programme securitises five-year loans granted by Credimi to a selection of Italian SMEs and guaranteed by the Central Guarantee Fund. This first transaction was also the model for Credimi #ItaliaNonSiFerma Piemonte e Valle d'Aosta, which focuses the scope of the loans to SMEs in north-western Italian and involved the participation of Finpiemonte and Fondazione CRT as junior investors.
- **Trade Finance Quattro** — senior tranche, securitisation of letters of credit insured by the policies issued by Export Credit Agency, in accordance with the trade finance concept of preventing the risks inherent in international transactions. This is in line with the previous trade finance initiatives.

Certificates

In 2020, due to the strong turbulence that marked the financial markets, BG Certificate Hub presented a primary market offering capable of taking full advantage of the various phases. The approach shifted from highly defensive solutions during bear phases (e.g., protected capital products, ultra-defensive barriers and minimum strike structures) to products capable of capturing market rallies such as fast triggers and outperformance solutions. In addition to primary placement, in 2020 BG Certificate Hub also offered its network support with post-sales activity on the secondary market.

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 2020, the **advanced advisory service "BG Personal Advisory"** was further expanded and enriched by the launch of the new "Integrated Wealth View" service, which aggregates and analyses the overall wealth of clients and their families, including both financial and non-financial components (such as real estate, businesses and other assets of value). In particular, this new service offers the following distinctive characteristics:

- personalisation of the scope of analysis, automatically recovering the data already entered into the Advisory Platform (financial assets with Banca Generali or other intermediaries, real estate and businesses) in view of full integration, with the aim of adding further informa-

[39] Credimi, a leading fintech operator in digital loans to businesses in Continental Europe, is a financial operator authorised and supervised by the Bank of Italy.

tion provided by the client regarding other assets;
- automatic aggregation of all assets and representation through various dimensions of analysis: assets vs. liabilities, level of liquidity of assets or intermediaries;
- specific analysis of individual assets with the aim of providing clients with a thorough analysis of their overall wealth using innovative, custom reports.

As part of the BG Personal Advisory advance service, and in order to constantly innovating the tools available to the distribution network, 2020 saw the introduction of new features for the **Robo for Advisory (RO4AD)** service — a fully integrated, automated system launched in 2019 that monitors customer portfolios and identifies custom investment solutions on the basis of various risk and quality factors. In detail, the new features added in 2020 refer to:
- the extension of controls to the BG Stile Libero multi-line policies;
- proposals for automatic rebalancing of the customer's portfolio based on one of the Banca Generali portfolios prepared and regularly updated by the Advisory service;
- the sending of new reports to the Financial Advisor by e-mail as well.

In continuity with what was done in the second half of 2019, Banca Generali remained committed to reinforcing the line of **"BG International Advisory"** advanced advisory services, which combine the value added by the investment services offered by Banca Generali in Italy with opportunities to hold a portion of one's assets with Cornèr Banca S.A., a Swiss bank authorised under the freedom to provide services.

The new features introduced in 2020 include:
- the extension of the service to positions with joint holders;
- the creation of model asset under administration portfolios dedicated to clients of BG International Advisory.

Within the framework of the strategic partnership with Saxo, in the first half of 2020, Banca Generali's Financial Advisors were also given the possibility of using the BG Saxo Platform to offer order collection service to their clients, leveraging the full potential offered by the platform, from the standpoint of both technology and the breadth of the markets and financial instruments covered.

The process of innovation and digitalisation of tools in support of the network also continued in other areas, including the following:
- the scope of operations available within the advisor portal for account-opening was expanded. After individuals, sole proprietorships and notaries, in 2020 a new process was launched for managing applications for legal persons[40]. Financial Advisors may began the account-opening process by entering just two pieces of information and the system will then recover all company information automatically. This enables the Financial Advisor to save time, obtain pre-filled forms and then choose to proceed with confirmation in fully digital mode;
- a new professional printing service has been made available to the network for personalised presentations created in BG Editor. The new service enables Financial Advisors to order high-quality printouts online using recycled paper and thus to obtain a sustainable, plastic-free product in support of the client relationship;
- the online commercial solution BG Prodotti was also made available for use on smartphones, providing access to complete information regarding commercial activity even when on the go;
- BG Lab was created, offering an innovative new network training platform tailored to each advisor's specific training needs, evaluated through an individual assessment based on a questionnaire dedicated to all Financial Advisors. The platform also offers a section dedicated to webinars, a fundamental information and training channel in the midst of the Covid-19 emergency;
- the new Training & Innovation Hub was completed and inaugurated in early 2020, providing a hub dedicated to training and innovation, as well as to developing investment solutions along with asset management partners.

[40] Companies, non-corporate entities and trusts.

Finally, in 2020 the features available in the BG Personal Portfolio tool were expanded, with a focus on simulation and analysis of investment solutions capable of supporting traditional financial evaluation metrics, including a series of measurements that provide clients with an overview of the impact of their investments on the 17 United Nations Sustainable Development Goals (SDGs). As a result of the new developments, the tool may also be used to simulate dollar-cost averaging investment solutions and create new interactive analysis charts that compare sub-fund/portfolio performance with the main markets of reference and other individual instruments.

New technologies in service of customers

In 2020, Banca Generali consolidated its investments in online trading by further developing the digital ecosystem offered to customers through the **BG Saxo Platform**.

Thanks to an increasingly wide range of financial instruments, expanded by the ability to also trade derivative instruments, Banca Generali also opened its business to B2C clients. New clients are acquired through the fully-online digital onboarding service, without any need to print paper contracts, thanks to an end-to-end digital process and digital signature of the contractual documentation, which also enabled greatly reduced account opening times.

To offer clients the best possible experience on BG Saxo, in 2020 an app was also launched for smartphones and tablets that allows full operation even while on the go. The new app recognises the client's preferred trading platform and allows a single set of credentials, also shared with Banca Generali's internet banking, to be used to access BG Saxo's services, including through biometric recognition mechanisms.

In digital portfolio management, 2020 was the year of the launch of Digital Collaboration, the remote investment management service supported by a personal Financial Advisor that during the year allowed approximately 34,000 transactions to be dematerialised each month, for a total value generated of just under 7 billion euros. The service proved a key element for customers in managing their portfolios during the extended lockdown period in 2020. Digital Collaboration was also expanded from a feature standpoint by adding the ability to manage the new Twin Mix service and all securities purchase and sale orders on the BG Saxo Platform.

There was also a particular focus on IT security and simplifying the management of digital tools for clients: the mobile token authentication system, which is used by clients to access digital applications and confirm transactions, was improved by integrating it into the mobile banking app, allowing clients to use a single app and leveraging the immediacy of biometric recognition for authentication.

Complementary to the Internet banking channel is the telephone customer care service provided by the Banca Generali **Contact Center**, which customers contact above all for information of a general nature on the Bank's operations and/or for assistance with navigating the Internet platform or using the dedicated app, as well as to obtain specific information or perform transactions on their accounts. In 2020, the Customer Care operators fielded over 219,000 calls, with a percentage increase of over 10% compared to 2019, and response times at less than one minute.

In the reporting year, the **Network Support** service — which is a fundamental part of the Contact Center Service, aimed at offering support to Financial Advisors within the sales network — managed over 166,000 calls, ensuring a percentage of dropped calls below 10%, which, despite a slight decline, was in line with the previous year. The average answer time was 97 seconds for all Financial Advisors, down significantly compared to 2019. With regard to the Wealth Management CGU, the average answer time was 39 seconds, with a 2.5% of dropped calls, in line with the previous year.

The **Web call-back** service, which enables advisors to reserve a call-back by an operator at the busiest call times, was gradually rolled out in the second half of the year: the system managed a total of about 4,000 calls, with an average call-back time of 7.5 minutes.

TABLE 78: CUSTOMERS

	2020	2019
Total number of calls with Interactive Voice Response	403,887	330,253
Number of calls managed by Operators	219,017	195,635
Response times (seconds)	53’’	80’’
Percentage of calls dropped per Operators	5.5%	9.6%

TABLE 79: FINANCIAL ADVISORS

	2020	2019
Total number of calls with Interactive Voice Response	249,204	274,243
Number of calls managed by Operators	166,913	174,216
Response times (seconds)	97’’	120’’
Percentage of calls dropped per Operators	9.8%	11.7%

Internal support processes for company business

Operations

In line with the evolution of the Bank’s vision regarding greater sustainability, the Green Initiatives, already completed in the Milan office with the transfer to the Hadid Tower, have been implemented in the Trieste operating offices. In particular, in the months immediately preceding the health emergency, operational “cleaning” principles were introduced for workstations to make the daily activities performed by people more agile. A survey was then carried out of all the paper documents produced by Management and all those not strictly necessary were eliminated.

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 phase.

Loans

Initiatives in support of loan growth, process efficiency and reduced operational risk continued in 2020.

There were several initiatives aimed at increasing the credit offer. In particular, the Lombard Plus, made available to a pilot group at the end of 2019, was extended to all Financial Advisors, the Lombard <75k range (so-called Minilombard) was launched and the Trade Finance project was concluded.

Starting from April, the Bank has followed up on the credit interventions introduced by ministerial decrees to support customer liquidity during the Covid period: Banca Generali included within the offer specific loans for businesses guaranteed by the SME Guarantee Fund and new unsecured cash loans, both for individuals and small entrepreneurs, the self-employed and professionals who were already Bank customers.

The integrated system for handling electronic credit line applications underwent further development with a view to increase the efficiency of internal processes by integrating new features and increasing the degree of automation, in addition to reduce operating risks. Of the measures carried out, mention can be made of:
- the automatic control of guarantees in the application, processing and approval phases;
- the new remote operating methods with digital signature, to support operations in times of health emergency;
- integration of controls on the values of collateral for existing positions.

In addition, the Credit Risk Mitigation project continues. This aims to introduce greater consistency between management risk mitigation techniques and the reporting activity, evaluating and acquiring, in line with current legislation, the amount admissible for prudential purposes, through the use of the look-through approach solely for BGFML UCITS.

Asset management

In 2020, the initiatives implemented within the asset management segment mainly included:
- adjustments/rationalisations of the product offer through the launch of new management lines and new asset allocation strategies;
- the conclusion of the Nextam project that led to the IT migration of the SGR on 1 July 2020 and the consequent integration of the related processes and products into Banca Generali's Asset Management.

Legal compliance

In 2020, 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 Directive No. 44: adaptation measures regarding the operation of the insurance sector to fulfil the new IVASS obligations in force from 1 January 2020. The measures were carried out and distributed during the year according to a shared action plan and coordinated with BG Vita which provided for the adoption of contingency measures aimed at immediate compliance with the new legislation, gradually replaced by fully automated and, as such, more efficient solutions;
- IV AML Directive (and national implementing legislation, Legislative Decree No. 90/2017, including the subsequent Bank of Italy and UIF measures): organisational and procedural adjustments, analysis of interventions to adapt the forms and operational automation processes. Also in this case, given the scope and pervasive nature of the measures, it was necessary to adopt a gradual compliance plan consisting of contingency solutions gradually replaced by actions to fully automate the processes;
- Bank of Italy Measure setting out the "Provisions for storing and making available documents, data and information for combating money laundering and the financing of terrorism" in force from 1 January 2021: a first tranche of measures has been released and the first quarter of 2021 is expected to see a gradual increase in the efficiency of what was made available at the beginning of the year;
- Group Data Sharing Project: IT interventions for the exchange of information flows with the Parent Company Assicurazioni Generali containing a set of information useful for assessing customer risk in accordance with anti-money laundering regulations. This was a major integration project to create a single archive at whole Generali Group level with the contribution of all the subsidiaries;
- Measures to combat the effects of the Covid-19 pandemic, in the form of adaptation to 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. These measures include:
  - interventions in the "credit" area for the definition of new credit lines with a state guarantee, moratoriums on loans, extension of the life of loans already disbursed, suspension of mortgage payments, introduction of new safeguards (implementation of Crif's strategy one procedure) to facilitate the analysis of customer requests referring to credit initiatives introduced to facilitate access to liquidity;
  - new products/services including the "BG Riparte" initiative divided into "BG Twin" (extension of the Twin mix service in combination with a "liquidity account") and "BG Custody Promotion" (ad hoc insurance product), the launch of the securitisation "Italy does not stop" and the "BG Facility" initiative for accessing the so-called 110% Superbonus on building renovations;

  - modification to customer order reception and management processes: incentives to use Digital Collaboration and introduction of new remote order confirmation methods through processes that enable orders to be confirmed via email and greater use of the Contact Center's professional services;
- 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 II and MiFIR investor protection and intermediaries topics": launch working groups for the analysis and development of the adjustments to be applied in 2021 reporting (referring to the 2020 financial year);
- IDD2 Regulation: launch of working groups for the analysis and development of adjustments to be applied during 2021 and 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 II customer profiling methodology, update of the profiling questionnaire, inclusion of updates deriving from ESG legislation: launch of working groups for the analysis and development of adjustments to be applied in 2021.

Marketing Activities

In 2020, 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

2020 was a very complex year that changed the communication dynamics. The spread of the pandemic, the consequent periods of restriction and the need to support the economy guided Banca Generali's communication that remained constant over time in order to reiterate its proximity to all stakeholders. Aware of its own role in supporting the system, the Bank had already, from the early days of the health emergency, deployed a maximum number of resources for research and medical assistance, communicating these in such a way as to extend stakeholder engagement as far as possible.

From the financial point of view, on the other hand, the traditional line of communication continued aimed at maximum transparency regarding business results and changes. In 2020, Banca Generali issued a total of 68 financial press releases — 34 in Italian and an equal amount in English — which covered monthly net inflows results, quarterly and annual results and the extraordinary initiatives offering support to the real economy. In addition, throughout the 12 months, the Chairman, the CEO and the two Deputy General Managers always made themselves available for discussion with the media, to address the main issues of the moment and offer clarifications on the evolution of the company business.

Institutional communication was also enhanced by a new institutional portal: May 2020 saw the release of the new version of the site **www.bancagenerali.com**. The new corporate website combines the usual institutional content with a constant showcase on the daily life of the company, so as to provide analysts, investors, journalists and customers with an overview of Banca Generali that is always up to date.

On the other hand, among the commercial projects, the initiatives dedicated to supporting the real economy, such as the **#Italianonsiferma** project developed with Credimi and the launch of the **BG4Real Economy** solutions, took on major importance.

The Bank's proximity to the business fabric and savers also resulted in a series of events entitled "**Recipes for recovery**" which each month saw the CEO in discussion with leaders from the world of work, business and the economy. The project was developed exploiting the potential offered by the main social network platforms on which Banca Generali is present (Facebook, LinkedIn, YouTube, Twitter and Instagram). The CEO, Gian Maria Mossa, promoted the initiative personally through his own personal LinkedIn profile.

Finally, during 2020 the Bank's communication was also enhanced with news about testimonials. Above all, the historic victory of Federica Brignone attracted a huge amount of attention when she won the 2019/2020 Alpine Ski Racing World Cup — a first in the history of the Italian national ski team.

Communications with customers and the network

The ordinary customer communication activity, based on transparency, accuracy and timeliness, was accompanied by a number of extraordinary activities, linked to the particular historic moment, with the direct involvement of the CEO. Two communications were written by the CEO (one in March and one in December) addressed to all customers, to reassure them of Banca Generali's solidity and to inform them of the initiatives implemented to ensure protection for all people and business continuity, as well as support for the Italian system. In addition, a number of live events on the "Recipes for recovery" format were shared on the Bank's social networks.

During the year various online meetings and discussions were held with the whole network (roadshows, BGTV event, webinars) and Financial Advisors were provided with new useful information materials to better illustrate the services and solutions launched during the year (BG Superbonus 110%, BG4Real Economy, BG Insieme - Progetti di Vita, credit initiatives), with an ever-increasing focus on the issue of sustainability, its impacts on the offer and on the commercial support services.

Internal communications

As regards internal communication, 2020 saw the consolidation and implementation of the use of the BG InSite platform, the portal that has increasingly become the main tool for accessing the information and services dedicated to employees.

Through the BG InSite hub, various programmes and initiatives were launched to provide proximity for employees, engaged in their work in smart working mode. Mention should be made, in particular, of the "BG Stories" initiative, a series of videos dedicated to colleagues in the various Departments who have thus been able to talk about and share how their way of working has changed and how they have been able to ensure continuity to their activities. The main difficulties linked to remote working were also identified thanks to in-depth questionnaires: training and information activities were set up to provide support to colleagues and help them better cope with the unexpected work situation. There were many filmed contributions and digital events that involved Top Management (employees' Convention, Digital Meetings, BG Prima Visione) in order to create proximity and a sense of sharing in this particular historic phase.

All the initiatives were organised with a focus on engagement, thanks to an easier interaction with all employees and supported by the flexibility of the platform used.

Ambassadors

The Bank's collaboration with its ambassadors Davide Oldani and Federica Brignone continued, and was extended to Beatrice Venezi and Alex Vinatzer.

› **Beatrice Venezi**, a native of Lucca, at just 29 years old is considered to be the most talented conductor on the international music scene, with collaborations that have led her to be included by Forbes magazine among the 100 young leaders of the future. The collaboration between Beatrice Venezi and Banca Generali is aimed at promoting the excellence of Italian classical music amongst the general public.
› **Alex Vinatzer**, on the other hand, represents the most promising face of the men's national ski team: at just 21 years of age, his record of achievements can, in fact, count on a podium in the World Cup (Zagreb, 2020) and a world bronze (Are, 2019), which accompany his numerous triumphs in the youth field.

The professional profiles of Venezi and Vinatzer strengthen the Bank's strategy of focusing on young talent who, through the pursuit of excellence, represent positive examples of dedication and growth.

Human Capital: Human Resources

49% 51%

962 employees

48,805 total training hours (average of 51 training hours per employee)

Over 850 employees enabled to work remotely (normal and emergency remote working)

Average employee age of 45 years

96% of staff under indefinite-term contract

Activities following the Engagement Survey:
- Smart Meeting
- Project Posting
- BG Energy

People are one of the six pillars of the 2019-2021 Strategic Plan launched by Banca Generali and one of the key elements on which the Banking Group bases the pursuit of its strategic objectives.

Accordingly, in 2020 Banca Generali continued to devote close attention to investments in the **development, growth and management of its individuals**, by spreading a company culture founded on shared values, leveraging diversity and inclusion.

Covid-19 pandemic, which marked 2020, has placed the theme of Human Capital even more at the centre, identifying the **protection of human resources** and their development as the two main priorities for ensuring business continuity.

In particular, throughout 2020 it was necessary, on the one hand, to implement a number of actions to ensure people's safety and, on the other, to review from a different perspective the initiatives linked to the People Strategy, in keeping with the working practices that the new context has imposed.

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 but with different methods.

Regarding people's safety, February 2020 saw the start of a **remote working campaign** involving all the Banking Group's companies in all the premises. In fact, **remote working** (hereinafter also RW) was extended to all staff, except for front-office employees, to allow them to manage their work remotely and ensure business continuity and development and, 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 (social distancing, use of PPEs, flexible working hours, sanitisation of workplace environments).

In this scenario, a reorganisation of the HR Department was carried out in order to ensure timely action and be closer to all people. The introduction of **HR Business Partners (HRBP)** has allowed employees to have a dedicated contact for all their needs and managers to have a single contact qualified to deal with all matters concerning the management, selection, internal mobility and development of their own people.

This new way of working has introduced a **different way of communicating, developing, training and managing human resources**. In particular, it has led to the identification and implementation of projects linked to management training to help the managers to manage teams remotely, and engage and motivate them. For example, there have been many initiatives to reduce the sense of separation and maximise operating efficiency (e.g., weekly meetings between managers and the entire structure, alignment calls also between peers, virtual coffee breaks between colleagues and team aperitifs).

The **company Intranet** was a fundamental support for creating a sense of closeness and support for people who were working remotely, conveying messages and representing the platform on which to share objectives and company strategy.

Considerable investments were made in **improving competencies**, with significant allocation to technical and management training aimed at honing new professional skills in support of the achievement of business objectives. The challenge was to continue to provide training adopting tools and methodologies suitable for the new context: the technological innovations, on the one hand, and the ability to re-plan in a timely manner activities in an attended classroom to virtual rooms, on the other, are the two key factors that allowed the positive training hours trend achieved in 2019 to be maintained.

In addition, info-training initiatives have been introduced also dedicated to employee family members (such as courses for employees' children, courses on the themes of resilience and anti-fragility) to support people in their daily handling of issues linked to the pandemic.

Wellbeing and energy are essential for personal and working day-to-day living at this particular time: this is how Smart Energy came about, the new streamed workout programme promoted by the Generali Group, where it is possible to take part in online courses, run by qualified trainers, with the family and colleagues.

Despite the difficult context, Banca Generali has managed to ensure the usual **Performance Management** cycle, emphasising in particular the feedback phase between supervisor and colleague, which has been the touchstone of the whole process, albeit carried out remotely.

To further leverage the human capital and pursue self-empowerment, in 2020 the Bank continued to give impetus to **job rotation** by implementing the Job Posting tool, which allows all employees to apply for vacant positions, not only within the Banking Group, but throughout the Generali Group, thus broadening their development opportunities to an increasingly international horizon as well.

The year 2020 also focused on the themes of **Diversity & Inclusion**. In particular, the importance emerged of welcoming diversity and managing inclusion, with a major focus on aspects linked to the way in which each individual has experienced this particular moment of social distancing. The emphasis was on exploring issues relating to gender disparity, with support for initiatives focusing on women, and to age disparity. A dedicated management-level workshop was also run so that the participants could reflect deeply on the themes of inclusion in the context of the pandemic.

It is important to emphasise how, even during the emergency, **the integration of Nextam Partners SGR's employees** into Banca Generali was ensured through the creation of dedicated moments, which allowed colleagues to come into contact with their new Company and start the job shadowing processes.

In order to disseminate a shared culture on **sustainability**, 2020 saw the implementation of the Road to Sustainability initiative involving all members of personnel in a cascading process on the meaning of sustainability for the Banking Group and on the projects related to it. As far as the social responsibility topic 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.

Passion, professional competence, reliability, commitment and a sense of belonging are the distinctive traits of the individuals who make up the Banca Generali Group's team, as confirmed also by the findings of the Engagement Survey conducted in June 2019 and which was followed by the implementation of initiatives defined on the basis of the improvement areas identified. In particular, three initiatives were launched as proof of the strong commitment of all staff even in such a peculiar context as occurred in 2020: Smart Meetings, Project Posting and BG Energy.

People Strategy

It can be argued that the People Strategy is changing and adapting, this year like never before, to the context and needs so that it can support people and the business. Starting with the measures initially defined, the initiatives have followed and adapted to the needs of the business and people, with the aim of providing support for Banking Group employees in the new context linked to the Covid-19 emergency.

The 2020 People Strategy is being developed to support Banca Generali's Strategic Plan, also based on Generali Group's priorities, the pillars of which are:

- **Culture**: creating a common culture based on leveraging diversity and inclusion by establishing common objectives, values, behaviours and constant dialogue with top management. 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.

Number and Type

CHART 21: EMPLOYEES BY GENDER

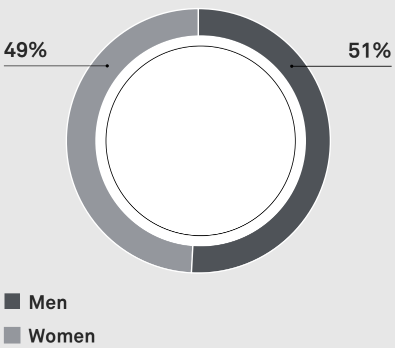
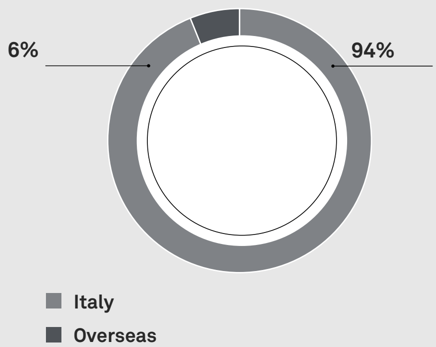


CHART 22: EMPLOYEES BY GEOGRAPHICAL AREA



There was a net increase in workforce of 12 resources compared to 2019, as follows:

- an increase of 5 resources under indefinite-term contract;
- an increase of 7 resources under fixed-term contract as a support during peak workloads linked with special projects and activities.

TABLE 80: EMPLOYEES BY TYPE OF CONTRACT AND GENDER

	31.12.2020			31.12.2019		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Indefinite-term contract	456	469	**925**	450	470	**920**
Fixed-term contract	14	23	**37**	17	13	**30**
Total employees	**470**	**492**	**962**	**467**	**483**	**950**

This movement, which confirmed a trend toward reinforcing and strengthening the permanent workforce, also included the change of 12 contracts from fixed- to indefinite-term, in order to both cover new positions and to replace staff who have left previously.

The percentage of workforce under indefinite-term contract remained essentially unchanged compared to the previous year (96% in 2020 vs 97% in 2019).

CHART 23: EMPLOYEES BY TYPE OF CONTRACT AND GENDER

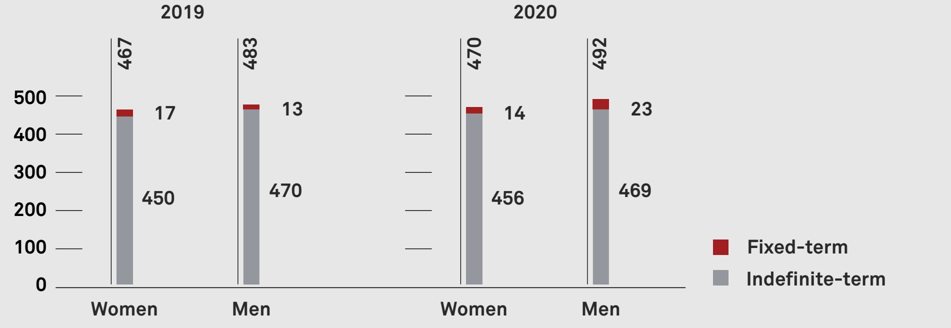


TABLE 81: EMPLOYEES BY TYPE OF CONTRACT AND GEOGRAPHICAL AREA

	31.12.2020			31.12.2019		
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL
Indefinite-term contract	872	53	925	862	58	**920**
Fixed-term contract	37	-	37	29	1	**30**
Total employees	**909**	**53**	**962**	**891**	**59**	**950**

94% of the Banking Group's employees worked within the Italian territory (unchanged compared to 2019). The remaining 6% was based in Luxembourg, Switzerland and the United Kingdom.

TABLE 82: EMPLOYEES BY TYPE OF EMPLOYMENT AND GENDER

	31,12,2020			31,12,2019		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Full-time	418	487	905	413	478	**891**
Part-time	52	5	57	54	5	**59**
Total employees	**470**	**492**	**962**	**467**	**483**	**950**

Part-time employees accounted for 6% of the total (unchanged compared to 2019). Those choosing to work part-time are mainly women for better work-life balance purposes: in 2020, women accounted for 91% of part-time employees (92% in 2019).

Most of the activities were carried out by employees. Sometimes the Banking Group uses temporary staff to deal with peak workloads or specific projects.

TABLE 83: 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 84: ITALY 2019 TURNOVER

	ITALY								
	WOMEN				MEN				
2019	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL WOMEN	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL MEN	TOTAL
Headcount	22	338	91	**451**	24	286	130	**440**	**891**
No. of hirings	20	24	-	**44**	24	29	5	**58**	**102**
No. of terminations	20	18	3	**41**	14	21	7	**42**	**83**
Percentage of hirings	**91%**	**7%**	**-**	**10%**	**100%**	**10%**	**4%**	**13%**	**11%**
Turnover rate	**91%**	**5%**	**3%**	**9%**	**58%**	**7%**	**5%**	**10%**	**9%**

TABLE 85: 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	**-**	**43%**	**-**	**21%**	**67%**	**8%**	**30%**	**18%**	**19%**

TABLE 86: 2019 TURNOVER ABROAD

	ABROAD								
	WOMEN				MEN				
2019	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL WOMEN	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL MEN	TOTAL
Headcount	1	10	5	**16**	4	26	13	**43**	**59**
No. of hirings	1	-	-	**1**	1	1	-	**2**	**3**
No. of terminations	-	-	-	**-**	1	2	-	**3**	**3**
Percentage of hirings	100%	-	-	**6%**	25%	4%	-	**5%**	**5%**
Turnover rate	**-**	**-**	**-**	**-**	**25%**	**8%**	**-**	**7%**	**5%**

In 2020, the rate of hirings was 10% (11% in 2019). In detail, thanks to significant investments in the younger generations, the highest rate of new recruits was reported for personnel aged under 30 (60%), followed by personnel aged between 30 and 50 (38%), thus confirming a long-term sustainable growth.

In 2020, 41% of hirings were women (43% in 2019); of these, 68% were under 30.

The new-hire rate shows how the Banking Group has been able to adapt to the new working practices adopted during the health emergency. In fact, since March 2020 the selection and assessment process has been carried out completely and solely in remote mode.

With regard to terminations, 44% of them related to women (48% in 2019). In detail, 49% of the women who left employment were aged between 30 and 50.

In 2020, 46% of terminations referred to the expiry of fixed-term contracts, 28% was attributable to resignations, 8% to infra-group transfers and 5% to the transfer of sales personnel into the Financial Advisors' network; the remaining 13% was due to consensual termination and other residual reasons.

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 do not include changes due to the corporate transaction occurred in 2020, following which 22 resources of Nextam Partners SGR (of which 13 women and 9 men) joined Banca Generali's workforce.

In 2020, the Banking Group companies continued to encourage access to the job market by young people through the launch of training projects (internships).

Training and Development of Human Capital

48,805 training hours
(+23% vs 2019)

It continued to be a priority for the Banca Generali Group's HR Department to run training and development activities in 2020, so that all employees could continue to grow professionally, develop and acquire new skills and have opportunities to liaise and discuss with colleagues, albeit remotely.

To enable training activities in the new context, since May 2020 **new e-learning platforms and platforms for managing training remotely** have been introduced, classrooms have been rethought and refashioned into virtual classrooms/webinars and the content has been revised and redefined to be more consistent with these new methods.

In 2020, a total of 48,805 training hours were provided, in line with 2019 (48,021), of which 210 hours were targeted to young interns. The amount of average training hours provided to each employee was 51, exceeding once again the pre-set target of 48 per-capita training hours.

CHART 24: AVERAGE TRAINING HOURS PROVIDED

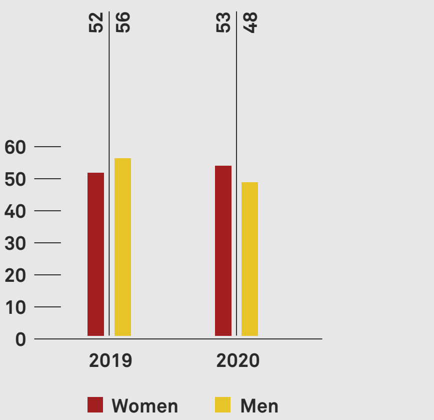


CHART 25: AVERAGE TRAINING HOURS PER PROFESSIONAL CATEGORY

These figures bear witness to the focus by the Bank and its top management on issues relating to development and continuous update of employees' technical and managerial skills, stimulating individuals' desire to grow and underlining the importance of classroom session (in this case, virtual classrooms) to facilitate employees' engagement, promote a favourable work environment, support the corporate culture, including through remote working, foster relationships of trust and increase fellowship within teams.

TABLE 87: AVERAGE TRAINING HOURS BY GENDER AND TYPE OF EMPLOYMENT (*)

	31.12.2020	31.12.2019
Average training hours by employee	51	54
Average training hours by woman	53	52
Average training hours by man	48	56
Average training hours by Manager	51	91
Average training hours by Executive	49	53
Average training hours by Employee	52	51

(*) In 2019, the average of training hours was calculated based exclusively on Banca Generali S.p.A. and Generfid. The 2020 consolidation scope included the whole Banca Generali Group (Banca Generali, Generfid, BGFML, BG Valeur, Nextam Partners SIM and Nextam LTD).
(**) In 2019, the high number of hours dedicated to Managers also included the in-person participation in events with the sales network (1,400 hours) — events that were not organised in 2020.

The training activities in 2020 may be subdivided into three main macro-activities:
1. Projects dedicated to managing the new context arising as the result of the Covid-19 emergency;
2. Training activity linked to individual training plans and specific topics;
3. Specific projects specially created to support know-how and promote engagement.

1. PROJECTS DEDICATED TO MANAGING THE NEW CONTEXT ARISING AS THE RESULT OF THE COVID-19 EMERGENCY

To provide a better understanding of employee needs and steer specific projects, in May 2020 a **Pulse Survey** was run the results of which provided useful information about how employees experienced the months of the emergency, both from an emotional point of view and from the standpoint of work-life management.

In fact, the feedback revealed a high rate of consensus and appreciation of the clear and immediate communication. At the same time, a positive assessment was given to the management of remote working and the definition of the strategic priorities and actions put in place by top management to tackle the emergency.

The survey results revealed three areas for improvement on which a specific plan of initiatives was structured:
› Support parents in managing the family routine and children with the closure of schools;
› Support People Managers in managing teams remotely;
› Support work-life balance by also creating moments for informal "get togethers".

Dedicated projects for parents and employees' children:
› **Genitori nella tempesta** (*Parents in the storm*): cycle of webinars dedicated to parents with the aim of providing useful suggestions for managing the work-family balance more effectively, preserving mental-physical equilibrium and developing the ability to deal with the emergency and lockdown situation with greater clarity of mind.
› **Mind Maps**: programme dedicated to employees' children (9 years and older) about discovering and learning about the mind map methodology.
› **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.
› **School of Life**: 6 educational webinars dedicated to younger children and teens, which uses the narrative power of the cinema to explore grand themes about becoming adults: diversity, courage, responsibility.

Projects for all employees:

- **The Mind Fitness – Anti-fragility & Resilience:** with more than 1,300 participants in the 14 live webinars run from June to November 2020, the Anti-fragility & Resilience project was an opportunity for purposeful re-orientation about the moment, through practical ideas on how to build an anti-fragile approach, defend oneself against our mind's tricks and generate learning.

Projects for People Managers:

- **New Normal Training**: meeting dedicated to top management for discussion about the new contextual ways of engaging teams and creating a new sense of belonging. Top managers were able to examine the importance of recognising and embracing the differences in how each individual has experienced this particular moment and then initiate management practices suited to the different needs. An important cascading activity was conducted for all the teams after the workshop.
- **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. The aim of the programme is to help encourage positive transformation, offering a new language and new lenses for interpreting the great changes. The programme will be open to all staff from 2021.

2. TRAINING ACTIVITIES LINKED TO THE INDIVIDUAL DEVELOPMENT PLANS AND SPECIFIC TOPICS

The above training activities have been added to the many training initiatives that, despite the change in methodology, tools and modes of participation, have continued to accompany the training and development of Banca Generali's employee skills.

In 2019, 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.

Training aimed at developing managerial and behavioural skills, to support people in the major strategic changes and build a unique managerial style/approach.

Specific training activities	Training through virtual classrooms for the entire workforce on developing soft skills. New topics have been introduced to comply with the current, specific needs of projects/key issues (Big Data & Predictive Analytics, Digital Transformation, AI & Robotics, etc.).
Team Mentoring	The purpose of the programme was to support and encourage people to manage their own learning so as to maximise their potential, develop their skills and improve their performance.

Training to develop technical skills, to continue to ensure a widespread technical leadership within the Organisation that is competitive on the market.

MiFID certification programme	A mapping, training and certification process dedicated to Banca Generali's population of Information Givers, designed to meet the competency and knowledge requirements established by MiFID 2.
Training activities on banking/ financial themes	Meetings dedicated to learning about BG products and the platforms/tools available to Financial Advisors and customers, organised thanks to the collaboration of colleagues in the Product Department and Wealth Management Area.
BG ON AIR	Launched in November 2019, the project further developed in 2020 offering a rich programming of webinars to learn more about tools, products and processes to increasingly familiarise the colleagues with the Bank's strategic projects.
Security Awareness Program	The year 2020 saw the continuation of the programme sponsored at the Generali Group level to create a culture that reduces risks, while safeguarding data and tools inside and outside the Company.
Language training	The internationalisation of the Banking Group is supported by constant improvement of language skills through one-to-one and blended programmes.
Training on New Digital Skills	Training aimed at creating a digital-oriented company culture, with regards to both tools and the working activity, in line with an increasingly present and sophisticated technology.
Agile approach training	Training sessions on design thinking and agile thinking designed to introduce and develop agile methods in order to stimulate a responsive and collaborative mindset that facilitates a day-to-day operating approach based on innovation and dynamism.

Regulatory/Safety Training, to make the Bank sustainable in the long-term and protect its employees and the Organisation.

Regulatory training	Always delivered in accordance with legal guidance and updates to the legislation. In 2020, it focused on Anti-Money Laundering, Banking Transparency and Market Abuse issues. Special attention is paid to the fact that the front-office personnel and the personnel working in contact with customers are constantly up-to-date. Nearly all mandatory courses are Web-based and are provided on an ongoing basis.
Training on General Employee Safety	Classroom and e-learning courses dedicated to the entire workforce, including Managers, to build employees' awareness on themes related to workers' health and safety. In 2020, particular attention was drawn to remote working management.
GDPR Regulation Data Breaches and DPIA	In the digital transformation era, which has seen the birth and concrete development of concepts such as big data, data driven economy and IoT, the personal data processing theme becomes particularly relevant, in accordance with the regulatory requirements set out in the GDPR Regulation that has led to a paradigm change in the way businesses manage data protection, making them accountable for Data Breaches.

3. SPECIFIC PROJECTS SPECIALLY CREATED TO SUPPORT KNOW-HOW AND PROMOTE ENGAGEMENT

Sustainability

Sustainability is in the Banca Generali Group's DNA, an unquestionable strategic orientation supported by a strong internal commitment. In this regard, various initiatives were implemented during 2020 on this theme. In addition to the initiatives described below, a working team has been added consisting of 27 colleagues known as ESG Champions. This team supports the dissemination within the Bank's various structures of topics linked to sustainability themes.

› **Off-site Sustainability**: workshop dedicated to the Management Committee, with the involvement of a number of colleagues aged under 30, during which the working team was able to discuss the creation and implementation of sustainability-linked themes within the Banking Group.

- **Road to sustainability**: cascading dedicated to all Banking Group employees during which each Top Manager was able to share with the teams existing and future projects relating to the sustainability area.
  - **"*Viaggio alla scoperta della Sostenibilità*" (A journey to discover sustainability) Training Clips**: three training clips, to promote the strong internal commitment and engage employees, offered in e-learning mode, to inform all employees about the context in which sustainability moves, the available tools and, in particular, how Banca Generali has defined the sustainability concept in-house.
  - **BG4SDGs**: this is an inter-functional project, which will also continue into 2021, combining communications, sustainability and photography. The initiative stemmed from the idea of wanting to visually represent the 17 SDGs looking at sustainability through Banca Generali's eyes.

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, gather suggestions and proposals, including the two Employee Conventions, the Digital Meeting, the BGPrimaVisione event, a conference for sharing results and "Chiedilo all'AD" (Ask the CEO) event.

Inter-functional 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 dedicated to new colleagues acquired following the merger of Nextam Partners SGR. This provided information about important procedures and processes and illustrated the distinctive patterns of behaviour to adopt in order to become an integral part of the Banca Generali Group.

Procedure for Evaluating Human Resources

The solidity of 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.

In 2020, the Group Performance Management process saw two important developments:

- the GPM process was managed completely through the new platform;
- due to the Covid-19 emergency, all employees attended supervisor-employee meetings remotely, maintaining the same concentration and focus on the process, thanks to the remote working collaboration and management tool.

The process consists of four different phases:

- **Performance Appraisal**: the phase of assessment of overall performance. In 2020, this phase was managed using an online platform for the first year;
- **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 Dialogue, the constant feedback provided over the year is very important;
- **Individual Development Plan (IDP)**: the Individual Development Plan is a formal document in which specific development actions are formulated. 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.

In 2020, the Banca Generali Group's people confirmed their focus on this opportunity for meeting, dialogue and discussion, dedicating themselves fully to the activity: 98.7% of the people involved underwent the performance assessment.

In 2020
99%
of employees
received a performance assessment

TABLE 88: % OF EMPLOYEES WHO UNDERWENT A PERFORMANCE ASSESSMENT

	31.12.2020 (*)		31.12.2019	
	WOMEN (%)	MEN (%)	WOMEN (%)	MEN (%)
Managers	92.3%	97.3%	83.3%	**94.4%**
Executives	99.0%	98.8%	100.0%	**98.7%**
Employees	98.9%	98.9%	99.7%	**100.0%**
Total	**98.7%**	**98.7%**	**99.2%**	**99.0%**

(*) 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 28 February 2020 and employed for at least six months. Maternity leaves and long absences are not accounted for.

Talent development and growth is also promoted and supported through participation in Development Center projects organised at the local level and the level of the Generali Group, allowing the Banking Group's people to 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

2020 was the year that saw three projects that emerged from the Generali Global Engagement Survey 2019 come to fruition. These were conceived to meet the needs identified by the survey, thanks to the work of inter-functional teams who focused on their creation and implementation:

- **Smart Meeting** project created with a view to facilitating and speeding up meeting organisation, eliminating needless bureaucracy, improving the efficiency of internal processes and defining priorities;
- **Project Posting** improve empowerment and delegation giving all employees the ability to apply voluntarily to take part in the main projects developed each year;
- **BG Energy** a project created with the idea of supporting colleagues in assessing their own energy level (Physical, Mental, Emotional, Value-related) and receiving tips and useful advice for increasing or keeping this level stable.

Diversity & Inclusion

Diversity & Inclusion

Diversity & Inclusion (D&I) are two key elements of the corporate culture and the Banking Group's strategy recognised as a factor of dialogue and union. To Banca Generali, "diversity" means understanding, recognising and making the most of differences (gender, age, culture, sexual orientation, religion, etc.); "inclusion" means being committed to attracting and developing everybody's talent, regardless of all aspects of diversity, encouraging all those who are a part of the Banking Group to realise their fullest potential.

In support of the development of an inclusive culture, training programmes and company policies have been designed to promote these issues and support individuals in realising their potential.

More specifically, there are three dimensions that characterise the activities carried out on behalf of employees:

- **Improving work-life balance**, through flexible working and remote working; measures supporting motherhood/parenthood; themed workshops dedicated to parents and support for disability;
- **Focus on the age/generations theme**, through inter-functional projects aimed at knowledge sharing and mentoring programmes to promote intergenerational exchange;
- **Constant commitment to gender issues**, through training to support the development of female leadership; selection and recruitment regulated by inclusive and equal opportunity guidelines; training programmes dedicated to Managers on the themes of Unconscious Bias, Woman Empowerment and Diversity Management and a focus on the gender pay gap.

In December 2020, the first week was dedicated to the theme of Diverse Ability, celebrating the International day of persons with disabilities. All employees were able to access tips and messages linked to the disability issue through the "DiverseAbility Helpline" website. The set of Diversity & Inclusion principles also underlies the selection and hiring processes, in which 25% of candidates on the short list (whether internal or external) must be women.

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 processes and in terms of remuneration.

CHART 26: WORKFORCE BY GENDER AND POSITION

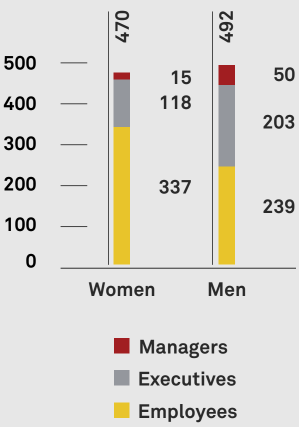


TABLE 89: EMPLOYEES BY PROFESSIONAL POSITION AND GENDER

	31.12.2020			31.12.2019		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	15	50	**65**	18	50	**68**
Executives	118	203	**321**	109	195	**304**
Employees	337	239	**576**	340	238	**578**
Total	**470**	**492**	**962**	**467**	**483**	**950**
Percentage	**49%**	**51%**	**100%**	**49%**	**51%**	**100%**

The percentage of women who serve in positions of responsibility (managers and executives) was 34%, in line with the previous year. 72% of women falls within the "employee" category, slightly down compared to 2019 (73%).

TABLE 90: EMPLOYEE BY PROFESSIONAL POSITION AND AGE

	31.12.2020				31.12.2019			
	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL	<30 YEARS	30-50 YEARS	>50 YEARS	TOTAL
Managers	-	22	43	**65**	-	32	36	**68**
Executives	1	192	128	**321**	1	188	115	**304**
Employees	59	434	83	**576**	50	462	66	**578**
Total	**60**	**648**	**254**	**962**	**51**	**682**	**217**	**950**
Percentage	**6%**	**68%**	**26%**	**100%**	**5%**	**70%**	**25%**	**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 27: WORKFORCE BY AGE AND POSITION

TABLE 91: PROTECTED CLASSES BY PROFESSIONAL POSITION AND GENDER (*)

	31.12.2020			31.12.2019		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers	1	-	1	1	-	1
Executives	2	2	4	2	2	4
Employees	24	20	44	23	19	42
Total	**27**	**22**	**49**	**26**	**21**	**47**
Percentage	**55%**	**45%**	**100%**	**55%**	**45%**	**100%**

(*) The figures given 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 should be noted that 4 additional staff members were present both in 2020 and 2019 (all women, of which one middle-manager and 3 white collars) who, despite being included on the list of differently abled individuals, were not counted since they were not included in the reports required by law.

As part of the personnel scouting and selection activities, recruitment continued in compliance with statutory obligations, despite the complexities caused by the pandemic context. It should be noted that no less attention was paid to the specific needs of colleagues in the remote management of the entire selection and hiring process, with a particular focus on the on boarding stage.

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 2020 there were no such events or circumstances to report.

Furthermore, 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.

The **Two-Yearly Equal Opportunities Report** (for 2018 and 2019) was prepared in June 2020 (relating solely to the Parent Company Banca Generali S.p.A.) and delivered both to the Regional Equal Opportunities Councillors for the Regions of Lombardy and Friuli-Venezia Giulia, and to the Company’s union representatives. This is an important obligation provided for by the law which requires to report detailed information on the number of employees, placement, type of employment, employment dynamics (joining/leaving), also subdivided by gender.

Compensation & Benefit

Remuneration

Without distinction by gender, Banca Generali offers remuneration in line with the market and additional benefits and incentive systems aimed at improving the quality of life of its people and rewarding performance and achievement of specific objectives on the basis of merit.

We SHARE

With the aim of promoting a culture of ownership and empowerment in line with the strategic plan and fostering staff loyalty in line with the remuneration policy, 2019 saw Banca Generali take part in a project launched by the Generali Group, We SHARE: the first share ownership plan of its kind aimed at employees, with the purpose of promoting alignment with the strategic objectives and the participation of all individuals in the value creation process.

In the Banking Group, the rate of participation was approximately 68%, proof of a high engagement level among our people and a tangible sign of the commitment towards the Generali Group's strategy.

The initiative was further enhanced by the launch of an App dedicated to all employees who subscribed to the Plan, the **"We Share App"**, an innovative digital platform created to keep the participants informed during the 3 years of the Plan, and share a dedicated Financial Education programme, updates on the Generali world, strategic initiatives, and We SHARE donations to The Human Safety Net Foundation.

TABLE 92: RATIO OF REMUNERATION OF WOMEN TO THAT OF MEN (*)

	31.12.2020 (**)			31.12.2019	
	ITALY	LUXEMBOURG	SWITZERLAND	ITALY	LUXEMBOURG
Managers	0.81	1.59	0.91	0.85	1.67
Executives	0.76	1.08	0.78	0.77	1.07
Employees	0.97	0.69	1.02	0.96	0.90

(*) Annual amount paid to employees that includes the amount established by the Italian 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 benefits.
(**) Data related to the UK are not included as workforce consisted of just one employee at the end of 2020.

Total remuneration of women managers is still lower than that of men because there are more men in key management positions, which entail considerably greater remuneration.

Among executives, the total remuneration of men is greater than that of women because this category includes most of sales personnel and asset managers — a large portion of whom are men — who benefit from an 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 strong component of female managers with strategic responsibilities.

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).

For further information, reference should be made to the 2020 Remuneration Report.

With regard to the ratio of women's remuneration to men's, it should be noted that, in harmony and in partnership with the Generali Group, a project has been launched to measure the Gender Pay Gap (namely the difference between the mean pay of men and women within an organisation) and the Equal Pay Gap (to measure whether men and women receive the same level of remuneration for the same duties, or within the same professional family and at the same organisational level), as well as to determine any underlying reasons, with the ultimate aim of identifying the levers to mitigate any gaps.

Benefits and 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, relating to the following aspects of welfare that, owing to their completeness and widespread adoption, place the Group at the top not only of the financial industry, but of other sectors as well:

› **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 public pension schemes in the future. This mechanism also ma-

kes 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, gross annual remuneration 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. As of 2019, this opportunity benefited from a fundamental conceptual and operational upgrade through the introduction of the Welfare Portal (by Generali Welion). Designed like an e-commerce site, the Portal provides employees with access to an extremely wide range of wellbeing and wellness goods and services. In 2020, 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 in subsequent years as well, 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 mentioned above. The aforementioned carry forward principle also applies to these amounts.

In addition, the **Covid-19 Health Cover** has been in force since 1 March 2020 for employees serving in Italy, the cost of which is borne in full by the Company. This provides cover and services on top of the Health Fund and is valid solely in Italy following a diagnosed infection, providing 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 BGFML staff — also have access to preferential-rate loans and financing.

Work-life balance

The central role played by people in the 2019-2021 Strategic Plan has naturally driven the implementation of initiatives dedicated to work-life balance: in this area, the remote working mechanism that started with a pilot project in the first few months of 2018 developed significantly in 2020 when, with the waves of activation scheduled at the start of 2020, reached the number of **465 remote working employees** at the end of 2020 (265 at the end of 2019).

In 2020
320 emergency remote working
in addition
465 employees
normally working remotely

This figure obviously has to be read together with the more than 320 **"emergency" remote working staff** and the maximum use of this mode of working to tackle the health emergency, which makes the 2020 phenomenon not fully comparable with previous years in terms of total remote working days since, for a large part of the year, employees also had the option to work remotely 5 days a week.

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 women who have taken maternity leave. In particular, new mothers may request to convert their full-time contract to part-time (for an overall period until the child's seventh birthday).

In further pursuit of job flexibility, 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.

As regards the use of **childcare facilities both within the Company and those with which the latter entered into special agreements**, Banca Generali employees can also benefit of the favourable terms applied to Generali Group staff, including discounted rates, as well as the payment by the Company of annual subscription fees.

In the event of early maternity leave prescribed by the competent public authorities, Banca Generali is also committed to the payment of full salary, supplementing the benefits paid by Italian national security institute (INPS).

Industrial and Trade Union Relations

Banca Generali always observes trade union rights and the freedom of association, with regard to both corporate and local unions and the rights of individual employees.

At the end of 2020, the rate of membership (employees registered with unions compared the total workforce in Italy) was 33%, unchanged compared to the end of 2019.

95% 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 BGFML, Nextam Partners LTD and BG Valeur S.A., to whom the local legislation applies.

The National Collective Labour Agreement (Credit Managers) provides a well-structured system of union relations to be activated — through the classic three-part division of meetings for bargaining, discussion or information-gathering — when certain precise dynamics exist, or in order to give annual/half-yearly reports on business performance, financial results and the main qualitative/quantitative matters regarding human resources.

During 2020, the health emergency partly affected these matters as the Company's focus had to be placed primarily on protecting employee health, whilst keeping the business operating effectively at the same time. Industrial and union relations have developed within this context:

- through **timely occasions for reporting and discussion regarding the adoption of the operational and organisational, as well as "economic", measures, introduced to limit the Covid-19 emergency**;
- **the procedure for the merger of the subsidiaries Nextam Partners and Nextam Partners SGR into Banca Generali** as from 1 July 2020 was activated and completed successfully — with the signing of the trade union agreement dated 12 May 2020;
- in November and December 2020, **pursuant to Article 19 of the National Collective Labour Agreement (Credit Managers), the Company activated the formal reporting to union representatives regarding the contracting out** of a number of support services that Banca Generali requires from Consorzio Servizi Elettronici (CSE), one of the BG Group's "historical" partners;
- regarding **supplementary company bargaining** (CIA), Banca Generali and Generfid employees (white-collars and middle managers) have recently been the subject of important implementations and improvements such as:
  - in the area of **economic welfare**, in 2019 the **Welfare Portal** was launched, which provides extremely simple, transparent and swift access to the basket of welfare goods and services provided for by law, with the resulting immediate advantage for employees in terms of reduction of the tax and contribution burden;
  - in the area of **supplementary pensions**, employees were also given greater **flexibility in choosing their contributions**, including with regard to future termination indemnity accruals. It is also possible to pay into supplementary pensions any daily differences between the nominal amount of the lunch voucher and the cost of lunch consumed in the company canteens;

– in **healthcare**, the **limits of liability for oncology expenses** were recently **increased**;
– **the indemnity for death, permanent total disability and dread disease** is now paid on according to a **higher calculation base**.

The CIA expires in its entirety on 30 June 2021 but provision is made for its automatic annual extension unless cancelled in a timely manner by one of the Parties.

As far as the **company bonus** is concerned, the Bank and the union representatives:
› signed on 29 April 2020 the **minutes of a meeting on the bonus payout for 2019** (June 2020 payment). In addition to precisely identifying the unit amounts by grade level, this agreement also stated that the welfare option may be applied not only at the rate of 100%, but also 50%, thereby ensuring greater flexibility for the scheme;
› an important **agreement relating to the bonus for 2020** (June 2021 payment) was signed on 31 July 2020. This partially changed the bonus calculation mechanism by identifying gross net profit (rather than operating result) in the consolidated financial statements as the main reference parameter. This makes the calculation mechanism fully consistent with the current method for creating company value and with the new cost structure.

Since it is the result of collective bargaining, it applies to all employees in the categories of Employees and Executives. The sole exception pertains to staff under fixed-term contracts, for whom the ability to benefit from discounts on home mortgages or personal loans is not provided.

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. To this end, the Group's buildings are constantly inspected to ensure that they meet law requirements (architectural restrictions and workstations) and to guarantee, for instance, parking spaces in the immediate vicinity reserved for differently abled people or employees with significantly reduced motor ability — also temporary or on the indication of the competent company physician — at both the Trieste and Milan offices.

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.

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 Protocols 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 and private offices nationwide are also emergency-trained (first aid course and fire safety course).

In 2020, personnel eligible for health supervision (exposed personnel) underwent medical examinations according to the protocol established in current legislation for the associated risk group. In total, 346 medical examinations were carried out (169 men and 177 women), involving 22 different offices throughout Italy. This figure also includes examinations performed by the company physician, both when specifically requested by the employee and upon changing assignments or returning from a period of absence for illness or injury of more than 60 days, in accordance with the law. The results showed clearly that most staff were fit to work without any limitations and/or special precautions. Specific safeguards — based on prescriptions by the company physician following a health check-up — are always provided to employees by the Company, which in turn ensures that the organisational prescriptions certified by the company physician are observed.

During working hours, employees at the Trieste, Mogliano, Milan, Turin, Genoa, Rome and Naples offices enjoy access to the services in the multipurpose nursing centres set up by the Generali Group: in 2020, all employees were again offered the opportunity to receive a flu shot free of charge.

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. Also regarding dedicated health and safety training, the training programmes and updates continued throughout 2020 via virtual classrooms and/or in e-learning mode, for the courses available on the online platforms. All employees are constantly trained and kept updated on 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).

In 2020, a total of 2 accidents occurred in Italy (1 during commuting and 1 in the workplace), none of which caused death, serious or permanent injury, or an occupational illness to the employees involved. These incidents regarded 2 men. In 2019, there had been 12 accidents, all during commuting, involving 5 women and 7 men.

The rate of accident-related absenteeism in 2020, calculated as a frequency index (No. of accidents/total hours worked x 1,000,000) was 1.27 (8.21 in 2019); the rate of days lost, calculated as a gravity index (No. of days lost due to accident and occupational disease/total workable hours) x 1,000 was 0.0049 (0.05 in 2019). The rate of recordable workplace accidents (recordable workplace accidents/hours worked*1,000,000) is 0.63. It should be noted that the indicators provided have been determined with reference to the entire Banking Group, except for the company in the United Kingdom, where attendance is not recorded under underlying contractual rules.

Management of Covid-19 health emergency

From the moment the first signs appeared in Italy, Banca Generali promptly put in place all necessary measures to protect the safety of all employees, launching numerous arrangements to protect the safety of its staff and Financial Advisors as early as January 2020, whilst ensuring at the same time full operations and operating efficacy in complete harmony with the initiatives adopted by the special task force set up in the Generali Group.

Due to the biological risk of the Covid-19 epidemic, all employees were provided with a document describing the management of the health emergency. This document 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, etc.). The measures put in place are also indicated on Banca Generali's Intranet in a special Coronavirus section.

In particular, the measures implemented include:
- ban on international and intercontinental travel;
- approval for national travel by senior management's top reporting levels;
- replacement of meetings attended by external guests with videoconference meetings;
- 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 cleaning and sanitising workstations daily/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;
- introduction of separate access and exit routes;
- early closure of premises and application of flexible working hours with regard to entry/leaving and lunch break;
- rationalisation and limitation of space in the various premises;
- segregation of floors;
- activation since May 2020 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 covering the nose and mouth completely, for employees, suppliers, customers and visitors also when a minimum safe distance has to be maintained;
- body temperature check for anyone entering company premises.

Since 24 February 2020, remote working has been activated for all compatible business activities and flexible arrangements have been made for categories of persons at greater risk in an increasingly more extensive manner. With regard to the foreign companies, the remote working method was also introduced with the start of the health emergency for employees in Luxembourg, Switzerland and the United Kingdom, where no arrangements for distance working were provided.

The following arrangements were made for front-office colleagues working in nationwide bank branches:
- 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 Plexiglas panels were installed in the front-office workstations;
- access to customers/Financial Advisors was allowed by appointment only;
- Nucleo Sostituzioni movements were suspended from 16 March and restarted when it became safer to resume them;
- parking costs for branch staff who travel to work by car were reimbursed.

Notwithstanding extensive use of home 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 type of activity performed or for business needs, had access to premises but were not shift workers, arrangements were made for a rapid antigenic swab test to be carried out in headquarters' infirmaries. Specific group planning was defined for peripheral premises or for business areas that normally operate on a shift basis (e.g. contact centre).

In collaboration with the Prevention and Protection Service, an obligatory online training module was prepared entitled "Our commitment for returning in safety" targeted 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, the patterns of behaviour to adopt and the precautions for working safely and protecting oneself and one's colleagues.

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 mental health assistance.

Litigation Management

There were two disputes running in 2020 with regard to employment positions — one to recover an amount due to the Company by a former employee, and the other, an out-of-court litigation relating to the application of rights as per Legislative Decree No. 81/2015. This dispute has been settled following a favourable judgement. At present, there is just one dispute underway regarding employment relationships.

The management of judicial and out-of-court litigation regarding this matter is regulated by the Disputes and Complaints Organisational Procedure. This procedure describes all the activities that follow receipt of a claim concerning the employment relationship, whether made against the Company or requiring Company action. 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. When these reports are 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

18% 82%

2,087 Financial Advisors
(Assoreti scope)

112,771 h
total training hours
(54 average training hours per Financial Advisor)

AUM medio
35.1 million euros managed on average by each Financial Advisor

2.8 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 (i.e., customers who have more advanced needs due to the amount and quality of their assets) 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. In fact, the advisory relationship continues to represent the heart of the services offered by Banca Generali to meet increasingly complex needs that require the development of customised solutions.

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 93: FINANCIAL ADVISORS BY GENDER

	31.12.2020			31.12.2019 (*)		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
FPs-PBs-WAs	356	1,658	2,014	343	1,629	1,972
RMs	18	55	73	16	52	68
Total Financial Advisors	**374**	**1,713**	**2,087**	**359**	**1,681**	**2,040**

(*) The 2019 data have been restated to account for the structures included in the 2020 consolidation scope to provide a more consistent comparison.

At system level (Assoreti), the number of Financial Advisors operating in the main Companies surveyed increased by about 0.6% in 2020, from 23,049 Financial Advisors recorded at the end of 2019 to 23,178 at the end of 2020. In detail, Banca Generali owns one of the most important Financial Advisor distribution networks in Italy: at 31 December 2020, the Generali network included 2,087 Financial Advisors and Relationship Managers, with an increase of 47 compared to the same period of 2019 (+2.3%). This growth was mainly due to the recruiting activity performed in 2020, which led to the hiring of 72 new professionals with sound experience in the sector. In addition, 6 Financial Advisors were added following the merger of Nextam. 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 18% 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.

CHART 28: FINANCIAL ADVISORS BY GENDER

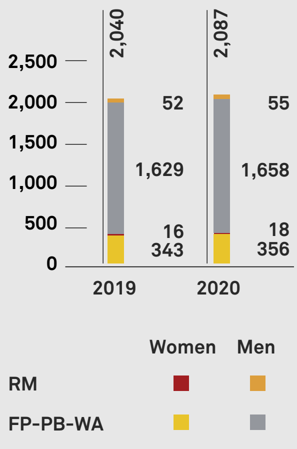


TABLE 94: CUSTOMERS' ASSETS

	2020	2019	CHANGE %
Average no. of customers per FA	149	147	+1.4%
Average assets per FA (€ million)	35.1	32.8	+7.2%
Average net inflows per FA (€ million)	2.8	2.5	+11.8%

In 2020, Banca Generali's per-capita net inflows amounted to 2.8 million euros, 50% above the industry's average (1.9 million euros). Per-capita net inflows of managed and insurance products (approximately 1.6 million euros) exceeded market average (1.0 million euros) by 55%. The per-capita average asset figure stood at the top of the market as well, with a value 22% higher than the average figure reported (35.1 million euros as against a market average of 28.8 million euros).

CHART 29: AVERAGE NO. OF CUSTOMERS PER FINANCIAL ADVISOR

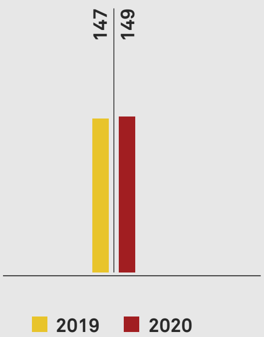


CHART 30: AVERAGE ASSETS PER FINANCIAL ADVISOR (€ MILLION)

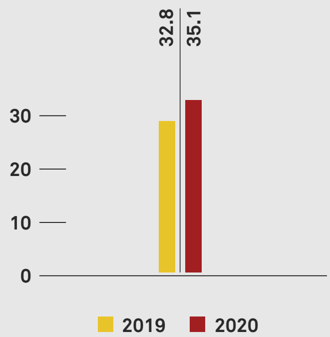


CHART 31: AVERAGE NET INFLOWS PER FINANCIAL ADVISOR (€ MILLION)

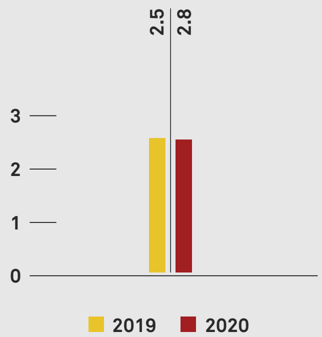


TABLE 95: NUMBER OF FINANCIAL ADVISORS BY AGE

	31.12.2020				31.12.2019			
	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL
FPs-PBs-WAs	25	601	1,388	**2,014**	18	671	1,283	**1,972**
RMs	1	28	44	**73**	1	30	37	**68**
Total Financial Advisors	**26**	**629**	**1,432**	**2,087**	**19**	**701**	**1,320**	**2,040**
Percentage	1%	30%	69%	**100%**	1%	34%	65%	**100%**

TABLE 96: AVERAGE AGE AND LENGTH OF SERVICE OF FINANCIAL ADVISORS

			AVERAGE AGE (YEARS)				AVERAGE LENGTH OF SERVICE (*) (YEARS)		
FPs-PBs-WAs	RM	TOTAL	%WOMEN	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
2,014	73	**2,087**	18%	54.3	52.1	53.9	12.9	10.1	**12.4**

(*) Length of service also contemplates service rendered to Companies acquired by Banca Generali (e.g., Prime, Altinia SIM, etc.).

The average length of service was about 12 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 32: FPs-PBs-WAs BY AGE BRACKET

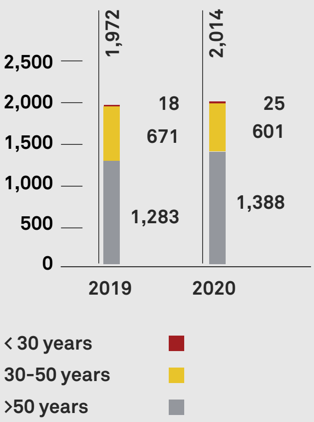


CHART 33: RMs BY AGE BRACKET

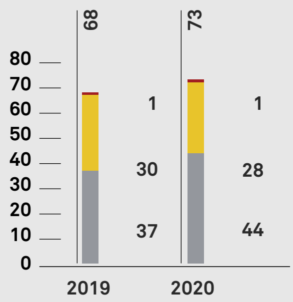
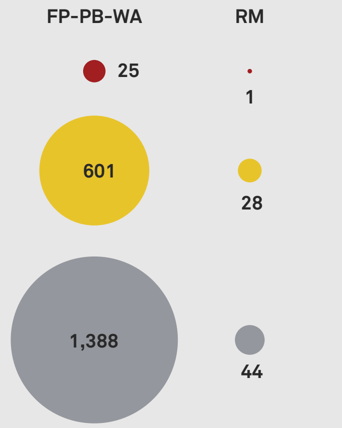


CHART 34: FAs BY AGE BRACKET (2020)



Network's Organisational Structure

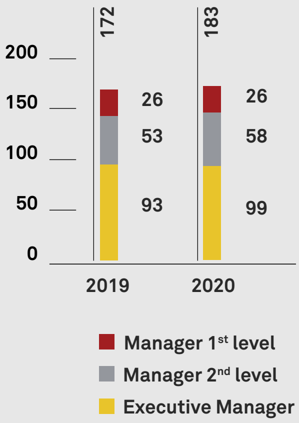
Banca Generali's network management structure represents one of the Bank's strengths and reflects the merit-based career development offered. Managers, narrowly defined (1st and 2nd Level managers, i.e., those who perform roles of administration and coordination of the collaborators dedicated solely to customer relations), make up approximately 4% of the total network.

Compared to the previous year, in 2020 the number of managers (1st and 2nd Level) 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.

TABLE 97: DISTRIBUTION NETWORK'S ORGANISATIONAL STRUCTURE

	2020	2019
1st level Managers	26	26
2nd level Managers	58	53
Executive Managers	99	93
Financial Advisors	1,904	1,868

CHART 35: DISTRIBUTION NETWORK STRUCTURE



Multi-Channel Nature of the Service

Banca Generali's distribution network was broadly distributed throughout Italy and was supported by 216 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 170 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 98: NUMBER OF BRANCHES AND OFFICES

	BRANCHES	OFFICES	TOTAL
Total	**46**	**170**	**216**

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.

To this end, a scrupulous, thorough application of the MiFID II 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 2020. In detail, it aims to increase knowledge of the customer in terms of total assets, family situation and risk appetite, with the goal of offering an integrated, balanced approach to manage customers' assets and risks. In 2020, net inflows from BG Personal Advisory advance service amounted to 1,313 million euros. At the end of 2020, BGPA assets were 6,016 million euros (a 1,295 million euro increase compared to 2019).

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. In assessing sales activity in the field, sales network management personnel 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 that allow their termination in cases of irregularities or breaches of rules of conduct, laws or regulations.

Incentives and development

The proper 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 specific prerequisites, such as not being subject to disciplinary measures and the achievement by the Bank of certain financial 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.

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.

My Webinar Digital Training Schedule - for Financial Advisors	The MyWebinar digital training schedule was created to meet the need to be close to the whole sales network in such an extraordinary context as the events that marked 2020: a series of live one-hour webinars, dedicated to the whole network, to examine the impact of the current scenario on the Financial Advisor's role in terms of habits and skills and to support Financial Advisors in expressing their own professionalism remotely as well. The training schedule was structured into 12 digital sessions, 7 in the first six months and 5 in the second, to examine together with experts, the customer relationship world, with a focus on different pillars such as: communication, tools and techniques for an effective "digital" relationship, emotional intelligence and handling emotional states, behavioural finance as a driver for guiding the customer toward informed choices, negotiation and, again regarding behavioural finance principles, how to handle objections by adopting the right mental attitude.
My Webinar Digital Training Schedule - for Managers	The training schedule dedicated to Managers was developed to support the management structure in its personal growth and guiding role, with a view to helping it in the effective management of teams and in talent development, in the current context as well. The programme featured 5 one-hour live webinars, with important testimonials from various areas: from the world of sport to management, from culture to music, with the aim of providing broad, multi-disciplinary and open visions, able to generate fresh stimuli in Managers to transfer into their own daily lives and new actions to be taken. In fact, the stories of their successful experiences helped convey useful food for thought and new interpretations for looking at the future from another perspective and enabling the team to be guided effectively in remote mode as well. The programme worked together with Managers on the credentials of the present and future "new world" Leader and on the expression of individual leadership, so they can interpret their own managerial role effectively and create winning teams, reinforcing the concept of trust and the exchange of information.
Leadership Programme	A programme aimed at female Financial Advisors to consolidate their professional and personal effectiveness. The programme continued in 2020 with the addition of a one-hour live webinar, dedicated to all female Financial Advisors, for working together on personal awareness and energy balance, knowing how to manage their own energy most effectively and creating work-life balance.
Development programmes	Team coaching programmes tailored to specific management positions aimed at guiding the professionals concerned as they develop and implement growth plans for their teams and cope with the significant challenges posed by the current context and the market.
BG Private Counselling: with young people for a successful future	A premiere programme created in collaboration with SDA Bocconi University and dedicated to the children and grandchildren of top clients. By helping young people understand the most important aspects of managing family wealth, the programme, divided into four half-day sessions, provided top Wealth Advisors with a distinctive advantage over their competitors to strengthen the bond of trust with clients and forge new business opportunities in terms of generational transfer.
Recruitment Focus Group	During business meetings, working groups were set up with the management team on the recruitment theme, with the aim of sharing best internal practice on the Bank's strategies and tools and identifying any needs and areas for improvement in the recruitment process.

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.

BG4Real	In the first half of the year, initially within the new Innovation Hub and then through digital training sessions, training classrooms were run focused on the context of private markets and an understanding of the tools and new products provided to customers by Banca Generali in order to diversify their portfolios. The goal was, on the one hand, to enter into the detail of the operation of private markets and non-liquid products and, on the other, commercially strengthen a new type of investment that acts as a bridge between Banca Generali and the real economy. The physical and digital classrooms were supplemented by 13 training clips on a number of macro themes considered to be particularly interesting and made available to the entire network on the BGLAb training platform.
BG Saxo	The classroom training sessions continued in 2020, again in digital format, on the BGSaxo platform. In particular, the focus was centred, on the one hand, on the new structural developments and products available and, on the other, on increasing knowledge about the platform using live demos on the main trading transactions.
BGIA	Training sessions dedicated to the innovative BG International Advisory Service, which combines the added value of the investment service offered in Italy by Banca Generali with the opportunity to hold personal wealth abroad. The focus was both on the legal and tax aspects of the service and on the operating and pricing aspects.
Lux Protection Life	In parallel with the launch of the new Luxembourg-based Lux Protection Life policy, sessions were created for selected Financial Advisors, to increase their technical and regulatory knowledge of the new product. These sessions illustrated the market and regulatory context for which this solution was created and the commercial levers to be used to propose this solution to given types of customer with focused needs.
The value of sustainability	In accordance with the corporate Vision, a programme was forged ahead to increase Financial Advisors' knowledge of and sensitivity towards topics relating to sustainability and sustainable investments. In addition to smart training and hands-on tutorials designed not only to ensure that the entire network is equally prepared with regard to the various existing approaches to sustainable investments, but also to educate Financial Advisors on how to use the products and instruments at their disposal to meet clients' needs in this area, a group of selected Financial Advisors also had the opportunity to participate in classroom follow-up sessions focusing on methods of communicating with clients on the subject of sustainable investments.
Family Capitalism	A number of selected Financial Advisors had the opportunity to examine the key aspects of family capitalism and the extent of the phenomenon, an assessment of the performance of family firms and a comparison with other types of firm, with an illustration of topics linked to generational business handover. In addition, tools were provided to understand the dynamics for the growth of young entrepreneurs within the entrepreneurial family.

The mandatory training provided in 2020 included professional refresher courses for all Financial Advisors on MiFID II compliance. This year as well, the training was structured in collaboration with the Cattolica del Sacro Cuore University in Milan and provided a series of courses lasting 30 hours in total, where each module envisaged a final test, in compliance with the applicable law in force. After successfully attending all courses, the Financial Advisor received a certification to provide the advisory service in 2021.

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 regulatory scenario and asset protection. 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.

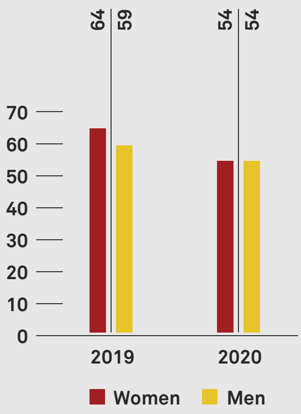
In collaboration with the Anti-Money Laundering Service, 2020 saw the continuation of the training programme on the main risks relating to money-laundering and financing for terrorism, in addition to the preventive safeguards implemented by the Bank (with particular regard to the roles and responsibilities 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.

In addition to the above, in 2020 Banca Generali created and offered the entire network a **training guidance questionnaire** to allow Financial Advisors to build their own long-term personalised training path, with the Bank increasingly by their side and accompanying them in their professional development. The questionnaire examined both technical and relational competencies and more than 83% of Banca General's Financial Advisors took part: an extraordinary result given that participation was not mandatory. The results that emerged not only allowed the network's competencies and knowledge to be mapped but also provided each Financial Advisor with a personalised development path.

The tools made available by Banca Generali also reflect its close relationship with the Financial Advisors: this is why, after lengthy design work, May saw the launch of **the new BGLAb training portal** with the aim of providing a new and intuitive easy-to-use tool featuring all the latest developments in the digital learning field.

The new **Training&Innovation HUB** was launched at the beginning of 2020. Banca Generali dedicated this space to training and innovation in all its forms. As long as conditions allowed, the HUB became the centre for in-person training, hosting a number of sessions dedicated to selected Financial Advisors.

CHART 36: NETWORK'S AVERAGE TRAINING HOURS



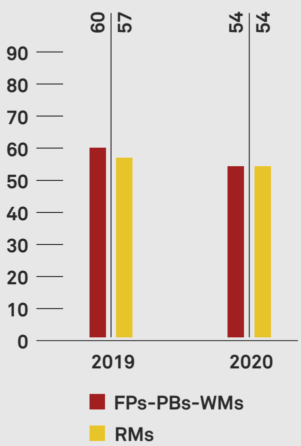


TABLE 99: AVERAGE TRAINING HOURS PROVIDED TO FINANCIAL ADVISORS

	31.12.2020	31.12.2019
Average training hours by FA	54	60
Average training hours by female FA	54	64
Average training hours by male FA	54	59
Average training hours provided to FAs	54	60
Average training hours by RM	54	57

Total training hours in 2020 amounted to 112,771, down 8% compared to 2019. Average training hours by Financial Advisor were approximately 54, nearly all which were provided online. The reduction in the figure is definitely due to the sudden termination of all scheduled in-person training activities as the result of the health situation caused by the health emergency.

In fact, the main challenge posed by 2020 was the forced digitalisation of all training content, including content that in previous years could be delivered in person through physical classrooms. Of course, changing from in-person training to remote training created not insignificant difficulties, both for the dedicated office and above all for the Financial Advisors themselves. This notwithstanding, Banca Generali managed to organise many training and in-depth sessions without sacrificing content and speaker quality, demonstrating the fantastic work carried out by the Training Department on transforming and adapting the training offer to the new conditions.

Dialogue with Sales Networks

Even in such a complex year as 2020, Banca Generali worked hard to create numerous opportunities for dialogue with its sales network, exploiting the possibilities offered by technology. The occasions for dialogue were essential for maintaining the office-network level of interaction — despite the complexities generated by the pandemic — both with the Financial Advisors who live the relationship with customers on a day to day basis and with the Managers, who represent the entire panorama of the Network and its needs.

The main occasions for dialogue were the monthly meetings between front-line managers and central Management, which presented the new developments and significant updates for all projects in progress. During these meetings, 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 the Financial Advisors remains a focal point for implementing all the projects promoted by the Bank, in 2020 Banca Generali also continued to organise focus groups, always in remote mode, dedicated to the most relevant commercial topics, in order to gather the opinions of the best Financial Advisors in the Bank's sales network. Technology made it possible to reduce the physical distances and maintain a high and productive level of interaction and engagement.

The exclusive BG Saxo trading platform also benefited from numerous improvements and enhancements in 2020, and as a result was one of the projects that required greater active involvement by the network.

In such an extraordinary year as 2020, as well as further accelerating the digitalisation process, alternative processes had to be implemented to ensure that the whole network could continue to operate effectively, thinking particularly of those customers less accustomed to using technology during the lockdown periods.

Dispute Management

With reference to the agency relationship of Banca Generali's Financial Advisors authorised to make off-premises offers, in 2020 there were 41 disputes underway (46 in 2019), 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.

The management of judicial and out-of-court litigation regarding the distribution network is regulated by the Disputes and Complaints Organisational Procedure, which describes all the activities that follow receipt of a claim concerning the agency agreement, whether made against the Company or requiring Company action. The Commercial Departments, the administrative functions and those involved in remuneration-related matters are involved constantly in the event of disputes regarding this matter, to ensure that the context of the dispute is reconstructed correctly.

The Company 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 agents 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 occasion, 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

Natural capital

Direct emissions (Scope 1)
286 tCO_2eq

Indirect emissions (Scope 2 and 3)
1,044 tCO_2eq

100% of the electrical power
purchased comes from renewable sources

81% of white paper
is green and certified

96.8%
recycling index obtained following the eco-friendly renovation of the operating site in Pesaro

Safeguarding the environment as a primary good is one of the guiding 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 2014, the Generali Group approved its Group's Policy for the Environment and Climate that applies to all Group companies and is based on the principles expressed by the United Nations Global Compact for environmental protection. In particular, these principles aimed to:
- adopt a prudential approach towards environmental challenges by means of systemic management designed to ensure compliance with legislation and the prevention of environmental risks;
- promote environmental responsibility with all stakeholders through specific active engagement programmes focused on continuous improvement and the creation of shared value;
- encourage the development and dissemination of environmentally-friendly technologies that can support efficient management of resources (materials, energy and water) and protect biodiversity, and represent effective measures for mitigating and adapting to climate change.

In order to implement the Policy, the Generali Group has identified some areas of intervention, for which specific indicators and related targets have been identified. These areas include:
- reduction of the environmental impacts of its business;
- integration of environmental and climatic aspects into its investment strategies;
- promotion and raising of awareness of environmental and climatic risks;
- a public commitment to climate;
- reporting and transparency.

In addition, on 21 February 2018, the Assicurazioni Generali's Board of Directors approved the Climate Change Strategy. This provides for specific investment and underwriting actions and identifies ongoing stakeholder engagement and dialogue as the means for advancing the transition to a low environmental impact company. The operating implications of the strategy were detailed in a technical note that the Group published on its corporate website (www.generali.com) in November 2018.

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 Group's Policy for the Environment and Climate. In particular, the Bank has set four objectives for the period 2013-2020 aimed at reducing its impacts.

2020 TARGET

-20% total GHG emissions

-25%
PER CAPITA ELECTRICAL POWER consumption

-25%
NATURAL GAS AND DIESEL OIL consumption

-15%
PAPER consumption

95% of ecological paper

-15%
WATER consumption

Direct Environmental Impacts

The following have been identified as areas in which to take action:
- **company building and facility management**: such management increasingly occurs within a framework that combines 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;
- **corporate mobility management**: in pursuit of sustainable management of the business travel needs of administrative personnel, the Group's Travel Policy 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).

In 2021 as well, the Bank is also carrying on with its commitment to reducing its environmental impact by cutting consumption and, continuing the actions taken in previous years. Banca Generali will also continue to commit to achieving the goals and targets for reducing greenhouse gas emissions and consumption of electricity, water and paper defined in its own Policy for the Environment and Climate.

In addition, 2020 saw the completion of the work on restoring full purifying functionality to the more than 300 theBreath® panels used in the Bergamo, Milan (S. Alessandro) and Trieste (Corso Cavour) offices, which act by purifying the surrounding air, absorbing the polluting molecules, breaking down any bacterial loads present in the air and neutralising odours.

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 sections show 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.

Emissions

2020 performance:
1,330 tCO_2eq
total GHG emissions
(-33% vs 2013)

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 2020 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 (Via Corso Cavour

5/a). Overall, these facilities host 716 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 usable above-ground floors in the innovative Hadid Generali Tower, only six are occupied by Banca Generali personnel, in addition to a space used as a branch.

TABLE 100: GHG EMISSIONS IN TONNES OF CO_2 EQUIVALENT (*)

	2013 (BASELINE)	2019	2020	CHANGE % 2020-2019	CHANGE % 2020-2013
Scope 1 Direct emissions produced by heating fuels and the kilometres travelled by the fleet of company cars	593	276	286	3%	-52%
Scope 2 Indirect emissions caused by power consumption associated with the use of electrical power and district heating	1,114	935	968	3%	-13%
Scope 3 (**) 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)	272	192	76	-60%	-72%
Total	**1,979**	**1,403**	**1,330**	**-5%**	**-33%**

(*) The calculation of emissions includes the following gases: Carbon dioxide (CO2), methane (CH4) and nitrous oxide (N_2O).
(**) Employee mobility includes the use of personal cars only.

TABLE 101: BREAKDOWN OF 2019-2020 GHG EMISSIONS

SOURCE	2019	2020
Electrical power	49%	46%
Natural gas	17%	20%
Heat (district heating)	18%	27%
Mobility (personal cars and company fleet vehicles, plane, train)	13%	5%
Other (paper, waste, water, etc.)	3%	2%

Consumption

2020 recorded a generalised drop in consumption, with a number of exceptions that will be reported below, due to the measures put in place by the Bank to combat and contain the spread of the new Coronavirus in the workplace, primarily the extensive use of home working.

2020 performance:
13,657 GJ
total power used
(13,468 GJ in 2019)

29.66 GJ
per-capita
power used

It should also be noted that CityLife Milan's Generali Hadid tower was awarded the PLATINUM level prestigious environmental certification based on the LEED 2009 standard for Core & Shell.

Electrical power, natural gas and heat from district heating

In 2020, Banca Generali consumed a total of 13,657 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 1,772,355 kWh (-2% compared to 2013), with a per-capita consumption of 2,475 kWh (-18% compared to 2013), slightly above the target specifically set for 2020.

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 2020 Banca Generali consumed 883,495 kWh, with a per-capita consumption of 2,237 kWh.

Overall gas consumption amounted to 118,885 Sm^3 (-32% compared to 2013), with a per-capita consumption of 370 Sm^3. In this case, the 2020 target, focused on the reduction of gas consumption, was far exceeded.

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 2020. This function has 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 102: 2020 PERFORMANCE

TYPE	2013 CONSUMPTION (GJ)	2019 CONSUMPTION (GJ)	2020 CONSUMPTION (GJ)	% CHANGE 2020-2019	% CHANGE 2020-2013	2019 PER-CAPITA CONSUMPTION (GJ)	2020 PER-CAPITA CONSUMPTION (GJ)
Electrical power	6,510	7,523	6,380	-15%	-2%	11.15	8.91
Natural gas	6,015	3,705	4,075	10%	-32%	11.61	12.70
Heat (district heating)	n.a.	2,240	3,181	42%	n.a.	6.29	8.05
Diesel oil for engine-generators	n.a.	n.a.	20	n.a.	n.a.	n.a.	0.03

Paper

2020 performance:

68 quintals paper used

(267 quintals in 2019)
(-83% vs 2013)

10 kg per-capita paper used compared to 2019

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.).

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. Almost 81% of the white paper consumed in 2020 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 103: 2020 PERFORMANCE

2013 PAPER CONSUMPTION (QUINTALS)	2019 PAPER CONSUMPTION (QUINTALS)	2020 PAPER CONSUMPTION (QUINTALS)	% CHANGE 2020-2019	% CHANGE 2020-2013	2019 PER-CAPITA PAPER CONSUMPTION (Q)	2020 PER-CAPITA PAPER CONSUMPTION (Q)
402	267	68	-74%	-83%	0.40	0.10

In this regard, the extensive use of remote working significantly contributed to the reduction of paper consumption in the offices included in the EMS, thus allowing to far exceed the 2020 target, as had however already happened in 2019.

Water

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 considerable 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.

2020 performance:

5,041 m^3
water consumption

(8,412 m^3 in 2019)
(-44% vs 2013)

7.04 m^3
per-capita water consumption

TABLE 104: 2020 PERFORMANCE

2013 WATER CONSUMPTION (M^3)	2019 WATER CONSUMPTION (M^3)	2020 WATER CONSUMPTION (M^3)	% CHANGE 2020-2019	% CHANGE 2020-2013	2019 PER-CAPITA WATER CONSUMPTION (M^3)	2020 PER-CAPITA WATER CONSUMPTION (M^3)
9,063	8,412	5,041	-40%	-44%	12.46	7.04

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, thus allowing to far exceed the 2020 target.

Waste

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 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.

2020 performance:

246.4 quintals
waste generated

(251.5 quintals in 2019)

34 kg
per-capita water used

TABLE 105: 2020 PERFORMANCE

WASTE GENERATED IN 2013 (QUINTALS)	WASTE GENERATED IN 2019 (QUINTALS)	WASTE GENERATED IN 2020 (QUINTALS)	% CHANGE 2020-2019	% CHANGE 2020-2013	PER-CAPITA WASTE GENERATED IN 2019 (QUINTALS)	PER-CAPITA WASTE GENERATED IN 2020 (QUINTALS)
282.41	251.46	246.41	-2%	-13%	0.37	0.34

TABLE 106: BREAKDOWN OF 2020 WASTE COLLECTED (%)

TYPE OF WASTE COLLECTION	2019 BREAKDOWN (%)	2020 BREAKDOWN (%)
Separate collection	46%	21%
Unsorted collection (*)	54%	79%

(*) Unsorted collection data also includes waste to be sent to authorised public tips consisting primarily of "bulky items" which are then in large part properly sorted on site (decommissioning of furniture, ferrous materials, electrical/electronic materials and components, etc.) for subsequent recycling phases.

CHART 37: WASTE COLLECTED BREAKDOWN

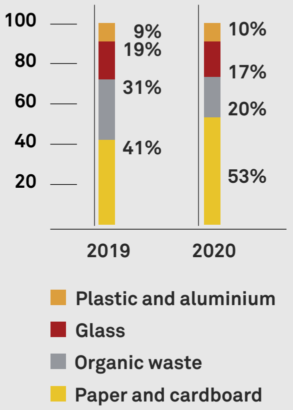


TABLE 107: BREAKDOWN OF 2020 SEPARATE WASTE COLLECTION (%)

MATERIAL	2019 BREAKDOWN (%)	2020 BREAKDOWN (%)
Paper and cardboard	41%	53%
Wet waste	31%	20%
Glass	19%	17%
Plastics and aluminium	9%	10%

Mobility

Banca Generali is committed to reducing GHG emissions through sustainable mobility management as well, seeking to limit 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., Microsoft Lync).

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.

In addition, Banca Generali entered into agreements with the main public transport operators for the Province of Milan to reduce, for the benefit of its employees, the cost of annual season tickets for public transport (buses, trams, metro and trains). Banca Generali also encourages bicycle use for getting to work, also through the building of reserved bicycle parking for the Bank's employees.

TABLE 108: 2020 PERFORMANCE (*)

KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2013	KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2019	KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2020	% CHANGE 2020-2019	% CHANGE 2020-2013	PER-CAPITA KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2019	PER-CAPITA KM TRAVELLED BY CAR, TRAIN AND PLANE BY EMPLOYEES IN 2020
2,718,096	2,969,322	772,249	-74%	-72%	3,126	803

(*) Data refers to all the Banca Generali Banking Group's employees, including those who are based outside the EMS scope.

TABLE 109: BREAKDOWN OF TOTAL KM TRAVELLED IN 2020 (%)

MEANS OF TRANSPORT	2019 BREAKDOWN (%)	2020 BREAKDOWN (%)
Train	57%	45%
Plane	25%	17%
Personal cars	11%	26%
Company fleet vehicles	7%	12%

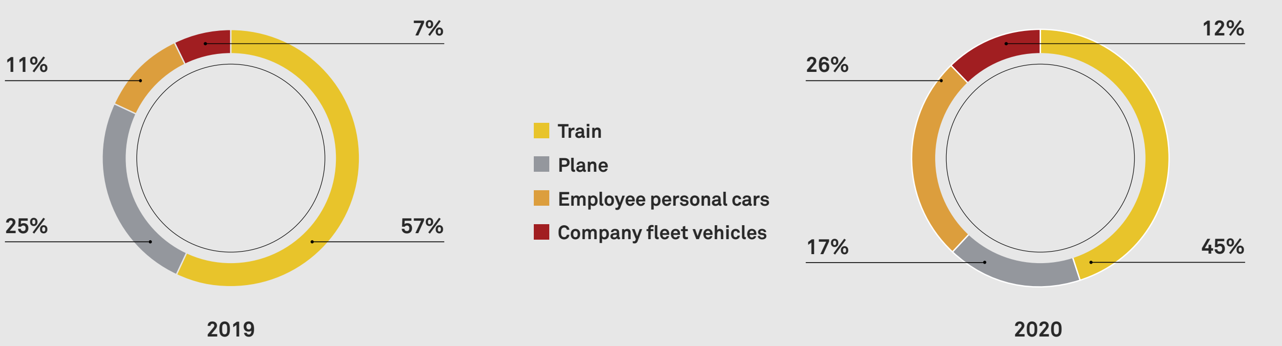
2020 performance

772,249 km
traveled

(2.969.322 km nel 2019)

803 km
traveled per-capita

CHART 38: BREAKDOWN OF TOTAL KM TRAVELLED IN 2019 AND 2020



This year's values report a sharp fall compared to the previous year, a reduction due primarily to the measures introduced by the bank to combat and contain the spread of the Covid-19 biological risk. These measures actually restricted travel solely to journeys for justified business reasons, generally designed to ensure the continuity of service offered by bank branches nationwide.

Initiatives for the environment: sustainable refurbishments

Again in the environmental field, in addition to monitoring and actively controlling consumption, the Bank has initiated a sustainable approach to local logistic developments featuring the refurbishment and fitting out of bank branches and Financial Advisor offices.

In fact, local logistic developments have a significant potential impact on the environment and it is for this reason that Banca Generali has set itself the objective of approaching refurbishments with typical sustainable architecture drivers, which aim to limit the environmental impact and achieve energy efficiency and an improvement in health and comfort, through:

- a continually evolving **new mindset** focused on "people", "building" and "environment" with constant research, analysis and an innovative design approach;
- **building materials**, use of materials that satisfy the environmental and economic sustainability, as well as recyclability, criteria.

This is all set out in technical regulations that in essence condense the information on the materials used to carry out the refurbishment and/or fitting out.

The end result is then validated by a specialised body, which certifies that the agency/branch has been developed following sustainability criteria and with a recyclability rating (IRA) as close as possible to 100%.

The **pilot project** concerned the **refurbishment of the operating point in Pesaro**, for which preference was given to highly recyclable materials both as regards the construction (plasterboard, glass, aluminium), and the fitting out and customisations (flooring, WCs, paintwork). QS Certificazioni Italia S.r.l. has certified that the technical regulations used for the work meet the eco-sustainability requirements and feature a recycling rating (IRA) of 96.8% (which represents an excellent overall assessment).

Another 2 pilot projects to which this approach can be applied will be identified in 2021 so as to have confirmation of the economic and procedural data required to crystallise the process and assess its implementation on a vast scale.

Conversion and Emission Factors Used

TABLE 110: 2020 EMISSION FACTORS

ASPECT	TYPE OF SOURCE (RENEWABLE/NON-RENEWABLE)	CONVERSION FACTORS
Natural gas	Non-renewable	1 sm^3 = 10.83611111 kWh 1 GJ = 1 sm3 X 0.03428
Electrical power	Renewable	1 GJ = 1 kWh X 0.0036
District heating	Renewable	1 GJ = 1 kWh X 0.0036
Diesel oil	Non-renewable	1 l = 9.169 kWh 1 GJ = 1 kWh X 0.0036

TABLE 111: 2020 EMISSION FACTORS

ASPECT	SCOPE	EMISSION FACTORS	MEASUREMENT UNIT	SOURCE
Natural gas	Scope 1	0.000207952	tCO_2e/kWh	GaBI 2020
Electrical power (location-based)	Scope 2	0.000342	tCO_2e/kWh	GaBI 2020
Heat (district heating)	Scope 2	0.00041	tCO_2e/kWh	A2A
Water (from municipal sources)	Scope 3	0.000663083	$tCO_2e/m3$	VfU - 2018 v 3
Water (from aquifers)	Scope 3	0.000293311	$tCO_2e/m3$	VfU - 2018 v 3
Waste (burned)	Scope 3	0.100609	tCO_2e/t	GaBI 2020
Waste (toner cartridges)	Scope 3	2.315863	tCO_2e/t	VfU - 2018 v 3
Waste (disposed)	Scope 3	0.895584	tCO_2e/t	GaBI 2020
Mobility - Company fleet vehicles	Scope 1	0.0001714	kg CO_2e/m	DEFRA 2020
Mobility – Personal cars	Scope 3	0.0001714	kg CO_2e/m	DEFRA 2020
Mobility – Traditional train	Scope 3	0.03694	kg CO_2e/pkm	DEFRA 2020
Mobility – High-speed train	Scope 3	0.00497	kg CO_2e/pkm	DEFRA 2020
Mobility – Plane (short distance)	Scope 3	0.1292	kg CO_2e/pkm	DEFRA 2020
Mobility – Plane (medium distance)	Scope 3	0.08223	kg CO_2e/pkm	DEFRA 2020
Mobility – Plane (long distance)	Scope 3	0.1009	kg CO_2e/pkm	DEFRA 2020

Relationship Capital: Customers

311,947 customers
(+4.3% vs 2019)

AUM 73.3 billion euros
(Assoreti scope)

21.3% 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. This procedure features an assessment model in which specific profiles are determined and product and/or portfolio risk is monitored constantly, by means of two levels of control:

- "transaction frequency": it is designed to check that the number of transactions ordered by customers, in a given time period, is below a threshold fixed by the Bank and defined through a control matrix [41];

41 The control matrix is obtained from crossing the customer's risk class and the risk class of the product being assessed.

› “transaction size”: it aims at checking that the value of the transaction ordered by the customer is below a threshold [42] fixed by the Bank.

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 2020, the Bank reported an increase in the total assets under management (+9.7%) and the number of customers served (approximately +4.3%). The increasingly lower percent weight of client segments with limited assets was offset by the increase in clients in clusters with greater invested AUM.

TABLE 112: NUMBER OF CUSTOMERS AND AUM

	2019	2020	CHANGE %
Number of customers	299,090	311,947	4.3%
AUM (€ billion)	66.8	73.3	9.7%

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 an increase was reported by those over 70, who represent the customers with high levels of income and assets. Customers classified as Baby Boomers (50-70 years) remained essentially stable.

TABLE 113: BREAKDOWN OF CUSTOMERS BY GENDER

	2019	2020
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 114: BREAKDOWN OF CUSTOMERS BY AGE BRACKET

AGE	2019	2020
Up to 35	9%	10%
35-50	22%	20%
50-60	24%	24%
60-70	18%	18%
Over 70	23%	24%
Other (*)	4%	4%
Overall total	**100%**	**100%**

(*) The category “Other” includes all the clients that cannot be classified by age bracket (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).

[42] This threshold is defined through a control matrix obtained by crossing the customer’s risk class and the risk class of the product being assessed.

TABLE 115: BREAKDOWN OF CUSTOMERS BY GEOGRAPHICAL AREA

GEOGRAPHICAL AREA	2019	2020
Abroad	1%	1%
Centre	19%	19%
Islands	4%	4%
North-east	31%	31%
North-west	32%	31%
South	15%	15%

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 unchanged, as has the average length of the contractual relationship, which is 11 years 3 months. Customers' perception of the financial services offered by the Bank improved: whereas the number of single-product customers declined progressively (nearly -1% on 2019), the number of customers with at least four products increased gradually (+1.2%).

TABLE 116: CUSTOMER SATISFACTION

	NO. PRODUCTS	2019	2020
Customer retention rate		95%	96.3%
Average duration of the agreement (*)		11 years and 1 month	11 years and 3 month
Cross selling	1	39.5%	38.6%
	2-3	40.4%	40.1%
	4+	20.1%	21.3%

(*) The figures refer to persons who have been Banca Generali customers for at least one year.

The uncertain situation that marked 2020 also had an impact on local initiatives that have always distinguished Banca Generali's network, both in terms of numbers and quality.

In this difficult context, Banca Generali, in collaboration with its network, organised a series of face-to-face initiatives which involved around 1,200 customers, in compliance with the precautionary measures defined. Most of these initiatives focused on cultural and financial topics aimed, on the one hand, at promoting art and photography exhibitions and, on the other, analysing the evolution of macroeconomic scenarios, the financial market situation and the development of new investment solutions, in partnership with authoritative asset management companies.

2020 was a year also marked by significant network activity in the charitable field: in a spirit of close empathy with the organisations most affected by the pandemic, the Financial Advisors supported, with fundraising and donations, about fifteen Associations in 8 different regions of Italy. Examples include the donation for the purchase of pulmonary ventilators, a contribution for the purchase of emergency medical equipment and the funds collected to support disability and the hospitalisation of children.

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 representative 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 , 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 complaints[43] provide for a 60-day processing time limit;
- financial complaints[44] 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[45] 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. The Company avails of the service of leading expert firms to manage, in particular, the judicial process and provide an objective assessment of customer complaints and the Bank's position. Both during the complaint phase and the dispute phase, if it appears that the content of the complaints made by the customers 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.

All complaints must be managed in a pertinent manner, carrying out suitable checks on their grounds and providing a prompt and exhaustive response to customers at the end of such inquires.

At quarterly intervals, the Board of Directors is given an overall report on the Bank's litigation and complaints status. In this occasion, 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.

[43] 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 – Consolidate Law on Banking, also regarding to transparency matters, presented in writing by subject who can be uniquely identified.

[44] 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).

[45] 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.

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 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 made use of the following contributions and improvements:

- the insurance solution offer was supplemented with the introduction of Lux Protection Life, a Luxembourg-based multi-class policy issued by Generali Luxembourg, which combines the typical benefits and features of insurance solutions[46] 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 350 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;
- the placement of "BG Insieme - Progetti di Vita" has begun, the new recurring premium policy that makes protection a central element. This insurance solution allows the investment to be defined and finalised to celebrate important milestones in the lives of customers and their loved ones (Diploma, Degree, First home purchase, Marriage): for this reason the product includes significant insurance cover to protect the savings plan, which takes over and accompanies the plan until its natural conclusion, if unforeseen life events prevent the customer 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 in a context characterised by a high degree of uncertainty and volatility;
- the Family Protection tool, available within the BGPA platform, allows the Financial Advisor to reconstruct all the customer's overall wealth, financial, real estate, corporate and other assets, both held at the bank and with third parties, to analyse their composition, destination planning, fiscal impact and holding cost; thanks to this tool, the Financial Advisors able to examine the customer's specific situation, also keeping track of the donations made, the designations as policy beneficiary and the liabilities related to the estate, in order to simulate the allocations desired by the customer, assessing their consistency in terms of inheritance portion established by law and burden in terms of taxation;
- 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; this dedicated offer enables Banca Generali to provide its customers with the best professional expertise existing nationwide for all matters regarding the possession of wealth, generational transfer, extraordinary business operations and asset protection in general;
- 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 5,000 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 measures put in place by the Government to tackle the pandemic crisis, to illustrate all the opportunities for action and resources available to families and businesses to ensure that the commercial network is able to be close to customers with practical and concrete answers.

[46] This includes use of a component up to a maximum of 40% under segregated accounts under French law focused on European government and corporate bonds, to ensure solidity and protection.

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;
- 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 Data Protection Regulation (GDPR), which became effective on 25 May 2018. In detail, the Data Protection Regulation has replaced and supplemented the regulatory provisions already contained in the Bank's internal regulations and applied to all the Banking Group companies, where 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.

Following the training initiatives on the processing of personal data that Banca Generali organised in previous years, in 2020 the Bank continued to provide its employees with initiatives aimed at raising awareness and circulating best practices. It should also be noted that no confirmed complaints regarding breaches of data protection were received during the reporting period.

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

1,464 suppliers

91.64% of the procurement value towards Italian suppliers

107,587 thousand euros in purchases

NEW **12 new relevant qualified suppliers**

In 2020, the Banca Generali Group engaged in dealings with 1,464 suppliers, generating a total value of 107.59 million euros, broken down into 98.57 million euros (91.64% of the total) referring to Italian suppliers and 9 million euros (8.36% of the total) to foreign suppliers.

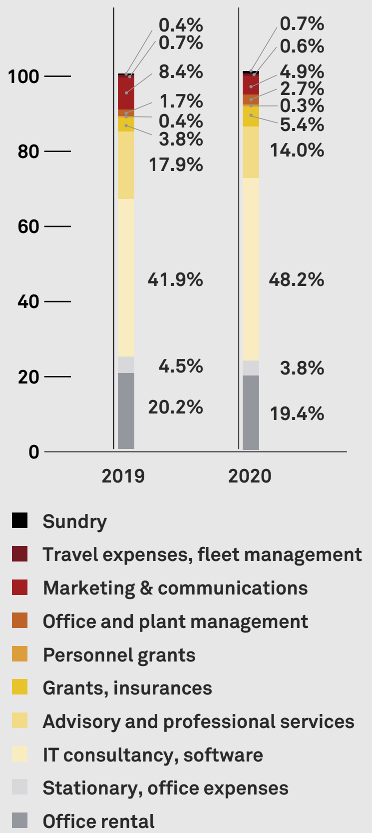
Banca Generali offers its suppliers a standard payment term of 60 days from invoice date, accepting changes should the conditions apply. Special payment terms in line with market conditions are agreed for certain supplies, such as rentals.

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 2020 showed that 40 days was the average time for payments to its suppliers (50 days in 2019). Any delays, generally linked to executing the bank transfer, do not on average exceed 7 calendar days, also due to the fact that the Bank orders payment flows weekly.

TABLE 117: BREAKDOWN OF SUPPLIERS BY TYPE OF SUPPLY AND % VALUE OF THE SUPPLY

	2020	2019
Number of suppliers	1,464	1,767
Expenditure/suppliers (€ thousand)	107,587	102,264
Office rental	19.4%	20.2%
Stationery, office expenses	3.8%	4.5%
IT consultancy, software	48.2%	41.9%
Advisory and professional services	14.0%	17.9%
Grants, insurance	5.4%	3.8%
Personnel grants	0.3%	0.4%
Office and plant management	2.7%	1.7%
Marketing & communications	4.9%	8.4%
Travel expenses, fleet management	0.6%	0.7%
Sundry	0.7%	0.4%

CHART 39: SUPPLIERS BY VALUE OF THE SUPPLY



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 and allows product and service quality to be kept high at all times.

In line with the criteria defined by the Generali Group, Banca Generali 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 2020, despite the Covid-19 emergency, there were no reports of significant changes in terms of organisation and structure within the supply chain. The process of rationalising and raising the efficiency of active suppliers did, on the other hand, continue, partly facilitated by the current situation that has reduced or changed certain types of supply.

The procurement process, governed by the specific and constantly updated internal regulation, provides the guidelines for proper purchasing management, and specifically for supplier selection and supply contract award procedures. A special procedure is also envisaged for related party transactions and transactions involving a potential conflict of interest.

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. This system was updated in 2020 and the quality of information it uses has been further improved. 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 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 all purchases over 40,000 euros excluding VAT, 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 2020, 12 new suppliers were selected (estimated activity exceeding 150 thousand euros per year) that, as they met the criteria established, were included in the 'List of Qualified Suppliers' in addition to those already found compliant. 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 they fall within one of the following situations:

- bankruptcy, compulsory liquidation, arrangement with creditors or any procedure to obtain an official declaration of such situations;
- procedures for the application of preventive measures or judgements against the supplier's owners/senior management;
- cases of serious errors or gross negligence, demonstrated in any way by the Generali Group, committed in the supply of previously awarded services or in the performance of professional activity;
- breaches of tax obligations pursuant to the legislation of the country of residence and/or non-payment of employee salaries and social security charges;
- failure to honour payment obligations to tax authorities and pensions bodies;
- breaches of the principles indicated in the Ethical Code for Generali Suppliers and/or failure to meet the so-called minimum obligatory sustainability requirements;
- legal actions and/or judicial proceedings brought by the Supplier against the Generali Group;
- any other condition 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 significant suppliers.

Without prejudice to the primary need to meet the requesting office's requirements, and without running any type of supplier-related risk (e.g., defect levels, delays, non-compliance, indirect damages, conflict situations, breaches of legislative obligations), 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.

Banca Generali works only with suppliers who conduct their business in rigorous compliance with national and international laws and regulations, safeguarding human rights and labour protection, privileging companies able to supply goods and/or services throughout Italy.

Moreover, the Group's Policy for the Environment and Climate 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. For this purpose and with the specific aim of limiting the environmental impact of the Company's activity along the entire supply chain, preference is given to suppliers with social responsibility policies that adopt ecological criteria (e.g. use of green technologies and procedures). Lastly, Banca Generali, in concert and in line with the Group to which it belongs, intends to examine the acquisition of tools and systems for a more in-depth social analysis of suppliers.

For supplies of goods and/or services having an environmental impact, contractors/suppliers are held responsible for checking that the specific authorisations required by the law regarding waste treatment and management have been obtained.

For all supplies of goods that are important for workplace and employee safety (e.g., video terminals, lifts, air conditioning systems, electrical plants), there is an obligation to check compliance with the legal regulations and technical/structural standards required.

Banca Generali has also insurance covers, as well as adequate clauses covering damages caused by providers of infrastructure and services.

Relationship Capital: Initiatives in Support of Local Communities

Despite the restrictions on face-to-face events, there were numerous initiatives to support the Bank's vision and mission, as well as its social commitment to giving support to the country, at such a very difficult time.

In detail, tangible solidarity initiatives to support those that were at the forefront of combating Covid-19 were implemented thanks to the extraordinary fund of 1 million euros allocated by the Bank and through which four mobile intensive-care units were donated to the Red Cross of the cities most severely impacted by the pandemic, namely Bergamo, Pavia, Monza and Trieste. The implementation of the vehicle fleet made it possible to transport a greater number of patients between various clinics and manage emergency situations.

It also contributed to the creation of two Covid-19 centres and a post-hospitalisation centre for the sick, donated a multifunctional ultrasound system and distributed 7 life-saving monitors for resuscitation, 20 thermal scanners and more than 5,000 PPEs to several hospitals.

Remote events also served to provide continuity to the collaborations with the most prestigious Italian universities (Milan Polytechnic, Università Cattolica del Sacro Cuore, SDA Bocconi and LIUC di Castellanza) with initiatives aimed at offering opportunities for discussion and exchange, particularly in favour of the new future generations.

In order to offer young people innovative opportunities for knowledge and growth, in 2020 Banca Generali also organised the first Investment Challenge in collaboration with Reply and with MIP-Politecnico di Milano, with the aim of bringing students closer to the world of investments thanks to the advanced trading platform BG Saxo Trader Go. More than 8,000 students at universities throughout Italy participated in the initiative to design the best strategy for protecting a virtual portfolio with an initial value of 1 million euros.

Banca Generali has been close to art in all its forms, making it accessible to very young children, as well with a new online learning project, also supported through the participation of the orchestra conductor Beatrice Venezi (Banca Generali ambassador), who offered the opportunity to participate in the "L'Adagio di Barber" concert in direct streaming from La Fenice theatre, broadcast on social media and followed by more than 35,000 fans.

In addition, Banca Generali was confirmed main partner to Milano Art Week, the week of special art gatherings and events held in Milan, including free admittance to the 20th-Century Art Museum. In 2020, many initiatives took place in virtual mode, using the technological platforms of the Municipality of Milan.

Finally, it was possible to stay close to the families of Bank employees with the purchase of Reedoc platform utilities so that school-age children could have practical help with managing their remote learning through a dedicated platform.


CROCE ROSSA ITALIANA











CROCE ROSSA ITALIANA
GRAZIE ALLA DONAZIONE
BANCA GENERALI


04

GRI CONTENT INDEX

"We wanted to thank the doctors, all the hospital staff and their families, on the front line in the battle against the virus."

Michele Seghizzi
Head of Communications, Banca Generali

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PAGE/COMMENTS
GRI 102: General Disclosures 2016 - Organizational profile	102-1	Name of the organisation	Cover
	102-2	Activities, brands, products, and services	122-132
	102-3	Location of headquarters	Back cover
	102-4	Location of operations	21
	102-5	Ownership and legal form	Cover; 36-39
	102-6	Markets served	84; 122; 176-177
	102-7	Scale of the organisation	Highlights; Financial statements
	102-8	Information on employees and other workers	140-141
	102-9	Supply chain	181-183
	102-10	Significant changes to the organization and its supply chain	181-183
	102-11	Precautionary Principle or approach	48-50
	102-12	External initiatives	184
GRI 102: General Disclosures 2016 - Strategy	102-14	Statement from senior decision-maker	6-7
	102-15	Key impacts, risks, and opportunities	42-46
GRI 102: General Disclosures 2016 - Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	40-41
GRI 102: General Disclosures 2016 - Governance	102-18	Governance structure	36-39
	102-26	Role of highest governance body in setting purpose, values, and strategy	36-39
GRI 102: General Disclosures 2016 - Stakeholder engagement	102-40	List of stakeholder groups	53
	102-41	Collective bargaining agreements	153-154
	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.
	102-43	Approach to stakeholder engagement	53; 148; 165-166; 177-178
	102-44	Key topics and concerns raised	53
GRI 102: General Disclosures 2016 - Reporting practice	102-45	Entities included in the consolidated financial statements	21
	102-46	Defining report content and topic Boundaries	10
	102-47	List of material topics	11-13
	102-48	Restatements of information	10
	102-49	Changes in reporting	10
	102-50	Reporting period	01.01.2020-31.12.2020
	102-51	Date of most recent report	March 2020
	102-52	Reporting cycle	Yearly
	102-53	Contact point for questions regarding the report	Backcover
	102-54	Claims of reporting in accordance with the GRI Standards	10
	102-55	GRI content index	188-189
	102-56	External assurance	368
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	10; 14-15
	103-2	The management approach and its components	51; 138-139; 143; 148-149; 153-156; 158-159; 161-162; 167-169; 175-176; 177; 179; 180; 181-183
	103-3	Evaluation of the management approach	48-50; 138-139; 143; 148-149; 153-156; 158-159; 161-162; 167-169; 175-176; 177; 179; 180; 181-183

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PAGE/COMMENTS
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	87-89
GRI 204-1: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	181
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	51-52
	205-3	Confirmed incidents of corruption and actions taken	52
GRI 207: Tax 2019	207-1	Approach to tax	Following the request for admission to the collaborative compliance scheme at the end of December 2020, Banca Generali has drawn up its tax strategy and started the exchange of information with the Italian Revenue Service to share its Tax Control Framework (TCF). In addition, a Tax Risk Officer was appointed on 1 March 2021 and tasked with overseeing the whole assessment process with the Italian Revenue Service that will end with the admission to the collaborative compliance scheme. Further information on the tax strategy and the TCF adopted by the Banking Group is given in the 2021 Annual Integrated Report.
GRI 302: Energy 2016	302-1	Energy consumption within the organization	170; 174
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	169; 174
	305-2	Energy indirect (Scope 2) GHG emissions	169; 174
	305-3	Other indirect (Scope 3) GHG emissions	169; 174
	305-5	Reduction of GHG emissions	167-173
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	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	150-153
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	154-156
	403-5	Worker training on occupational health and safety	155
	403-9	Work-related injuries	154-155
	403-10	Work-related ill health	154-155
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	143-144; 165
	404-3	Percentage of employees receiving regular performance and career development reviews	148
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	37; 149-150; 158-160
	405-2	Ratio of basic salary and remuneration of women to men	151
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	150
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	In line with the inclusion and gender equality principles described, the Banca Generali Group ensures full compliance with the Fundamental Human Rights, in accordance with the relevant internal policies. In light of the nature of the corporate business and the geographical distribution of the transactions carried out, no transactions subject to audit or assessment with respect to their impact on human rights were carried out in the reporting period.
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	50; 180

05

CONSOLIDATED FINANCIAL STATEMENTS BANCA GENERALI S.P.A.

at 31.12.2020

"Since the pandemic began, our Financial Advisors have always been close to our clients and sensitive to their needs. We also succeeded at the difficult task of supporting a large number of companies, many of which are family businesses."

Gian Maria Mossa

Chief Executive Officer, Banca Generali

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)		31.12.2020	31.12.2019
10.	Cash and deposits	574,108	525,400
20.	Financial assets at fair value through profit or loss:	48,455	64,998
	a) HFT financial assets	3,619	18,298
	c) other financial assets mandatorily measured at fair value	44,836	46,700
30.	Financial assets at fair value through other comprehensive income	2,730,098	2,778,836
40.	Financial assets at amortised cost:	9,108,400	7,703,082
	a) loans to banks	687,576	627,247
	b) loans to customers	8,420,824	7,075,835
50.	Hedging derivatives	2,486	4,727
70.	Equity investments	1,717	2,061
90.	Property and equipment	152,676	164,219
100.	Intangible assets	135,922	134,135
	of which:		
	goodwill	*86,973*	*86,919*
110.	Tax receivables:	49,846	51,168
	a) current	1,080	3,673
	b) prepaid	48,766	47,495
130.	Other assets	373,281	336,950
	Total assets	**13,176,989**	**11,765,576**

NET EQUITY AND LIABILITIES

(€ THOUSAND)		31.12.2020	31.12.2019
10.	Financial liabilities at amortised cost:	11,506,596	10,503,986
	a) due to banks	598,129	94,807
	b) due to customers	10,908,467	10,409,179
20.	HFT financial liabilities	1,551	1,204
40.	Hedging derivatives	67,853	7,481
60.	Tax liabilities:	42,516	13,618
	a) current	29,174	1,690
	b) deferred	13,342	11,928
80.	Other liabilities	181,697	147,097
90.	Employee termination indemnities	4,936	5,153
100.	Provisions for liabilities and contingencies:	187,336	169,369
	a) commitments and guarantees issued	124	108
	b) pensions and similar obligations	3,751	3,854
	c) other provisions	183,461	165,407
120.	Valuation reserves	4,139	3,813
140.	Equity instruments	50,000	50,000
150.	Reserves	726,471	454,465
160.	Share premium reserve	57,062	57,729
170.	Share capital	116,852	116,852
180.	Treasury shares (-)	-45,185	-37,356
190.	Net equity attributable to minority interests (+/-)	246	26
200.	Net profit (loss) for the year (+/-)	274,919	272,139
	Total net equity and liabilities	**13,176,989**	**11,765,576**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)		2020	2019
10.	Interest income and similar revenues	95,857	82,861
20.	Interest expense and similar charges	-6,213	-8,846
30.	**Net interest income**	**89,644**	**74,015**
40.	Fee income	924,117	881,014
50.	Fee expense	-401,306	-377,875
60.	**Net fees**	**522,811**	**503,139**
70.	Dividends and similar income	2,328	2,891
80.	Net income (loss) from trading activities	6,045	5,606
90.	Net income (loss) from hedging	-906	18
100.	Gain (loss) on disposal or repurchase of:	15,293	5,839
	a) financial assets at amortised cost	17,450	315
	b) financial assets at fair value through other comprehensive income	-2,157	5,524
110.	Net income (loss) from financial assets and liabilities at fair value through profit and loss:	-2,821	-181
	b) other financial assets mandatorily measured at fair value	-2,821	-181
120.	**Net banking income**	**632,394**	**591,327**
130.	Net adjustments/reversals due to credit risk relating to:	-662	-5,387
	a) financial assets at amortised cost	-779	-5,591
	b) financial assets at fair value through other comprehensive income	117	204
150.	**Net income (loss) from trading activities**	**631,732**	**585,940**
190.	General and administrative expenses:	-280,509	-259,900
	a) staff expenses	-104,272	-97,219
	b) other general and administrative expenses	-176,237	-162,681
200.	Net provisions for liabilities and contingencies:	-45,609	-37,610
	a) commitments and guarantees issued	-17	-22
	b) other net provisions	-45,592	-37,588
210.	Net adjustments/reversals of property and equipment	-21,511	-20,145
220.	Net adjustments/reversals of intangible assets	-11,447	-9,810
230.	Other operating expenses/income	74,965	68,706
240.	**Operating expenses**	**-284,111**	**-258,759**
250.	Gains (losses) from equity investments	-341	-1,605
280.	Gains (losses) on disposal of investments	10	-262
290.	**Net profit before income taxes**	**347,290**	**325,314**
300.	Income taxes for the year on operating activities	-72,396	-53,192
310.	**Net profit after income taxes**	**274,894**	**272,122**
330.	**Net profit for the year**	**274,894**	**272,122**
340.	Net profit (loss) for the year attributable to minority interests	-25	-17
350.	**Net profit (loss) for the year attributable to the Parent Company**	**274,919**	**272,139**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)		2020	2019
10.	**Net profit for the year**	**274,894**	**272,122**
	Other income net of income taxes, without transfer to Profit and Loss Account		
20	Equity securities at fair value through other comprehensive income	-210	-300
70.	Defined benefit plans	-318	82
	Other income net of income taxes, with transfer to Profit and Loss Account		
110.	Exchange differences	-2	3
140.	Financial assets (other than equity securities) at fair value through other comprehensive income	862	15,826
170.	**Total other income net of income taxes**	**332**	**15,611**
180.	**Comprehensive income**	**275,226**	**287,733**
190	Consolidated comprehensive income attributable to minority interests	-21	-8
200.	**Consolidated comprehensive income attributable to the Parent Company**	**275,247**	**287,741**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		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
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
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**	**-**	**-**

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		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
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER								
Net equity at 31.12.2018	**116,852**	**-**	**57,889**	**395,222**	**19,146**	**-11,636**	**-**	**-**	**-22,724**	**180,126**	**734,875**	**734,875**	**-**
Change in opening balances	-	-	-	-9	-	-	-	-	-	-	-9	-9	-
Amount at 01.01.2019	116,852	-	57,889	395,213	19,146	-11,636	-	-	-22,724	180,126	734,866	734,866	-
Allocation of net profit for the previous year:	-	-	-	35,226	-	-	-	-	-	-180,126	-144,900	-144,900	-
- Reserves	-	-	-	35,226	-	-	-	-	-	-35,219	7	7	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-144,907	-144,907	-144,907	-
Change in reserves	27	-	-	20	653	-153	-	-	1	-	548	514	34
Transactions on net equity:	-	-	-160	-	4,214	-	50,000	-	-14,633	-	39,421	39,421	-
- Issue of new shares	-	-	-160	-	-2,993	-	-	-	3,153	-	-	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-17,786	-	-17,786	-17,786	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	50,000	-	-	-	50,000	50,000	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	7,207	-	-	-	-	-	7,207	7,207	-
- Change in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	15,611	-	-	-	272,122	287,733	287,741	-8
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**
Group net equity	**116,852**	**-**	**57,729**	**430,452**	**24,013**	**3,813**	**50,000**	**-**	**-37,356**	**272,139**	**917,642**	**-**	**-**
Net equity attributable to minority interests	**27**	**-**	**-**	**7**	**-**	**9**	**-**	**-**	**-**	**-17**	**26**	**-**	**-**

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD

(€ THOUSAND)	2020	2019
A. OPERATING ACTIVITIES		
1. Operations	**341,748**	**234,634**
Net profit (loss) for the year	274,894	272,122
Gain/loss on HFT financial assets and other assets and liabilities at fair value through profit or loss	4,090	402
Gain/loss on hedging assets	144	-18
Net adjustments/reversals due to credit risk	662	5,387
Net adjustments/reversals of property, equipment and intangible assets	32,958	29,955
Net provisions for liabilities and contingencies and other costs/revenues	18,014	5,539
Taxes, duties and tax credits not paid	30,617	-12,997
Adjustments/reversals of discontinued operations	-	-
Other adjustments	-19,631	-65,756
2. Liquidity generated by/used for financial assets (+/-)	**-1,305,861**	**-2,220,111**
HFT financial assets	15,743	17,686
Financial assets at fair value	-	-
Other financial assets mandatorily measured at fair value	-852	8,774
Financial assets at fair value through other comprehensive income	50,435	-756,231
Financial assets at amortised cost:	-1,338,075	-1,480,277
Loans to banks	-57,856	-181,070
Loans to customers	-1,280,219	-1,299,208
Other assets	-33,111	-10,063
3. Liquidity generated by/used for financial liabilities (+/-)	**1,043,081**	**1,656,845**
Financial liabilities at amortised cost:	982,856	1,651,567
Due to banks	505,968	-34,278
Due to customers	476,888	1,685,845
Securities issued	-	-
HFT financial liabilities	-1,204	-384
Financial liabilities at fair value	-	-
Other liabilities	61,429	5,662
Net liquidity generated by/used for operating activities	**78,968**	**-328,632**

(€ THOUSAND)	2020	2019
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	**-15,275**	**-46,174**
Purchase of equity investments	-	-2,002
Purchase of property and equipment	-1,194	-3,175
Purchase of intangible assets	-14,081	-14,290
Purchase of subsidiaries and business units	-	-26,707
Net liquidity generated by/used for investing activities	**-15,569**	**-46,174**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-12,440	-17,785
Issue/purchase of equity instruments	-	50,000
Distribution of dividends and other	-2,251	-144,900
Disposal/Purchase of controlling interests	-	-
Net liquidity generated by/used for funding activities	**-14,691**	**-112,685**
NET LIQUIDITY GENERATED/USED IN THE YEAR	**48,708**	**-487,491**
Reconciliation		
Cash and cash equivalents at year-start	**525,400**	**1,012,891**
Total liquidity generated/used in the year	48,708	-487,491
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**574,108**	**525,400**

Legend
(+) Liquidity generated
(-) Liquidity used

Notes and Comments

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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 No. 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 2020, 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 2020

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	2019/2075	06.12.2019	01.01.2020
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	2019/2104	10.12.2019	01.01.2020

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2020 AND EFFECTIVE AS OF 2020

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 3: Business Combinations (issued on 22 October 2018)	2020/551	22.04.2020	01.01.2020
Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform (issued on 26 September 2019)	2020/34	16.01.2020	01.01.2020
Amendment to IFRS 16 – Leases: Covid-19- Related Rent Concessions (issued on 28 May 2020)	2020/1434	12.10.2020	01.06.2020

INTERNATIONAL ACCOUNTING STANDARDS EFFECTIVE AFTER 31 DECEMBER 2020

	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
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

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 2020 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 Accounting 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 2019.

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 2020 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, the 6th update of Circular No. 262/2005, published on 30 November 2018 and entered into force on 1 January 2019, endorsed the new provisions introduced by IFRS 16 – *Leases*.

The Instructions were supplemented by the Communication published by the Bank of Italy on 15 December 2020, which governs market disclosure in financial statements for the year ended 31 December 2020 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 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.

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 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.

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

Legislative Decree No. 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 the previous year, 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:

				SHAREHOLDING RELATIONSHIP		% OF VOTES IN ORDINARY SHARE-HOLDERS' MEETING
COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF CONTROL	INVESTOR	% OF OWNERSHIP INTEREST	
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	London	London	1	Banca Generali	100.00%	100.00%
BG Valeur S.A.	Lugano	Lugano	1	Banca Generali	90.10%	90.10%

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).

The consolidation scope changed compared to the previous year due to the merger into the parent company, Banca Generali S.p.A., of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR S.p.A., which took place with effect from 1 July 2020, and with accounting and tax effect retroactive from 1 January 2020.

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 2021. The company had also previously shorten its financial year from 31 December to 30 September 2020 (nine months).

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 31 December 2020, 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.

Two business combinations were undertaken in 2019: the acquisition of the Nextam Partners Group on 25 July 2019 and the acquisition of the Swiss asset manager Valeur Fiduciaria S.A. (now BG Valeur S.A.) on 15 October 2019.

The contribution of these acquisitions is therefore reflected in the Consolidated Profit and Loss Account for the comparison period with regard to only 5 months for the Nextam Group and 3 months for BG Valeur S.A. However, the economic effect of the two acquisitions does not materially impact the Banking Group's main operating aggregates. An analysis of the most significant impacts on the various items of the Profit and Loss Account is thus provided in the Consolidated Report on Operations.

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 at the General Shareholders' Meeting and the effective power to unilaterally govern significant activities through:
  – control of more than half of the voting rights by virtue of an agreement with other investors;
  – the power to determine 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.

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 2020, 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 2020, 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% stake on 31 October 2019 for 1,995 thousand euros, plus additional costs.

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.
Under the agreement, 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 2020, 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

As of 31 December 2020, there were no significant restrictions of a legal, contractual, or statutory nature on the Parent Company's ability to access or use the Group's assets and settle the Group's liabilities.

5. Other information

None of the financial statements of the subsidiaries used in preparing the Consolidated Financial Statements have a different reporting date than that of the Consolidated Financial Statements, with the exception of those of the UK subsidiary Nextam Partners Ltd, which ended its 2020 year on 30 September.

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:
> gain and loss 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 5 March 2021, when the Board also authorised its disclosure pursuant to IAS 10.

No events occurred after 31 December 2020 and until 4 March 2021 that would significantly impact the Banking Group's financial performance and financial position reported in these Consolidated Financial Statements

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 2020.

Accounting standards endorsed that will enter into effect after 31 December 2020

There are no international accounting standards and related interpretations endorsed but not effective yet as of 31 December 2020 that could have a material impact on the Banking Group's operations.

Amendments to the IFRS 9 Policy regarding staging assignment and admissibility of sale of the held-to-collect portfolio

On 25 September 2020, Banca Generali's Board of Directors approved some amendments to its IFRS 9 Policy regarding:
> the stage assignment criteria applicable to the portfolio of debt securities allocated to the HTC and HTCS portfolios;
> criteria for eligibility of sales in the HTC (held-to-collect) business model.

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 (stage 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 CQS4 (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 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 perfectly 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.

Criteria for eligibility of sales for the HTC model

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).

Within this framework, in the new business conditions in which Banca Generali finds itself having 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.

Finally, it should be noted that the amendments made to the policy did not result in any impact in terms of the assessment of the expected credit losses (ECLs) at the end of 2020.

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 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.

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 the Banca Generali Group.

Risks, uncertainties and impacts of the Covid-19 epidemic

The Covid-19 pandemic unleashed particularly severe effects of a health and economic nature at the global level. In particular, the expansion of the epidemic and the resulting measures taken by the governments of the various countries to halt it resulted in a significant slowing of global economic activity which in turn led to recession in the most developed economies and triggered a situation of extreme financial market volatility.

In light of Banca Generali's specific operations, the main risks to which it is exposed as a consequence of the Covid-19 pandemic relate to:
> the effect of market volatility, due also to the risk-aversion of more traditional customers on the performance and allocation of assets under management (AUM), with potential impacts on net fee income;
> the effects on interest rates of ultra-expansionary monetary policies in support of the financial system and the economy implemented by the main central banks, with a consequent impact on the profitability of the financial investment portfolio;
> to a lesser extent, the possible deterioration of exposures to customers in the most affected sectors.

However, these risks appear to be mitigated by numerous factors of an external and internal nature.
External factors include the prospects of a recovery in global GDP tied to the progress of vaccine campaigns launched in late 2020 in the course of 2021, the low correlation between GDP growth trajectory and financial market performance and extensive liquidity in households' portfolios awaiting re-qualification.
Internal factors include the proven capacity of sales networks and the operating structure to continue to operating even in a scenario of strict limitations on individual movement, while also achieving excellent commercial results.

From an operational standpoint, the Group's technological infrastructure and digital banking operating procedures have made it possible to implement several processes aimed at keeping up with the increased remote workload and to ensure the full operation of all company activities, without significant interruptions or service outages.

It should also be noted that the Bank's exposures to customers, in light of its business model, are amply secured by financial collateral and also benefited from government guarantees in support of the economy. The impact of the legal and other moratoria granted to customers also proved limited overall.
It should also be noted that 2020 reported positive results in terms of net inflows, increased total managed assets and performance. Within this scenario, the Bank confirmed the strategies previously defined and the 2021 targets already disclosed to the market, both in terms of net inflows (14.5 billion euros) and total assets (76-80 billion euros), as well as of profitability (core net banking income not below 63 bps). It is also believed that the pandemic will not have a significant effect on the Group's growth prospects in the future years covered by the 2021-2023 plan.

The overall impacts of the pandemic on the Banking Group's operations, personnel, financial performance for the period and the actions taken to mitigate the effects of the crisis, as well as expectations regarding future impacts, while still characterised by a high level of uncertainty, are also discussed in detail in the **Annual Integrated Report**, to which reference is made.

In accordance with instructions from market and sector regulators, Banca Generali has also reflected the changed economic scenarios in its assessments, with particular regard to:
> the accounting treatment of moratoria granted by law and individually for customers, which did not generally result in the emergence of non-performing positions;
> the assessment of expected credit losses on the loan portfolio, for which forward-looking PDs were recalibrated on the basis of the most recent macroeconomic forecasts[1].

In any event, there have not been any significant increases in the risk level of financial assets in connection with the Covid-19 emergency entailing a deterioration in the risk level assigned to the assets and the associated adjustments (IFRS 9). In particular, the collective provision for credit risks relating to the portfolio of loans to customers increased by slightly less than 1 million euros to 3.4 million euros.

In addition, in 2020 the Banking Group did not make any changes to accounting estimates relating to the Covid-19 emergency entailing a significant impact on the year or subsequent years.

The following should be noted with regard to specific items of the profit and loss account and balance sheet:
> no impairment losses were recognised pursuant to IAS 36 as a result of the Covid-19 emergency[2];
> with regard to payment plans based on own financial instruments, there have been no significant changes in vesting conditions; however, the performance of the Bank's shares in the first half of 2020 resulted in a decline in the fair value of the new plans activated during the year[3];
> the general decline in market interest rates due to the massive central bank interventions had an impact on the discounting rates used by the Bank in relation to the various cases provided for in the IAS/IFRS. In particular, the narrowing of the spread on Italian ten-year government bonds had an impact on provisions for contractual commitments to the sales network assessed according to the actuarial method of approximately 5.9 million euros, as well as, to a lesser extent, on long-term personnel expenses, actuarial gains/losses relating to post-employment benefits and other supplementary pension funds.

1 These aspects are analysed in Part E, Information on Risks and Risk Hedging Policies, of these Notes and Comments.
2 In this respect, see Part G of these Notes and Comments for the impairment testing of goodwill.
3 In this respect, see Part I of these Notes and Comments.

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's companies, in the exclusive capacity of lessee, did not benefit from any suspensions of payments due for the operating lease contracts in force.

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.

However, the following extraordinary transactions are reported:
> on **30 June 2020**, Nextam Partners SGR contributed its business unit responsible for managing Italian UCITS ("UCITS unit") to the independent management company 8a+ Investimenti SGR ("8a+ SGR"), taking a 19.5% equity investment in the latter; the transaction resulted in a capital gain of 612 thousand euros on the acquisition of the equity investment in 8 A+ SGR, valued at 912 thousand euros;
> the subsequent merger of the parent company, Nextam Partners S.p.A. ("NP S.p.A.") and Nextam Partners SGR ("NP SGR") into Banca Generali was closed on **1 July 2020**, with accounting and tax effects retroactively from 1 January 2020;
> on **16 December 2020**, Nextam Partners Ltd proceeded with the voluntary liquidation procedure (member's voluntary liquidation), which is expected to be concluded in early 2021 in the absence of obstacles; on 12 September 2020, the company had already obtained approval from the UK Financial Conduct Authority (FCA) for the cancellation of its authorisation to provide regulated investment services (deregistration). It should be noted that, in order to comply with the capital requirements imposed by the FCA until it ceased to operate, in July 2020 the company had carried out a capital increase of GBP 590 thousand, fully subscribed by the parent company Banca Generali S.p.A. At the end of 2020, the equity investment was subject to impairment;
> on **30 November 2020**, the subsidiary BG Valeur S.A. undertook a capital increase of CHF 2.7 million, the relevant share of which was subscribed by Banca Generali S.p.A. (90.1%) and the remainder by the minority shareholders, intended to bring its capital into line with both the new capital requirements set by the new Swiss federal law on financial institutions (LIsFi), which entered into effect on 1 January 2020, and with business development prospects.

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.
Indeed, 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 2020 Banca Generali received the following grants:

BENEFICIARY	TYPE OF GRANT	GRANTOR AUTHORITY	AMOUNTS RECEIVED
Banca Generali	Personnel training	FBA Banks and Insurers' Fund (*)	150
Banca Generali	Cinematographic tax credit	MiBACT (**)	105

(*) This sum refers to aid for personnel training applied for 2018 and paid in December 2020. 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 September 2019, for which no disbursements were made in 2020.
(**) This refers to the tax credit for external investors in the cinematographic industry governed by Article 15 of the Ministerial Decree of 15 March 2018, applicable to up to 40% of the capital contributions made to joint ventures with labour contributions formed for Italian cinematographic production recognised by the Ministry for Cultural Heritage, Activities and Tourism. It should be noted that the tax credits accrued in respect of productions in 2019 had yet to be used as at 31 December 2020.

Audit

The Annual Financial Report is subject to auditing by the firm BDO Italia S.p.A. in execution of the resolution passed by the Shareholders' Meeting on 23 April 2015.

Part A.2 – Main Financial Statements Aggregates

This section sets out the accounting standards adopted for the preparation of the consolidated Financial Statements as of 31 December 2020, 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 in the reporting year, the accounting policies adopted by the Banking Group underwent no significant amendments and integrations, except for the information provided in the preceding Section 5.

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.

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 useful 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 balance-sheet 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 impairment 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 previous 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 (for example, 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 new 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.
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 27.5% (IRES) and 3.9% (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. 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 may be 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.

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.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Legislative Decree No. 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.
The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-*ter*).
The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must have been made by 30 November 2011, whereas the off-balance deduction of amortisation in ten equal instalments had to take place beginning in financial year 2013.

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.

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 may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on 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.

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 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 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 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 fourth plan under the Programme, covering the period 2020-2026, was activated in 2020. All four 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 each 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. HFT financial liabilities

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 demand 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 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 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 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 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", if 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".

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 ("BG LTI 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 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 risk.

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.

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**[4].

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 and following of Legislative Decree 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".
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.

[4] 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 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 IFRS. 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, it should be 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 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 executable prices and indicative prices contributed to Bloomberg;
> 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 usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

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.

On-demand 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, on-demand 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 on-demand 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, 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

	31.12.2020				
ASSETS/LIABILITIES 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 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 at fair value	-	-	-	-	-
3. Hedging derivatives	-	67,853	-	-	67,853
Total	**-**	**69,404**	**-**	**-**	**69,404**

	31.12.2019				
ASSETS/LIABILITIES AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss					
a) HFT financial assets	1,974	16,324	-	-	18,298
b) financial assets at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	6,163	40,537	-	-	46,700
2. Financial assets at fair value through other comprehensive income	2,742,474	24,003	122	12,237	2,778,836
3. Hedging derivatives	-	4,727	-	-	4,727
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,750,611**	**85,591**	**122**	**12,237**	**2,848,561**
1. HFT financial liabilities	-	1,204	-	-	1,204
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	7,481	-	-	7,481
Total	**-**	**8,685**	**-**	**-**	**8,685**

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 97.2% of financial assets eligible for allocation to class L1, with an unchanged ratio compared to the previous year. This category remained chiefly focused on sovereign debt: Italian government bonds (729 million euros) declined compared to the previous year (-169 million euros; -19%), offset by the new acquisition in 2020 of government bonds issued by other European countries (mainly Spanish, Greek and Portuguese bonds totalling 1,606 million euros), in addition to US securities (8.2 million euros). It also includes other debt securities (356.2 million euros) chiefly referring to credit sector (201 million euros), listed equities listed and the equity investment on the Sicav Lux IM (5.8 million euros overall).

The financial assets allocated to the L2 class, on the other hand, consist primarily of UCITS not listed on regulated markets (16.3 million euros), including an interest in the Sicav SIF Tyndaris, a closed-end fund that invests in subordinated financial assets linked to the real estate market, 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 (15 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) FINANCIAL ASSETS AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
1. Amount at year-start	**-**	**-**	**-**	**-**	**12,359**
2. Increases	**1,668**	**-**	**-**	**1,668**	**6,140**
2.1 Purchases	1,662	-	-	1,662	6,140
2.2 Gains through:	-	-	-	-	-
2.2.1 Profit and loss	-	-	-	-	-
- *of which: capital gains*	-	-	-	-	-
2.2.2 Net equity	-	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-
2.4 Other increases	6	-	-	6	-
3. Decreases	**22**	**-**	**-**	**22**	**332**
3.1 Disposals	-	-	-	-	-
3.2 Redemptions	-	-	-	-	116
3.3 Losses through:	22	-	-	22	216
3.3.1 Profit and loss	22	-	-	22	-
- *of which: capital losses*	-	-	-	-	-
3.3.2 Net equity	-	-	-	-	216
3.4 Transfers to other levels	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-
4. Amount at year-end	**1,646**	**-**	**-**	**1,646**	**18,167**

The Conio Inc. convertible loan, acquired in December for a total consideration of 1,662 million euros, has been classified under Other financial assets mandatorily measured at fair value under level L3.

By contrast, L3 financial assets in the portfolio of Financial assets at fair value through other comprehensive income, for a total amount of 18,011 thousand euros, consist of:

> the investment in the private-equity special purpose entity Athena Private Equity, which is currently in the course of liquidation and repayment, and had already become impaired in previous years;
> the acquisition of a small stake in SPAC Capital for Progress, equal to 155 thousand euros at 31 December 2020;
> the equity investment in Conio Inc., a company operating in the cryptocurrency industry, acquired in December for a consideration of 5,019 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 2020;
> some equity investments that continued to be measured at purchase cost, in the absence of reliable estimates of fair value. In detail:
  a) the "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;
  b) 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., for a total amount of approximately 0.7 million euros.

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	31.12.2020			
	BV	L1	L2	L3
1. Financial assets at amortised cost	9,108,400	6,287,991	2,067,259	1,019,804
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**9,108,400**	**6,287,991**	**2,067,259**	**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**	**-**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2019			
	BV	L1	L2	L3
1. Financial assets at amortised cost	7,703,082	5,059,495	1,979,079	819,780
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**7,703,082**	**5,059,495**	**1,979,079**	**819,780**
1. Financial liabilities at amortised cost	10,503,986	-	10,503,986	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**10,503,986**	**-**	**10,503,986**	**-**

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.
It should be noted that no such cases occur in the Financial Statements in question.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS[5]

Section 1 – Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2020	31.12.2019
a) Cash	25,128	21,957
b) Sight deposits with Central Banks	548,980	503,443
TOTAL	**574,108**	**525,400**

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 – Held-for-trading financial assets - Item 20

2.1 HFT financial assets: categories

	31.12.2020			31.12.2019		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	2,003	47	-	1,974	15,106	-
1.1 Structured securities	-	-	-	-	15,054	-
1.2 Other debt securities	2,003	47	-	1,974	52	-
2. Equity securities	2	-	-	-	-	-
3. UCITS units	6	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**2,011**	**47**	**-**	**1,974**	**15,106**	**-**
B. Derivatives						
1. Financial	-	1,561	-	-	1,218	-
1.1 Trading	-	1,561	-	-	1,218	-
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	**-**	**1,561**	**-**	**-**	**1,218**	**-**
Total (A + B)	**2,011**	**1,608**	**-**	**1,974**	**16,324**	**-**

[5] 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	31.12.2020	31.12.2019
A. Cash assets		
1. Debt securities	**2,050**	**17,080**
a) Central Banks	-	-
b) Public administration bodies	45	52
c) Banks	2,001	17,028
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	4	-
2. Equity securities	**2**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
c) Non-financial companies	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	**2,058**	**17,080**
B. Derivatives		
a) Central counterparties	-	-
b) Other	1,561	1,218
Total B	**1,561**	**1,218**
Total (A + B)	**3,619**	**18,298**

2.5 Other financial assets mandatorily measured at fair value: categories

	31.12.2020			31.12.2019		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	1,646	-	3,045	-
1.1 Structured securities	-	-	1,646	-	3,045	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	883	-	-	1,141	-	-
3. UCITS units	4,932	16,307	-	5,022	20,158	-
4. Financing	-	21,068	-	-	17,334	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	21,068	-	-	17,334	-
Total	**5,815**	**37,375**	**1,646**	**6,163**	**40,537**	**-**

2.6 Other financial assets mandatorily measured at fair value: debtors/issuers

ITEMS/VALUES	31.12.2020	31.12.2019
1. Equity securities	883	1,141
of which:		
- *banks*	-	-
- *other financial companies*	*883*	*1,141*
- *other non-financial companies*	-	-
2. Debt securities	1,646	3,045
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	3,045
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	1,646	-
3. UCITS units	21,239	25,180
4. Financing	21,068	17,334
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	21,068	17,334
of which:		
- *insurance companies*	*17,328*	*17,334*
e) Non-financial companies	-	-
f) Households	-	-
Total	**44,836**	**46,700**

The UCITS portfolio included 10,506 thousand euros related to an interest of about 8% in Tyrus Capital European Real Estate Fund S.A. (TCERF), an alternative fund under Luxembourg law, which through the master/feeder fund invests in financial instruments linked to the European business real-estate market, particularly in mezzanine instruments.

The residual UCITS portfolio is comprised for 2,445 thousand euros of the investment in the Luxembourg vehicle Algebris, for 1,976 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., for 1,379 thousand euros of the closed alternative real-estate investment fund managed by Milano Investment Partners SGR S.p.A., and for the remainder of investments in the Lux IM Sicav.

Equity securities include all equity shares of the parent company, Assicurazioni Generali (883 thousand euros).

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

	31.12.2020			31.12.2019		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
1. Debt securities	2,696,936	14,995	-	2,742,474	24,003	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,696,936	14,995	-	2,742,474	24,003	-
2. Equity securities	-	-	18,167	-	-	12,359
3. Financing	-	-	-	-	-	-
Total	**2,696,936**	**14,995**	**18,167**	**2,742,474**	**24,003**	**12,359**

3.2 Financial assets measured at fair value through other comprehensive income: debtors/issuers

ITEMS/VALUES	31.12.2020	31.12.2019
1. Debt securities	**2,711,931**	**2,766,477**
a) Central Banks	-	-
b) Public administration bodies	2,337,209	2,278,815
c) Banks	198,653	262,781
d) Other financial companies	156,677	179,219
of which:		
- *insurance companies*	-	-
e) Non-financial companies	19,392	45,662
2. Equity securities	**18,167**	**12,359**
a) Banks	-	-
b) Other issuers	18,167	12,359
- other financial companies	3,028	2,231
of which:		
- *insurance companies*	-	-
- non-financial companies	15,132	10,121
- 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	**2,730,098**	**2,778,836**

Item “Debt securities” includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 29,582 thousand euros.

The equity securities portfolio included 17,362 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 non-negotiable. Those interests are measured at purchase cost in the absence of reliable, updated estimates of fair value.

In 2020, equity securities grew by 5.8 million euros as of result of the following acquisitions:

> on 30 June 2020, following the contribution of the UCITS management business unit under Italian law, the subsidiary Nextam Partners SGR, subsequently merged into Banca Generali, acquired a 19.5% interest in the management company 8a+ SGR, for a total consideration of 912 thousand euros[6];

> on 9 December 2020, Banca Generali acted as main investor in the capital increase launched by the Californian company Conio Inc., which operates in the cryptocurrency industry, and acquired an interest of approximately 9.9%, equal to 6,088 thousand USD (4,961 thousand euros) at the end of the year.

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 1,662 thousand euros as at 31 December 2020.

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.

Finally, a small stake was acquired in the SPAC Capital for Progress (155 thousand euros), and the liquidation of Athena Private Equity continued, with additional redemptions of 115 thousand euros.
Capital contributions relating to film partnership contracts, with no expiry date, for a total amount of 650 thousand euros at 31 December 2020 are also classified in this portfolio, net of 105 thousand write-offs in 2020, following the recognition of the film partnership tax credit.

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	STAGE 1	STAGE 2	STAGE 3	OVERALL PARTIAL WRITE-OFFS
Debt securities	2,705,366	2,337,463	7,042	-	407	70	-	-
Financing	-	-	-	-	-	-	-	-
Total at 31.12.2020	**2,705,366**	**2,337,463**	**7,042**	**-**	**407**	**70**	**-**	**-**
Total at 31.12.2019	**2,746,664**	**2,279,503**	**20,878**	**-**	**971**	**94**	**-**	**-**
of which:								
- *acquired or originated impaired financial assets*	*X*	*X*	-	-	*X*	-	-	-

In respect of the model for measuring expected credit losses (ECLs) provided for in IFRS 9, as at 31 December 2020 collective reserves of 477 thousand euros had been recognised for the debt securities portfolio, of which 254 thousand euros relating to the portfolio of government securities.

[6] For further information on the transaction concerning the contribution of the business unit, see Part G – Business Combinations, Section 1, of these Notes and Comments.

Section 4 – Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: categories of loans to banks

TYPE OF TRANSACTIONS/VALUES	31.12.2020 - BOOK VALUE			31.12.2019 - BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED
A. Loans to Central Banks	**107,772**	**-**	**-**	**101,063**	**-**	**-**
1. Terms deposits	-	-	-	-	-	-
2. Mandatory reserve	107,772	-	-	101,063	-	-
3. Repurchase agreements	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
B. Loans to banks	**579,804**	**-**	**-**	**526,184**	**-**	**-**
1. Loans	175,268	-	-	281,068	-	-
1.1 Current accounts and sight deposits	91,834	-	-	95,660	-	-
1.2 Term deposits	24,585	-	-	22,395	-	-
1.3 Other loans:	58,849	-	-	163,013	-	-
- repurchase agreements	-	-	-	152,969	-	-
- lease loans	-	-	-	-	-	-
- other	58,849	-	-	10,044	-	-
2. Debt securities	404,536	-	-	245,116	-	-
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	404,536	-	-	245,116	-	-
Total	**687,576**	**-**	**-**	**627,247**	**-**	**-**

TYPE OF TRANSACTIONS/VALUES	31.12.2020				31.12.2019			
		FAIR VALUE				FAIR VALUE		
	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
A. Loans to Central Banks	**107,772**	**-**	**107,772**	-	**101,063**	**-**	**101,063**	**-**
B. Loans to banks	**579,804**	**376,262**	**211,351**	**-**	**526,184**	**171,450**	**357,123**	**-**
1. Loans	175,268	-	175,268	-	281,068	-	281,068	-
2. Debt securities	404,536	376,262	36,083	-	245,116	171,450	76,055	-
2.1 Structured securities	-	-	-	-	-	-	-	-
2.2 Other debt securities	404,536	376,262	36,083	-	245,116	171,450	76,055	-
Total	**687,576**	**376,262**	**319,123**	**-**	**627,247**	**171,450**	**458,186**	**-**

4.2 Financial assets measured at amortised cost: categories of loans to customers

TYPE OF TRANSACTIONS/VALUES	31.12.2020 - BOOK VALUE			31.12.2019 - BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED
1. Loans	**2,553,215**	**24,596**	**-**	**2,280,561**	**26,911**	**-**
1.1 Current accounts	1,290,743	8,939	-	1,104,152	8,285	-
1.2 Repurchase agreements	160,907	-	-	206,069	-	-
1.3 Mortgages	837,305	15,648	-	751,400	18,614	-
1.4 Credit cards, personal loans and loans on wages	-	6	-	15	6	-
1.5 Lease loans	-	-	-	-	-	-
1.6 Factoring	-	-	-	-	-	-
1.7 Other loans	264,260	3	-	218,925	6	-
2. Debt securities	**5,843,013**	**-**	**-**	**4,761,624**	**6,739**	**-**
2.1 Structured securities	-	-	-	-	6,739	-
2.2 Other debt securities	5,843,013	-	-	4,761,624	-	-
Total	**8,396,228**	**24,596**	**-**	**7,042,185**	**33,650**	**-**

TYPE OF TRANSACTIONS/VALUES	31.12.2020				31.12.2019			
		FAIR VALUE				FAIR VALUE		
	BOOK VALUE	L1	L2	L3	BOOK VALUE	L1	L2	L3
1. Loans	**2,577,811**	**-**	**1,663,399**	**923,973**	**2,307,472**	**-**	**1,497,605**	**813,041**
2. Debt securities	**5,843,013**	**5,911,729**	**84,736**	**95,832**	**4,768,363**	**4,888,045**	**23,288**	**6,739**
2.1 Structured securities	-	-	-	-	6,739	-	-	6,739
2.2 Other debt securities	5,843,013	5,911,729	84,736	95,832	4,761,624	4,888,045	23,288	-
Total	**8,420,824**	**5,911,729**	**1,748,135**	**1,019,805**	**7,075,835**	**4,888,045**	**1,520,893**	**819,780**

Item 2.2 "Other debt securities" included 128,736 thousand euros for senior tranches of securitisations (GIM NL LUX, Prisma SPV, Credimi, Eridano and German 21).

The convertible bond issued by Tyndaris LLP, amounting to 6,739 thousand euros at the end of 2019, was transferred in December 2020 to Tyrus Capital Holding.

The item "Debt securities" includes encumbered assets used as collateral for ECB refinancing operations totalling 784,715 thousand euros and securities held in deposit with Cassa di Compensazione e Garanzia amounting to 155,023 thousand euros. This item also includes own securities used in repurchase agreements amounting to 118,067 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 93,027 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	31.12.2020	31.12.2019
Other grants and pooled funding	47,984	30,332
Loans on promissory notes	3,173	-
Stock exchange interest-bearing daily margin	24,096	14,091
Sums advanced to Financial Advisors	23,297	18,415
Operating loans	150,735	141,906
Interest-bearing caution deposits	1,003	1,017
Amounts to be collected	13,975	13,170
Total	**264,263**	**218,931**

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 1,263 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

	31.12.2020			31.12.2019		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED ASSETS	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED ASSETS
1. Debt securities	**5,843,013**	**-**	**-**	**4,761,624**	**6,739**	**-**
a) Public administration bodies	5,323,111	-	-	4,496,147	-	-
b) Other financial companies	339,272	-	-	176,905	-	-
of which:						
- insurance companies	-	-	-	-	-	-
c) Non-financial companies	180,630	-	-	88,572	6,739	-
2. Financing	**2,553,215**	**24,596**	**-**	**2,280,561**	**26,911**	**-**
a) Public administration bodies	-	-	-	-	-	-
b) Other financial companies	413,094	5,652	-	410,347	5,405	-
of which:						
- insurance companies	*35,600*	-	-	*23,473*	-	-
c) Non-financial companies	344,438	11,494	-	263,495	15,516	-
d) Households	1,795,683	7,450	-	1,606,719	5,990	-
Total	**8,396,228**	**24,596**	**-**	**7,042,185**	**33,650**	**-**

4.4 Financial assets measured at amortised cost: gross value and total adjustments

	GROSS VALUE				TOTAL ADJUSTMENTS			
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRUMENTS	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	OVERALL PARTIAL WRITE-OFFS
Debt securities	6,222,325	-	27,899	2,642	2,456	220	2,642	-
Financing	2,661,900	-	97,046	36,675	3,000	480	12,079	-
Total at 31.12.2020	**8,965,015**	**-**	**124,945**	**39,317**	**5,456**	**700**	**14,721**	**-**
Total at 31.12.2019	**7,530,754**	**-**	**145,915**	**57,051**	**5,545**	**1,692**	**23,401**	**-**
of which:								
- acquired or originated impaired financial assets	*X*	*X*	-	-	*X*	-	-	-

In respect of the model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 31 December 2020 performing loans at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 6,156 thousand euros, of which:
> 2,676 thousand euros relating to the debt securities portfolio;
> 3,480 thousand euros relating to other loans.

Within this item, total value adjustments of exposures to banks amounted to 465 thousand euros, of which 350 thousand euros on debt securities and 115 thousand euros on other loans.
By contrast, the provision for expected losses on debt securities refers to the government bond portfolio in the amount of 1,372 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 amount of 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	STAGE 1	STAGE 2	STAGE 3	OVERALL PARTIAL WRITE-OFFS
1. Loans subject to forbearance in accordance with the GLs	15,161	-	-	-	57	-	-	-
2. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
3. Newly originated loans	104,374	-	-	-	127	-	-	
Total	**119,535**	**-**	**-**	**-**	**184**	**-**	**-**	**-**

Section 5 – Hedging derivatives - Item 50

5.1 Breakdown of hedging by type of hedge and hierarchy levels[7]

	31.12.2020				31.12.2019			
	FAIR VALUE				FAIR VALUE			
TYPE OF TRANSACTIONS/VALUES	L1	L2	L3	NOTIONAL VALUE	L1	L2	L3	NOTIONAL VALUE
a) Financial derivatives	**-**	**2,486**	**-**	**180,000**	**-**	**4,727**	**-**	**401,000**
1) Fair value	-	2,486	-	180,000	-	4,727	-	401,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
b) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**2,486**	**-**	**180,000**	**-**	**4,727**	**-**	**401,000**

[7] Hedging derivatives are analysed in detail in Section 4 of the Balance Sheet (Liabilities).

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 other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	2,486	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**2,486**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 Limited	United Kingdom - London	United Kingdom - London	Associate company	Banca Generali	35%	35%

At 31 December 2020, there were two equity investments:

> IOCA Entertainment Ltd., 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 already subject to impairment in the previous year, as it did not attain its commercial targets. The equity investment was fully written off in the year due to further losses incurred, of which 28 thousand euros attributable to Banca Generali, and in light of the absence of tangible future economic prospects;

> 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% stake on 31 October 2019 for 1,995 thousand euros, plus additional charges. 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-banking and corporate customers. At 31 December 2020, the share of loss attributable to Banca Generali amounted to approximately 216 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)	COMPREHN-SIVE INCOME (3) = (1) + (2)
A. Subsidiaries under common control									
1. BG Saxo SIM S.p.A.	1,717	5,834	2,997	154	-1,130	-	-1,130	-	-1,130
B. Companies subject to significant influence									
1. IOCA Entertainment Limited	-	272	15	-	-99	-	-99	-	-99
Total	**1,717**	**6,106**	**3,012**	**154**	**-1,229**	**-**	**-1,229**	**-**	**-1,229**

7.5 Equity investments: year changes

	31.12.2020	31.12.2019
A. Amount at year-start	**2,061**	**1,661**
B. Increases	**-**	**2,005**
B.1 Purchases	-	2,002
B.2 Reversals	-	-
B.3 Revaluations	-	3
B.4 Other changes	-	-
C. Decreases	344	1,605
C.1 Sales	-	-
C.2 Adjustments	341	1,605
C.3 Write-downs	3	-
C.4 Other changes	-	-
D. Amount at year-end	**1,717**	**2,061**
E. Total revaluations	**-**	**-**
F. Total adjustments	**1,949**	**1,605**

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.

Impairment testing of equity investments in associates indicated a need to write off the residual carrying amount of the equity investment in IOCA Ltd., already subject to impairment in prior years, in the amount of 128 thousand euros, due to further losses incurred and in light of the absence of tangible future economic prospects.

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	31.12.2020	31.12.2019
1. Owned assets	7,828	8,225
a) Land	-	-
b) Buildings	-	-
c) Furniture	6,481	6,841
d) Electronic equipment	414	361
e) Other	933	1,023
2. Rights of use acquired through leases	**144,848**	**155,994**
a) Land	-	-
b) Buildings	143,749	155,091
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	1,099	903
Total	**152,676**	**164,219**
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	**173,199**	**1,268**	**25,906**	**6,502**	**8,754**	**215,629**
A.1 Total net impairment	18,108	365	19,065	6,141	7,731	51,410
A.2 Net amount at year-start	**155,091**	**903**	**6,841**	**361**	**1,023**	**164,219**
B. Increases	**10,278**	**643**	**897**	**304**	**297**	**12,419**
B.1 Purchases	10,278	626	897	304	216	12,321
of which:						
- *business combinations*	-	-	-	-	-	-
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	-	-	-	-	-	-
B.7 Other changes	-	17	-	-	81	98
of which:						
- *business combinations*	-	-	-	-	-	-
- *adjustment for IFRS 16 FTA*	-	-	-	-	-	-
C. Decreases	**21,620**	**447**	**1,257**	**251**	**387**	**23,962**
C.1 Sales	-	-	-	-	-	-
of which:						
- *business combinations*	-	-	-	-	-	-
C.2 Depreciation	19,233	441	1,257	193	387	**21,511**
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	2,387	6	-	58	-	**2,451**
D. Net amount at year-end	**143,749**	**1,099**	**6,481**	**414**	**933**	**152,676**
D.1 Total net impairment	35,914	681	20,259	6,096	8,356	**71,306**
D.2 Gross amount at year-end	**179,663**	**1,780**	**26,740**	**6,510**	**9,289**	**223,982**
E. Valued at cost	143,749	1,099	6,481	414	933	152,676

Section 10 – Intangible assets - Item 100

10.1 Breakdown of intangible assets by categories

	31.12.2020			31.12.2019		
ASSETS/VALUES	DEFINITE LIFE	INDEFINITE LIFE	TOTAL	DEFINITE LIFE	INDEFINITE LIFE	TOTAL
A.1 Goodwill	**-**	**86,973**	**86,973**	**-**	**86,919**	**86,919**
A1.1 Attributable to the Group	-	86,111	86,111	-	86,062	86,062
A1.2 Attributable to minority interests	-	862	862	-	857	857
A.2 Other intangible assets	**48,249**	**700**	**48,949**	**46,486**	**730**	**47,216**
A.2.1 Assets valued at cost:	48,249	700	48,949	46,486	730	47,216
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	48,249	700	48,949	46,486	730	47,216
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**48,249**	**87,673**	**135,922**	**46,486**	**87,649**	**134,135**

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	**86,919**	**-**	**730**	**96,904**	**-**	**184,553**
A.1 Total net impairment	-	-	-	50,418	-	50,418
A.2 Net amount at year-start	**86,919**	**-**	**730**	**46,486**	**-**	**134,135**
B. Increases	**54**	**-**	**-**	**14,086**	**-**	**14,140**
B.1 Purchases	-	-	-	14,086	-	**14,086**
of which:						
- *business combinations*	-	-	-	-	-	-
B.2 Increase of internal intangible assets	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Fair value positive changes in:	-	-	-	-	-	-
- Net equity	-	-	-	-	-	-
- Profit and Loss Account	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	54	-	-	-	-	**54**
C. Decreases	**-**	**-**	**30**	**12,323**	**-**	**12,353**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	11,447	-	**11,447**
- Amortisation	-	-	-	11,447	-	**11,447**
- Write-downs	-	-	-	-	-	-
+ Net equity	-	-	-	-	-	-
+ Profit and Loss Account	-	-	-	-	-	-
C.3 Fair value negative changes in:	-	-	-	-	-	-
- Net equity	-	-	-	-	-	-
- Profit and Loss Account	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	30	876	-	**906**
D. Net amount at year-end	**86,973**	**-**	**700**	**48,249**	**-**	**135,922**
D.1 Total net adjustments	-	-	-	61,865	-	**61,865**
E. Gross amount at year-end	**86,973**	**-**	**700**	**110,114**	**-**	**197,787**
F. Valued at cost	86,973	-	700	48,249	-	135,922

10.3 Other information

Breakdown of consolidated goodwill

(€ THOUSAND)	31.12.2020	31.12.2019
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
Group Nextam S.p.A.	12,202	12,202
BG Valeur S.A.	8,706	8,652
Total	**86,973**	**86,919**

Breakdown of intangible assets - other assets

(€ THOUSAND)	31.12.2020	31.12.2019
Charges associated with the implementation of legacy CSE procedures	12,451	13,837
Customer relationships (former Credit Suisse Italy)	10,176	11,328
Customer relationships (former Nextam S.p.A. Group)	8,119	9,545
Transactions with customers (former BG Valeur S.A.)	2,780	3,084
Other software costs	535	223
Other intangible assets	236	519
Advance payments on intangible assets	13,952	7,950
Total	**48,249**	**46,486**

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;

> 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 test on goodwill

During the preparation of the 2020 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	31.12.2020	31.12.2019
Current taxation	**1,080**	**3,673**
Sums due for taxes to be refunded	77	176
IRES arising on National Tax Consolidation scheme	-	2,903
IRES and foreign direct taxes	739	56
IRES surtax	98	193
IRAP	166	345
Deferred tax assets	**48,766**	**47,495**
With impact on Profit and Loss Account	**48,000**	**46,669**
IRES	39,784	39,044
IRAP	8,216	7,625
With impact on Net Equity	**766**	**826**
IRES	742	779
IRAP	24	47
Total	**49,846**	**51,168**

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.

Sums due for taxes to be refunded refer to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Legislative Decree No. 201/2011, of the deductibility from that tax of the share of IRAP paid on the cost of labour. The account receivable was recognised on the basis of the provisions of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for presenting refund applications. The portion of this account receivable that refers to the national tax consolidation scheme is classified under this item.

Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2020	31.12.2019
Current taxation	**29,174**	**1,690**
IRES arising on National Tax Consolidation scheme	5,287	-
IRES and other foreign income taxes	21,118	105
IRAP	2,769	1,585
Deferred tax liabilities	**13,342**	**11,928**
With impact on Profit and Loss Account	**9,848**	**8,650**
IRES deferred tax liabilities and foreign income taxes	7,620	7,976
IRAP	2,228	674
With impact on Net Equity	**3,494**	**3,278**
IRES deferred tax liabilities and foreign income taxes	2,994	2,808
IRAP	500	470
Total	**42,516**	**13,618**

11.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2020	PURSUANT TO LAW NO. 214/2011	31.12.2019	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**48,000**	**7,569**	**46,669**	**8,107**
Provisions for liabilities and contingencies	38,270	-	35,523	-
Write-downs of loans to customers before 2015	2,358	2,358	2,735	2,735
Redeemed goodwill of former Banca del Gottardo (Art. 15, para. 10, of Decree-Law 185/08)	2,933	2,933	3,024	3,024
Goodwill of former BG Fiduciaria SIM (Art. 15, para. 10-*ter*, of Decree-Law 185/08)	1,338	1,338	1,379	1,379
Redeemed goodwill of former BG SGR (Art. 176, para. 2-*ter*, of TUIR)	940	940	969	969
Analytical impairment of debt securities previously HTM (IRAP)	-	-	123	-
Reserves for collective impairment on loans to customers and banks	327	-	912	-
Other	732	-	708	-
Group companies' tax losses	376	-	324	-
BVG pension funds	726	-	972	-
With impact on Net Equity	**766**	**-**	**826**	**-**
Measurement at fair value of HTCS financial assets	138	-	355	-
IAS 19-related actuarial losses on post-employment benefits	628	-	471	-
Total	**48,766**	**7,569**	**47,495**	**8,107**

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, 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 No. 185/08 and Article 176, paragraph 2-*ter*, of TUIR;
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 ten-year recovery scheme, 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.

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 159 thousand euros at 31 December 2020.

DTAs for tax losses carryforward amounted to 376 thousand euros and referred to net losses reported by Generfid S.p.A., Nextam Partners SIM S.p.A and BG Valeur S.A. In 2020, following the merger of Nextam Partners S.p.A., DTAs for prior-year tax losses of 156 thousand euros were written off.

11.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2020	31.12.2019
With impact on Profit and Loss Account	**9,848**	**8,650**
Off-balance sheet goodwill deduction	3,964	3,474
Intangible assets recognised upon PPA (trademarks and client relationships)	3,298	3,773
Financial assets mandatorily measured at fair value through profit and loss (equity securities and policies)	418	788
FTA IFRS 15 – Prepayments for recruitment incentives	132	416
Provision for post-employment benefits (IAS 19)	152	154
Other	34	45
Retained earnings of subsidiaries (IAS 12, para. 38 40)	1,850	-
With impact on Net Equity	**3,494**	**3,278**
Measurement at fair value of HTCS financial assets	3,461	3,247
IAS 19-related actuarial gains on BGV pension funds	33	31
Total	**13,342**	**11,928**

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.

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).
The DTLs on intangible assets refer to the fair value of the customer relationships and trademarks recognised in the Consolidated Financial Statements following the business combination of the Nextam Partners Group and BG Valeur S.A., occurred in 2019.
The DTLs relating to tax-deductible goodwill refer to portions of amortisation deducted on an off-balance sheet basis in respect of the goodwill recognised during the 2014 acquisition of the former Credit Suisse business unit and, to a lesser extent, to prior goodwill relating to the Prime Group.

11.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2020	31.12.2019
1. Amount at year-start	**46,669**	**46,581**
2. Increases	**14,047**	**14,181**
2.1 Deferred tax assets for the year:	14,021	12,885
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	14,021	12,885
2.2 New taxes or increases in tax rates	26	-
2.3 Other increases	-	1,296
of which:		
- *business combinations*	-	1,278
3. Decreases	**12,716**	**14,093**
3.1 Deferred tax assets eliminated in the year:	11,908	14,093
a) transfers	11,449	13,847
b) write-downs for non-recoverability	459	246
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	272	-
3.3 Other decreases	536	-
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	536	-
of which:		
- *business combinations*	-	-
4. Amount at year-end	**48,000**	**46,669**

11.4 Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2020	31.12.2019
1. Amount at year-start	**8,107**	**8,107**
2. Increases	**-**	**-**
3. Decreases	**538**	**-**
3.1 Transfers	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	**7,569**	**8,107**

11.5 Change in deferred tax liabilities (offsetting entry to the Profit and Loss Account)

	31.12.2020	31.12.2019
1. Amount at year-start	**8,650**	**5,200**
2. Increases	**2,769**	**4,604**
2.1 Deferred tax liabilities recognised in the year:	2,453	782
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	2,453	782
2.2 New taxes or increases in tax rates	315	-
2.3 Other increases	1	3,822
of which:		
- *business combinations*	-	*3,818*
3. Decreases	**1,571**	**1,154**
3.1 Deferred tax liabilities eliminated in the year:	940	1,154
a) transfers	480	1,138
b) change in accounting criteria	-	-
c) other	460	16
3.2 Decreases in tax rates	173	-
3.3 Other decreases	458	-
4. Amount at year-end	**9,848**	**8,650**

11.6 Changes in deferred tax assets (offsetting entry to the Net Equity)

	31.12.2020	31.12.2019
1. Amount at year-start	**826**	**6,137**
2. Increases	**565**	**223**
2.1 Deferred tax assets for the year:	427	197
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	427	197
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	138	26
of which:		
- *business combinations*	-	16
3. Decreases	**625**	**5,534**
3.1 Deferred tax assets eliminated in the year:	160	1,634
a) transfers	160	1,634
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	465	3,900
4. Amount at year-end	**766**	**826**

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)

	31.12.2020	31.12.2019
1. Amount at year-start	**3,278**	**1,084**
2. Increases	1,250	6,116
2.1 Deferred tax liabilities recognised in the year:	1,250	6,085
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,250	6,085
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	31
3. Decreases	1,034	3,922
3.1 Deferred tax liabilities eliminated in the period:	580	23
a) transfers	580	23
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	454	3,899
4. Amount at year-end	**3,494**	**3,278**

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 13 Other assets - Item 130

13.1 Breakdown of other assets

	31.12.2020	31.12.2019
Fiscal items	**81,840**	**60,083**
Advances paid to fiscal authorities – current account withholdings	276	443
Advances paid to fiscal authorities – stamp duty	53,654	44,164
Advances of substitute tax on capital gains	24,637	11,369
Excess payment of substitute tax for tax shield	634	634
Other advances paid to and sums due from fiscal authorities	2,401	1,013
Fiscal Authorities/VAT	88	161
Sums due from fiscal authorities for other taxes to be refunded	150	2,299
Leasehold improvements	**7,271**	**6,685**
Operating loans not related to financial transactions	**201**	**151**
Sundry advances to suppliers and employees	**2,981**	**3,255**
Cheques under processing	**9,499**	**8,775**
Money orders and other amounts receivable	9,499	8,775
Other amounts to be debited under processing	**52,534**	**41,134**
Amounts to be settled in the clearing house (debits)	2,702	1,144
Clearing accounts for securities and funds procedure	44,994	36,659
Other amounts to be debited under processing	4,838	3,331
Amounts receivable for legal disputes related to non-credit transactions	**127**	**51**
Trade receivables from customers and banks that cannot be traced back to specific items	**44,972**	**38,342**
Other amounts	**173,856**	**178,474**
Prepayments for the new supplementary fees for sales network	84,556	102,256
Prepayments of exclusive portfolio management fees	64	180
Prepayments for ordinary incentives	69,255	49,801
Prepayments of segregated asset management fees	4,789	9,619
Other accrued income and deferred charges that cannot be traced back to specific items	11,858	13,278
Term deposit to guarantee the consideration related to Nextam (escrow account)	3,000	3,000
Sundry amounts	334	340
Total	**373,281**	**336,950**

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 as 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.

	31.12.2019	AMORTISATION	OF WHICH RELATIVE TO PREVIOUS YEARS	INCREASES	OTHER CHANGES	31.12.2020
Supplementary fees	102,256	-43,170	-39,778	25,470	-	84,556
Ordinary incentives	49,801	-22,942	-14,424	42,596	-200	69,255
Up-front fees on segregated accounts	9,619	-4,802	-4,802	-	-28	4,789
Total network incentives	**161,676**	**-70,914**	**-59,004**	**68,066**	**-228**	**158,600**
Entry bonus on BG Solution portfolio management	6,092	-1,893	-1,735	1,541	-	5,740
Bonus on JPM funds	532	-454	-445	39	-	117
Total other acquisition costs	**6,624**	**-2,347**	**-2,180**	**1,580**	**-**	**5,857**
Total	**168,300**	**-73,261**	**-61,184**	**69,646**	**-228**	**164,457**

Other unallocated prepaid expenses of 6,065 thousand euros consist primarily of prepaid expenses not accrued during the year and refer in particular to lease prepayments, insurance premiums and other general and administrative expenses.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET - 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	31.12.2020 BOOK VALUE	31.12.2019 BOOK VALUE
1. Due to Central Banks	**497,361**	**-**
2. Due to banks	**100,768**	**94,807**
2.1 Current accounts and sight deposits	77,034	72,790
2.2 Term deposits	-	-
2.3 Financing:	6,014	-
2.3.1 Repurchase agreements	6,014	-
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Lease debts	-	-
2.6 Other debts	17,720	22,017
Total	**598,129**	**94,807**
Fair value – L1	-	-
Fair value – L2	598,129	94,807
Fair value – L3	-	-
Total - Fair value	**598,129**	**94,807**

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	31.12.2020 BOOK VALUE	31.12.2019 BOOK VALUE
1. Current accounts and sight deposits	10,440,898	9,982,548
2. Term deposits	-	-
3. Financing	144,937	116,218
3.1 Repurchase agreements	144,937	116,218
3.2. Other	-	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Lease debts	148,952	158,064
6. Other debts	173,680	152,349
Total	**10,908,467**	**10,409,179**
Fair value – L1	-	-
Fair value – L2	10,908,467	10,409,179
Fair value – L3	-	-
Total - Fair value	**10,908,467**	**10,409,179**

Item 5 The item “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 32,345 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 Consolidated Financial Statements at 31 December 2020 amounted to 148,952 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
2021	18,153
2022	16,873
2023	15,876
2024	16,044
2025	13,813
2026	13,323
2027	11,624
2028	10,603
2029	9,264
2030	8,194
2031	5,962
2032	4,032
2033	3,869
2034	516
2035	533
2036	273

Section 2 – Financial liabilities held for trading - Item 20

2.1 HFT financial liabilities: categories

	31.12.2020					31.12.2019				
		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	**-**	**-**	**1,551**	**-**	**-**	**-**	**-**	**1,204**	**-**	**-**
1.1 Trading	X	-	1,551	-	X	X	-	1,204	-	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**	**-**	**1,551**	**-**	**X**	**X**	**-**	**1,204**	**-**	**X**
Total (A + B)	**X**	**-**	**1,551**	**-**	**X**	**X**	**-**	**1,204**	**-**	**X**

(*) FV *: fair value measured without taking account of issuer's creditworthiness changes compared to issue date.

HFT financial liabilities consist for 1,551 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 1,835 million euros, of which 285 million euros relating to the HTCS portfolio with a positive fair value of 2.4 million euros and a negative fair value of 67.9 million euros.

4.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

	31.12.2020 - FAIR VALUE			NOTIONAL VALUE	31.12.2019 - FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**67,853**	**-**	**1,654,000**	**-**	**7,481**	**-**	**270,000**
1) Fair value	-	67,853	-	1,654,000	-	7,481	-	270,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**67,853**	**-**	**1,654,000**	**-**	**7,481**	**-**	**270,000**

4.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

	FAIR VALUE - SPECIFIC							CASH FLOWS		
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 at fair value through other comprehensive income	4,988	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	62,865	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**67,853**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 8 – Other liabilities - Item 80

8.1 Breakdown of other liabilities

	31.12.2020	31.12.2019
Trade payables	**20,195**	**21,802**
Due to suppliers	19,758	21,260
Due for payments on behalf of third parties	437	542
Due to staff and social security institutions	**26,685**	**25,110**
Due to staff for accrued holidays etc.	4,483	4,970
Due to staff for productivity bonuses to be paid out	14,945	12,729
Contributions to be paid to social security institutions	2,950	3,107
Contributions to Financial Advisors to be paid to Enasarco	4,307	4,304
Tax authorities	**30,439**	**21,029**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	6,190	5,179
Withholding taxes to be paid to tax authorities on behalf of customers	4,700	3,176
Notes to be paid into collection services	15,707	11,221
VAT payables	3,842	1,449
Tax liabilities - other (stamp duty and substitute tax on medium-/long-term loans)	-	4
Amounts to be debited under processing	**93,258**	**67,307**
Bank transfers, cheques and other sums payable	434	2,134
Amounts to be settled in the clearing house (credits)	23,098	17,977
Liabilities from reclassification of portfolio subject to collection (SBF)	5,986	4,526
Other amounts to be debited under processing	63,740	42,670
Sundry items	**11,120**	**11,849**
Accrued expenses and deferred income that cannot be traced back to specific items	905	1,804
Sums made available to customers	1,573	1,189
Sundry items	1,088	1,854
Amounts to be credited	1,820	1,227
Liabilities for deferred consideration (earn out) related to the acquisition of the Nextam Group	5,734	5,775
Total	**181,697**	**147,097**

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 distribution of certain classes of international UCITS.

Opening balance at 01.01.2020	**803**
Increases	53
Decreases due to the transfer to profit and loss	-702
of which:	
- *relating to prior years*	*-692*
Closing balance at 31.12.2020	**154**

Section 9 – Provisions for termination indemnity - Item 90

9.1 Provisions for termination indemnity: year changes

	31.12.2020	31.12.2019
A. Amount at year-start	**5,153**	**4,831**
B. Increases	**541**	**591**
B.1 Provisions for the year	41	132
B.2 Other increases	500	459
of which:		
- *business combinations*	-	436
C. Decreases	**758**	**269**
C.1 Amounts paid	732	257
C.2 Other decreases	26	12
of which:		
- *business combinations*	-	-
D. Amount at year-end	**4,936**	**5,153**

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 table shows the main actuarial assumptions and the breakdown of the provisions for the year and actuarial gains/(losses):

	31.12.2020	31.12.2019
Discount rate (*)	0.15%	0.53%
Annual inflation rate	0.70%	1.10%
Salary increase rate	1.80%	1.80%
Average duration (years)	10	10

(*) Rate applied to Banca Generali.

	31.12.2019	**31.12.2019**
1. Provisions:	41	132
- current service cost	20	44
- interest cost	21	69
2. Actuarial gains and losses	500	19
- based on financial assumptions	110	369
- based on actuarial demographic assumptions	390	-350
Total provisions for the year	**541**	**132**
Actuarial value	**4,936**	**5,153**
Value calculated re. Article 2120 of the Italian Civil Code	**4,238**	**4,766**

Section 10 – Provisions for liabilities and contingencies – Item 100

10.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2020	31.12.2019
1. Provisions for credit risk relating to commitments and financial guarantees issued	124	108
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	3,751	3,854
4. Other provisions for liabilities and contingencies	183,461	165,407
4.1 Legal and tax disputes	12,923	12,899
4.2 Staff	15,703	16,608
4.3 Other	154,835	135,900
Total	**187,336**	**169,369**

Breakdown of other provisions for liabilities and contingencies

	31.12.2020	31.12.2019
Provision for staff expenses	**15,703**	**16,608**
Provision for restructuring plan	162	1,741
Provision for staff expenses - other	15,541	14,867
Provisions for legal disputes	**12,923**	**12,899**
Provision for risks related to legal disputes connected with sales network's embezzlements	7,940	7,317
Provision for risks related to legal disputes with sales network	644	910
Provision for risks related to legal disputes with staff	-	15
Provision for other legal disputes	4,339	4,657
Provision for termination indemnity of Financial Advisors	**121,433**	**97,879**
Provision for termination indemnity of sales network	74,039	63,424
Provision for managerial development indemnity	12,190	9,344
Provision for portfolio overfee indemnities	4,477	3,850
Provision for pension bonuses	10,180	9,163
Provisions for Framework Loyalty Programme	20,547	12,098
Provisions for network incentives	**27,522**	**31,034**
Provision for network development plans	19,125	21,739
Provision for deferred bonus	474	547
Provision for managers with access gate	821	2,053
Provision for sales incentives	1,615	2,540
Provision for travel incentives	4,500	3,300
Provision for other fee plans	987	855
Other provisions for liabilities and contingencies	**5,880**	**6,987**
Total	**183,461**	**165,407**

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	**108**	**3,854**	**165,407**	**169,369**
B. Increases	**16**	**370**	**54,194**	**54,580**
B.1 Provisions for the year	16	351	54,194	54,561
B.4 Other increases	-	19	-	19
of which:				
- *business combinations*	-	-	-	-
- *adjustment for IFRS 9 FTA*	-	-	-	-
C. Decreases	**-**	**473**	**36,140**	**36,613**
C.1 Use in the year	-	-	28,006	28,006
C.3 Other decreases	-	473	8,134	8,607
of which:				
- *business combinations*	-	-	-	-
D. Amount at year-end	**124**	**3,751**	**183,461**	**187,336**

Other provisions for liabilities and contingencies - details of movements

	31.12.2019	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2020
Provisions for staff expenses	**16,608**					**15,703**
Provision for restructuring plan	1,741	-246	-386	-968	21	162
Provision for staff expenses – other	14,867	-2,635	-1,439	-425	5,173	**15,541**
Provisions for legal disputes	**12,899**	**-2,440**	**-1,186**	**-**	**3,650**	**12,923**
Provision for risks related to legal disputes connected with sales network's embezzlements	7,317	-279	-498	-	1,400	7,940
Provision for risks related to legal disputes with sales network	910	-	-343	-	77	644
Provision for risks related to legal disputes with staff	15	-	-15	-	-	-
Provision for other legal disputes	4,657	-2,161	-330	-	2,173	4,339
Provisions for termination indemnity of Financial Advisors	**97,879**	**-1,445**	**-790**	**-**	**25,789**	**121,433**
Provisions for termination indemnity of sales network	63,424	-1,332	-540	-	12,487	74,039
Provision for portfolio overfee indemnities	3,850	-7	-37	-	671	4,477
Provision for managerial development indemnity	9,344	-	-115	-	2,961	12,190
Provision for pension bonuses	9,163	-106	-98	-	1,221	10,180
Provisions for Framework Loyalty Programme	12,098	-	-	-	8,449	20,547
Provisions for risks related to network incentives	**31,034**	**-18,293**	**-2,662**	**-**	**17,443**	**27,522**
Provision for network development plans	21,739	-13,070	-1,239	-	11,695	19,125
Provision for deferred bonus	547	-120	-12	-	59	474
Provision for managers with access gate	2,053	-1,452	-	-	220	821
Provision for sales incentives	2,540	-925	-	-	-	1,615
Provision for fees – travel incentives	3,300	-1,964	-1,336	-	4,500	4,500
Provision for fee plans	855	-762	-75	-	969	**987**
Other provisions for liabilities and contingencies	**6,987**	-2,947	-98	-180	2,118	**5,880**
Total	**165,407**	**-28,006**	**-6,561**	**-1,573**	**54,194**	**183,461**

The increase in provisions for contractual indemnities was attributable for approximately 5.9 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	109	15	-	**124**
Total	**109**	**15**	**-**	**124**

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., 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 S.A., which invests the capital, guaranteeing the repayment of 100% of capital plus interest at a guaranteed rate.
In 2020, the guaranteed rate was 1.00% for the mandatory cover and 0.20% 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, a fixed rate for the 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 2020:

	LIABILITIES OF THE DBO PENSION FUND	ASSETS IN SERVICE OF THE PLAN (FAIR VALUE)	PROVISIONS FOR PENSIONS
Amount at year-start	**-11,831**	**7,977**	**-3,854**
Current service cost	-342	-	-342
Interest (expense)/income	-29	20	-9
Other increases	172	-	172
Return on assets, net of interests	-	29	29
Actuarial gains (losses) arising from changes in financial assumptions	18	-	18
Employer contributions paid	-	254	254
Employer contributions paid to meet benefits directly	-254	254	-
Plan beneficiaries' contributions	-363	363	-
Indemnities paid	1,030	-1,030	-
Other decreases	-59	40	-19
Amount at year-end	**-11,658**	**7,907**	**-3,751**

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:

	31.12.2020
Discount rate	0.20%
Salary increase rate	0.50%
Men's retirement age	65 years
Women's retirement age	64 years
Demographic tables used	BVG 2015 GT
Average duration (years)	10.9

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%	-8.8%
Discount rate -0.50%	10.20%
Sensitivity analysis on salary increase rate	
Salary increase rate +0.50%	0.60%
Salary increase rate -0.50%	-0.70%
Sensitivity analysis on mortality assumptions	
Life expectancy +1 year	1.70%
Life expectancy -1 year	-1.80%

The average duration of the defined benefit obligation was 10.9 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 balance sheet 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 13 December 2019, the Board of Directors extended the voluntary redundancy plan until 31 December 2020. At the end of the year, the residual amount was 162 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 indemnity paid to the sales network, portfolio overfee indemnities, pension bonuses, 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 2020.
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	31.12.2020	31.12.2019
Discount rate [8]	1.1%	1.8%
Turnover rate (professionals)	1.71%	1.96%
Average duration (years)	12 years	13 years
IAS 37 DBOs/Indemnity provision at the measurement date	66.72%	60.36%

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 by Financial Advisors was due both to the increased basic fees as a result of the rise in the number of active Financial Advisors and the ongoing development of business, to the change in the discount rate applied and to the adjustment of demographic and statistical parameters.

A specific measurement of the DBO accrued is made for Financial Advisors who have already left service.

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.9 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 2020) 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.
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.

[8] 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, 12 years.

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.
2020 saw the launch of the fourth annual cycle (2020-2026).

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 Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include provisions for operating risks.

Tax dispute

Provisions for other liabilities and contingencies also include 2.6 million euros set aside to cover the tax dispute, following the audit conducted on financial year 2014 by the Italian Revenue Agency.

It should be noted that:

> the preparation of an initial report laying out charges regarding accrual was concluded on 22 December 2017;

> the charges relating to violations of transfer-pricing rules were formulated in the auditors' report on findings drafted on 29 June 2018;

> the findings of both audits are currently still being evaluated by the competent Large Business Taxpayers Office, with which Banca Generali has entered into discussions;

> 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.

It should also be noted that in March 2020 a new tax audit regarding the years 2015 and following was launched by the Trieste Economic and Financial Police Unit of the Italian Finance Police. The audit, suspended following the implementation of the lockdown measures adopted to contain the spread of the pandemic, was resumed in July and again suspended in October due to the second wave of Covid-19 in Italy.

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	-1,767,676	-1,767,676	-45,185
		115,083,961	**115,083,961**	**71,667**

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 (-)	-1,467,579	-
A.2 Outstanding shares: at year-start	**115,384,058**	**-**
B. Increases	190,903	-
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	190,903	-
B.3 Other changes	-	-
C. Decreases	-491,000	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-491,000	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**115,083,961**	**-**
D.1 Treasury shares (+)	1,767,676	-
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

	31.12.2019	PROFIT ALLOCATION DIVIDEND DISTRIBUTION	PURCHASE/ SALE OF TREASURY SHARES	ISSUE OF NEW SHARES	STOCK OPTION	STOCK GRANTS PLANS LTIP	OTHER CHANGES	31.12.2020
Legal reserve	23,370	-	-	-	-	-	-	23,370
Restricted reserve for shares of the Parent Company	1,141	-	-	-	-	-	-258	883
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 (IFRS 2) – plans ended	507	-	-	-	-	-	-	507
IFRS 2 reserves – LTIP cycles underway [1]	1,873	-	-	-	-	18	-1,891	-
IFRS 2 reserves – LTIP cycles ended [1]	8,659	-	-	-	-	-	1,891	10,550
IFRS 2 reserves – LTI plans based on BG shares	2,109	-	-	-	1,492	-	-	3,601
IFRS 2 reserve – 2019-2021 share plan	46	-	-	-	-	174	-	220
IFRS 2 reserve – Key personnel remuneration	5,494	-	-	-4,191	2,813	-	-	4,116
IFRS 2 reserve – Group key personnel remuneration	199	-	-	-	77	-	-	276
IFRS 2 reserve - Framework Loyalty Programme	1,405	-	-	-	1,247	-	-	2,652
Reserve for AT1 BG Perpetual coupon	-	-	-	-	-	-	-1,631	-1,631
Reserve from profit (loss) carried forward - Parent Company	282,038	246,858	-	-	-	-	258	529,154
Reserve from profit (loss) carried forward — consolidated	102,249	23,649	-	-	-	-	-	125,898
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	2,143	1,500	-	-	-	-	-	3,643
Total	**454,465**	**272,007**	**-**	**-4,191**	**5,629**	**192**	**-1,631**	**726,471**

(1) This reserve shows the capital increase 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)	31.12.2020	31.12.2019
Amount at year-start	50,000	-
Issue-related increases	-	50,000
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)	31.12.2020	31.12.2019
Other equity investments		
1. BG Valeur S.A.	246	26
Total	**246**	**26**

PART B – INFORMATION ON THE CONSOLIDATED 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	31.12.2020	31.12.2019
1. Commitments to disburse funds	**68**	**-**	**-**	**68**	**847**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	649
f) Households	68	-	-	68	198
2. Financial guarantees issued	**75,702**	**2,442**	**-**	**78,144**	**103,045**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	-	-	-	-	-
c) Banks	-	-	-	-	3,006
d) Other financial companies	8,802	7	-	8,809	3,921
e) Non-financial companies	28,762	435	-	29,197	53,208
f) Households	38,138	2,000	-	40,138	42,910
Total	**75,770**	**2,442**	**-**	**78,212**	**103,892**

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 31.12.2020	31.12.2019
1. Other guarantees issued	**31**	**35**
of which: non-performing	*31*	*35*
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	31	11
f) Households	-	24
2. Other commitments	**3,612**	**28,761**
of which: non-performing		
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	113	28,485
d) Other financial companies	300	250
e) Non-financial companies	3,199	26
f) Households	-	-
Total	**3,643**	**28,796**

Loan commitments include commitments subject to certain or uncertain use towards banks and refer to financial commitments for securities to be received and deposits to be made.

3. Assets pledged as collateral for own liabilities and commitments

	31.12.2020				31.12.2019			
PORTFOLIO	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 at fair value through other comprehensive income	29,582	-	-	29,582	85,767	-	-	85,767
3. Financial assets at amortised cost	118,067	784,715	155,023	1,057,805	29,712	219,386	14,962	264,060
4. Property and equipment	-	-	-	-	-	-	-	-
of which: assets constituting inventories	-	-	-	-	-	-	-	-
Total	**147,649**	**784,715**	**155,023**	**1,087,387**	**115,479**	**219,386**	**14,962**	**349,827**

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	31.12.2020	31.12.2019
1. Execution of orders on behalf of customers	**24,242,817**	**24,239,645**
a) Purchases	12,688,913	12,661,968
1. Settled	12,672,179	12,606,366
2. To be settled	16,734	55,602
b) Sales	11,553,904	11,577,677
1. Settled	11,538,678	11,510,410
2. To be settled	15,226	67,267
2. Portfolio management	**25,477,856**	**21,816,322**
a) individual	7,231,828	6,472,922
b) collective	18,246,028	15,343,400
3. Custody and administration of securities (excluding portfolio management)	**49,050,968**	**29,760,557**
a) Third-party securities held in deposit: related to services provided as depository bank	-	-
1. Securities issued by the bank that prepares the financial statements	-	-
2. Other	-	-
b) Third-party securities held in deposit: other	20,090,206	10,927,742
1. Securities issued by the bank that prepares the financial statements	14,826	13,862
2. Other	20,075,380	10,913,880
c) Third-party securities deposited with third parties	20,043,495	10,975,347
d) Portfolio securities deposited with third parties	8,917,267	7,857,468
4. Other transactions	**-**	**-**

Securities under custody and administration are recognised at nominal value.

6. Financial assets offset in the financial statements or falling in the scope of master netting arrangements or similar agreements

TECHNICAL TYPE	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 31.12.2020 (F = C - D - E)	NET AMOUNT 31.12.2019
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	1,533	-	1,533	-	-	1,533	998
2. Repurchase agreements	160,907	-	160,907	160,907	-	-	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2020	**162,440**	**-**	**162,440**	**160,907**	**-**	**1,533**	**X**
Total at 31.12.2019	**362,706**	**-**	**362,706**	**361,708**	**-**	**X**	**998**

7. Financial liabilities offset in the financial statements or falling within the scope of master netting arrangements or similar agreements

TECHNICAL TYPE	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 31.12.2020 (F = C - D - E)	NET AMOUNT 31.12.2019
				FINANCIAL INSTRUMENTS (D)	CASH DEPOSITS AS COLLATERAL (E)		
1. Derivatives	35,238	-	35,238	1,533	34,890	-1,185	4,811
2. Repurchase agreements	150,951	-	150,951	150,951	3,087	-3,087	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2020	**186,189**	**-**	**186,189**	**152,484**	**37,977**	**-4,272**	**X**
Total at 31.12.2019	**123,699**	**-**	**123,699**	**118,888**	**-**	**X**	**4,811**

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 valued at amortised cost, whereas financial instruments used as collateral are valued 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.

PART C – INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Section 1 – Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	2020	2019
1. Financial assets at fair value through profit or loss:	**61**	**-**	**-**	**61**	**573**
1.1 HFT financial assets	4	-	-	4	124
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	57	-	-	57	449
2. Financial assets at fair value through other comprehensive income	**-1,028**	**-**	**X**	**-1,028**	**2,635**
3. Financial assets at amortised cost:	**63,416**	**21,700**	**-**	**85,116**	**76,094**
3.1 Loans to banks	4,219	157	X	4,376	2,884
3.2 Loans to customers	59,197	21,543	X	80,740	73,210
4. Hedging derivatives	X	X	**5,370**	**5,370**	**977**
5. Other assets	X	X	-	**-**	**-**
6. Financial liabilities	X	X	X	**6,338**	**2,582**
Total	**62,449**	**21,700**	**-**	**95,857**	**82,861**
of which:					
- *interest income on impaired financial assets*	-	*455*	-	*455*	*462*

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

	2020	2019
Interest income on bank deposits and current accounts	109	7
TLTRO	2,756	-
Repurchase agreements with banks	292	-
Repurchase agreements with customers	628	109
Interest income on customer deposit and current accounts	2,553	2,466
Total interest income on financial liabilities	**6,338**	**2,582**

1.2 Breakdown of interest income and similar revenues: further information

1.2.1 Interest income on financial assets in foreign currencies

	2020	2019
Interest income on financial assets in foreign currencies	181	728
Total	**181**	**728**

Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	2020	2019
1. Financial liabilities at amortised cost:	5,058	X	X	**5,058**	**7,308**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	865	X	X	865	671
1.3 Due to customers	4,193	X	X	4,193	6,637
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	**1,155**	**1,538**
Total	**5,058**	**-**	**-**	**6,213**	**8,846**
of which:					
- interest expense relating to lease debts	*3,450*	*-*	*-*	*3,450*	*3,480*

The Item 1.3 "Financial liabilities at amortised cost – Due to customers" includes 3.5 million euros 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

	2020	2019
Interest expense on deposits with the ECB	410	1,444
Interest expense on deposits with banks	573	10
Repurchase agreements with banks	91	40
Repurchase agreements with customers	27	20
Interest expense on customer deposits	54	24
Total	**1,155**	**1,538**

1.4 Interest expense and similar charges: further information

1.4.1 Interest expense on liabilities in foreign currencies

	2020	2019
Interest expense on financial liabilities in foreign currencies	223	643
Total	**223**	**643**

1.5 Hedging differentials

ITEMS	2020	2019
A. Hedging gains	40,282	7,750
B. Hedging losses	34,912	6,773
C. Total (A - B)	**5,370**	**977**

Hedging differentials refer to interest-rate swaps (IRSs) and inflation IFRs entered into in relation to fair-value hedging transactions for fixed-rate or inflation-linked debt securities.
The balance includes 3,595 thousand euros attributable to the hedging of debt securities classified to the portfolio of financial assets measured at amortised cost (470 thousand euros in 2019), with the remainder referring to debt securities classified to the portfolio of financial assets designated at fair value through other comprehensive income.

Section 2 – Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	2020	2019
a) Guarantees issued	478	583
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	914,413	871,325
1. trading of financial instruments	20,850	16,600
2. currency trading	-	-
3. portfolio management	472,254	464,194
3.1. individual	*79,420*	*80,739*
3.2. collective	*392,834*	*383,455*
4. Custody and administration of securities	492	347
5. Depository bank	-	-
6. Placement of securities	127,554	118,177
7. Order receiving and collection	8,952	6,891
8. Consultancy activities	33,115	25,984
8.1 investment advice	*33,115*	*25,984*
8.2 advice on financial structure	-	-
9. Distribution of third-party services	251,196	239,132
9.1 portfolio management	899	856
9.1.1. individual	*27*	-
9.1.2. collective	*872*	*856*
9.2 Insurance products	247,984	237,664
9.3 Other products	2,313	612
of which:		
- BG Saxo services	*1,629*	*88*
d) Collection and payment services	4,180	4,329
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	1,987	2,021
j) Other services	3,059	2,756
of which:		
- all-inclusive fees on credit lines	*2,058*	*1,858*
Total	**924,117**	**881,014**

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)	2020	2019
Underwriting fees	32,375	29,935
Management fees	675,406	645,814
Performance fees	141,594	147,384
Fees for other services	74,742	57,881
Total	**924,117**	**881,014**

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	2020	2019
Individual portfolio management	-1,158	79,814	834	-	79,490	80,739
Collective portfolio management	5,816	252,427	140,760	-	399,003	388,511
Placement of UCITS	6,746	97,051	-	-	103,797	99,167
Placement of securities	17,532	-	-	-	17,532	15,584
Distribution of third-party services	3,439	246,114	-	-	249,553	239,132
Other services and banking products	-	-	-	74,742	74,742	57,881
Total fee income	**32,375**	**675,406**	**141,594**	**74,742**	**924,117**	**881,014**

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 692 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	2020	2019
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	393,999	371,475
1. Trading of financial instruments	5,226	3,738
2. Currency trading	-	-
3. Portfolio management	30,639	28,283
3.1 Own portfolio	30,639	28,283
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	2,287	1,950
5. Placement of financial instruments	-	-
6. Off-premises offer of financial instruments, products and services	355,847	337,504
d) Collection and payment services	3,871	4,397
e) Other services	3,436	2,003
Total	**401,306**	**377,875**

Fee expense for off-premises offer includes the costs incurred to obtain or fulfil contracts with customers of 73,261 thousand euros, of which 61,184 thousand euros relating to previous years.

Section 3 – Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	2020 DIVIDENDS	2020 SIMILAR INCOME	2019 DIVIDENDS	2019 SIMILAR INCOME
A. HFT financial assets	7	-	-	-
B. Other financial assets mandatorily measured at fair value	31	1,250	56	1,456
C. Financial assets at fair value through other comprehensive income	1,040	-	1,379	-
D. Equity investments	-	-	-	-
Total	**1,078**	**1,250**	**1,435**	**1,456**

Section 4 – Net income from trading - 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 2020	NET RESULT 2019
1. HFT financial liabilities	**30**	**106**	**-**	**398**	**-262**	**658**
1.1 Debt securities	30	80	-	145	-35	603
1.2 Equity securities	-	19	-	122	-103	56
1.3 UCITS units	-	7	-	131	-124	-1
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**6,326**	**4,940**
3. Derivatives	**-**	**-**	**-**	**15**	**-19**	**8**
3.1 Financial:	-	-	-	15	-19	8
- on debt securities and interest rates	-	-	-	-	-	-
- *interest rate swaps*	-	-	-	-	-	-
- *government bond forwards*	-	-	-	-	-	-
- on equity securities and stock indexes	-	-	-	15	-15	-2
- *options*	-	-	-	*12*	*-12*	-
- *futures*	-		-	*3*	*-3*	*-2*
- on currency and gold [(1)]	X	X	X	X	-4	10
- other	-	-	-	-	-	-
3.2 Credit	-	-	-	-	-	-
of which:						
- *natural hedging related to the fair value option*	*X*	*X*	*X*	*X*	-	-
Total	**30**	**106**	**-**	**413**	**6,045**	**5,606**

(1) It includes currency options and currency outrights.

Section 5 – Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

INCOME COMPONENTS/VALUES	2020	2019
A. Income from:		
A.1 Fair-value hedge derivatives	2,146	4,663
A.2 Hedged financial assets (fair value)	44,855	4,066
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)	**47,001**	**8,729**
B. Charges from:		
B.1 Fair-value hedge derivatives	46,329	4,168
B.2 Hedged financial assets (fair value)	1,578	4,543
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)	**47,907**	**8,711**
C. Net income from hedging (A - B)	**-906**	**18**

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

	2020			2019		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Financial assets at amortised cost:	17,461	11	17,450	315	-	315
1.1 Loans to banks	154	-	154	-	-	-
1.2 Loans to customers	17,307	11	17,296	315	-	315
2. Financial assets at fair value through other comprehensive income	2,800	4,957	-2,157	10,603	5,079	5,524
2.1 Debt securities	2,800	4,957	-2,157	10,603	5,079	5,524
2.2 Loans	-	-	-	-	-	-
Total assets	**20,261**	**4,968**	**15,293**	**10,918**	**5,079**	**5,839**
Financial liabilities 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	1,804	-498	1,306
Total	**1,804**	**-498**	**1,306**

Section 7 – Net result on other financial assets and liabilities measured at fair value through profit and 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

	2020					2019				
TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	**407**	**5**	**3,196**	**37**	**-2,821**	**4,315**	**1,442**	**2,673**	**3,265**	**-181**
1.1 Debt securities	-	-	-	37	-37	14	-	2,338	-	-2,324
1.2 Equity securities	-	-	258	-	-258	239	-	-	-	239
1.3 UCITS units	17	2	2,918	-	-2,899	3,162	1,421	296	3,265	1,022
1.4 Loans	390	3	20	-	373	900	21	39	-	882
2. Financial assets in foreign currencies: exchange differences	**X**	**X**	**X**	**X**	**-**	**X**	**X**	**X**	**X**	**-**
Total	**407**	**5**	**3,196**	**37**	**-2,821**	**4,315**	**1,442**	**2,673**	**3,265**	**-181**

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					
TRANSACTIONS/INCOME COMPONENTS	STAGE 1 AND STAGE 2	WRITE-OFFS	OTHER	STAGE 1 AND STAGE 2	STAGE 3	2020	2019
A. Loans to banks	**-**	**-**	**-**	**56**	**-**	**56**	**-175**
- Loans	-	-	-	18	-	18	65
- Debt securities	-	-	-	38	-	38	-240
of which:							
- *acquired or originated impaired loans*	-	-	-	-	-	-	-
B. Loans to customers	**947**	**447**	**1,116**	**1,380**	**295**	**-835**	**-5,416**
- Loans	947	447	1,116	-	295	-2,215	-312
- Debt securities	-	-	-	1,380	-	1,380	-5,104
of which:							
- *acquired or originated impaired loans*	-	-	-	-	-	-	-
Total	**947**	**447**	**1,116**	**1,436**	**295**	**-779**	**-5,591**

Specific adjustments to loans to customers classified under “Stage 3” amounted to 1,116 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 the sales network.

These write-downs were 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

	NET ADJUSTMENTS				
		STAGE 3			
TRANSACTIONS/INCOME COMPONENTS	STAGE 1 AND STAGE 2	WRITE-OFFS	OTHER	2020	2019
1. Loans subject to forbearance in accordance with the GLs	57	-	-	57	-
2. Loans subject to other forbearance measures	-	-	-	-	-
3. Newly originated loans	127	-	-	127	-
Total (T)	**184**	**-**	**-**	**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					
TRANSACTIONS/INCOME COMPONENTS	STAGE 1 AND STAGE 2	WRITE-OFF	OTHER	STAGE 1 AND STAGE 2	STAGE 3	2020	2019
A. Debt securities	-	-	-	117	-	117	204
B. Loans	-	-	-	-	-	-	
- to banks	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
of which:							
- *acquired or originated impaired financial assets*	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**117**	**-**	**117**	**204**

Section 12 – General and administrative expenses - Item 190

Breakdown of general and administrative expenses

	2020	2019
190 a) Staff expenses	104,272	97,219
190 b) Other general and administrative expenses	176,237	162,681
Total	**280,509**	**259,900**

12.1 Breakdown of staff expenses

TYPE OF EXPENSES/SECTORS	2020	2019
1) Employees	**102,969**	**95,618**
a) Wages and salaries	55,514	52,455
b) Social security charges	13,728	12,855
c) Termination indemnity	714	691
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	36	120
f) Provision for pensions and similar obligations:	180	85
- defined contribution	-	-
- defined benefit	180	85
g) Amounts paid to supplementary external pension funds:	4,994	4,714
- defined contribution	4,994	4,714
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	2,342	2,755
i) Other employee benefits	25,461	21,943
2) Other staff	**-237**	**197**
3) Directors and Auditors	**1,501**	**1,374**
4) Retired personnel	**39**	**30**
Total	**104,272**	**97,219**

12.2 Average number of employees by category (*)

	2020	2019
Employees	**940**	**893**
a) Managers	67	58
b) Executives	312	284
c) Employees at other levels	561	551
Other personnel	**4**	**2**
Total	**945**	**895**

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

12.2.1 Breakdown of personnel

	2020	2019
Employees	**962**	**950**
a) Managers	65	68
b) Total executives	321	304
of which		
- *3rd and 4th level*	*175*	*177*
c) Employees at other levels	576	578
Other personnel	**2**	**6**
Total	**964**	**956**

12.3 Defined-benefit company pension funds: costs and income

Costs incurred in 2020 for defined-benefit company pension funds amounted to 180 thousand euros, broken down as follows:

Current service cost	342
Past service cost	-171
Interest expense	9

12.4 Other employee benefits

	2020	2019
Short-term productivity bonuses	**16,612**	**12,148**
Long-term benefits	**3,035**	**4,160**
Charges for Relationship Manager recruitment plans	272	1,229
Charges for deferred variable remuneration (managers' MBO)	2,025	1,752
Charges for post-employment medical care plans	738	1,179
Other benefits	**5,814**	**5,635**
Charges for staff supplementary pensions	3,227	3,050
Amounts replacing cafeteria indemnities	1,042	1,035
Training expenses	616	793
Contributions to employees	157	273
Transfer incentives and other indemnities	528	271
Other expenses	244	213
Total	**25,461**	**21,943**

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 2020 plan for measures.

12.5 Breakdown of other general and administrative expenses

	2020	2019
Administration	**21,215**	**22,568**
Advertising	3,604	4,747
Audit fees	10,675	12,360
Corporate boards and auditing firms	635	534
Insurance	3,527	3,158
Entertainment expenses	377	565
Membership contributions	1,182	929
Charity	1,215	275
Operations	**22,028**	**22,845**
Rent and usage of premises and management of property	4,677	4,424
Outsourced administrative services	6,352	5,887
Post and telephone	2,131	2,116
Print material	1,243	1,334
Other expenses for sales network management	2,155	2,743
Other expenses and purchases	4,071	3,996
Other indirect staff expenses	1,399	2,345
Information system and equipment	**49,799**	**44,043**
Expenses related to outsourced IT services	32,121	30,155
Fees for IT services and databases	8,493	7,930
Software maintenance and servicing	7,390	4,960
Fees for equipment hired and software used	372	191
Other maintenance	1,423	807
Indirect taxation	**71,913**	**64,918**
Stamp duty on financial instruments	71,023	64,086
Substitute tax on medium/long-term financing	548	423
Other indirect taxes to be paid by the Bank	342	409
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	**11,282**	**8,307**
Total	**176,237**	**162,681**

The item 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 valuation of lease liabilities.

	2020	2019
Lease costs <5,000 euros	264	192
Lease costs <12 months	279	252
Costs for variable lease payments not included in the valuation of lease liabilities	-	-

The aggregate also includes other costs arising from leasing 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 amount to 3,798 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

	2020			2019		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and financial guarantees issued	17	-	**17**	22	-	**22**
Total	**17**	**-**	**17**	**22**	**-**	**22**

13.3 Breakdown of net provisions to other provisions for liabilities and contingencies

	2020			2019		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	**2,200**	**-872**	**1,328**	**3,163**	**-524**	**2,639**
Provision for restructuring plan	21	-386	-365	1,672	-	1,672
Provision for staff expenses – Other (1)	2,179	-486	1,693	1,491	-524	967
Provisions for legal disputes	**3,650**	**-1,186**	**2,464**	**3,867**	**-1,398**	**2,469**
Provision for risks related to legal disputes with subscribers	1,400	-498	902	1,331	-518	813
Provision for risks related to legal disputes with Financial Advisors	77	-343	-266	30	-100	-70
Provision for risks related to legal disputes with staff	-	-15	-15	15	-	15
Provision for risks related to legal disputes with other parties	2,173	-330	1,843	2,491	-780	1,711
Provisions for termination indemnity – Financial Advisors	**25,789**	**-790**	**24,999**	**16,213**	**-1,474**	**14,739**
Provision for risks related to termination indemnity — Financial Advisors	12,487	-540	11,947	7,463	-1,110	6,353
Provision for manager incentive indemnity	2,961	-115	2,846	2,638	-107	2,531
Provision for portfolio overfee indemnities	671	-37	634	449	-75	374
Provision for pension bonuses	1,221	-98	1,123	855	-182	673
Provisions for Framework Loyalty Programme	8,449	-	8,449	4,808	-	4,808
Provisions for network incentives	**17,443**	**-2,662**	**14,781**	**17,165**	**-3,836**	**13,329**
Provision for network development plans	11,695	-1,239	10,456	12,630	-3,746	8,884
Provision for deferred bonus	59	-12	47	80	-90	-10
Provision for managers with access gate	220	-	220	300	-	300
Provision for incentive travels	4,500	-1,336	3,164	3,300	-	3,300
Provision for fee plans	969	-75	894	855	-	855
Other provisions for liabilities and contingencies	**2,118**	**-98**	**2,020**	**4,412**	**-**	**4,412**
Total	**51,200**	**-5,608**	**45,592**	**44,820**	**-7,232**	**37,588**

(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 2020	NET RESULT 2019
A. Property and equipment					
1. Operating:	21,511	-	-	21,511	20,145
- owned	1,837	-	-	1,837	1,672
- rights of use acquired through leases	19,674	-	-	19,674	18,473
2. Held as investments:	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	-	-	-	-	-
Total	**21,511**	**-**	**-**	**21,511**	**20,145**

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 2020	NET RESULT 2019
A. Intangible assets					
A.1 Owned	11,447	-	-	11,447	9,810
- generated in-house	-	-	-	-	-
- other	11,447	-	-	11,447	9,810
A.2 Rights of use acquired through leases	-	-	-	-	-
Total	**11,447**	**-**	**-**	**11,447**	**9,810**

Breakdown of value adjustments of intangible fixed assets – amortisation

	2020	2019
Charges associated with the implementation of legacy CSE procedures	8,995	8,126
Customer relationships	2,030	1,484
Other intangible fixed assets	422	200
Total	**11,447**	**9,810**

Section 16 – Other operating income and expenses - Item 230

16.1 Breakdown of other operating expenses

	2020	2019
Adjustments of leasehold improvements	2,650	2,387
Write-downs of other assets	-	34
Indemnities and compensation for litigation and claims	396	145
Charges from accounting adjustments with customers	1,287	2,156
Charges for card compensation and guarantees	7	1
Costs associated with tax disputes, penalties and fines	16	30
Other contingent liabilities and non-existent assets	587	1,485
Other operating expenses	-	2
Consolidation adjustments	3	-32
Total	**4,946**	**6,208**

16.2 Breakdown of other operating income

	2020	2019
Recovery of taxes from customers	70,360	63,158
Recovery of expenses from customers	647	733
Fees for outsourced services	51	117
Charge-back of portfolio development indemnity to incoming Financial Advisors	2,413	3,874
Indemnities for Financial Advisors' termination without notice	388	666
Other recoveries of repayments and costs from Financial Advisors	2,612	1,972
Contingent assets related to provisions for staff expenses	1,225	1,819
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training (FBA)	282	233
Tax credit related to movie production	105	300
Other contingent assets and non-existent liabilities	1,329	999
Insurance compensation and indemnities	210	813
Other income	289	230
Total	**79,911**	**74,914**
Total other net income	**74,965**	**68,706**

Section 17 – Gains (losses) of equity investments - Item 250

17.1 Breakdown of gains (losses) of equity investments

INCOME COMPONENTS/SECTORS	2020	2019
1) Companies subject to joint control		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	-216	-69
1. Write-downs	-216	-69
2. Adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-216**	**-69**
2) Companies subject to significant influence		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	-125	-1,536
1. Write-downs	-	-
2. Adjustments for impairment	-125	-1,536
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-125**	**-1,536**
Total	**-341**	**-1,605**

Adjustments for impairment of equity investments in companies subject to significant influence amounted to 125 thousand euros referred to the associate IOCA Entertainment Ltd.
Write-downs of equity investments in companies subject to joint control amounted to 216 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	2020	2019
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	10	-262
- Gains on disposal	25	-
- Losses on disposal	-15	-262
Net result	**10**	**-262**

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	2020	2019
1. Current taxation (-)	-74,348	-53,417
2. Change in prior years' current taxes (+/-)	2,058	1,020
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 (+/-)	1,530	-1,176
5. Changes of deferred taxation (+/-)	-1,636	381
6. Taxes for the year (-)	**-72,396**	**-53,192**

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.
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 3.5 percentage points 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.

	2020	2019
Current taxation	**-74,348**	**-53,417**
IRES and foreign income taxes	-60,869	-42,521
IRAP	-13,479	-10,896
Prepaid and deferred taxation	**-106**	**-795**
IRES and foreign income taxes	353	-881
IRAP	-459	86
Prior years' taxes	**2,058**	**1,020**
IRES and foreign income taxes	2,141	1,193
IRAP	-83	-173
Income taxes	**-72,396**	**-53,192**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**347,290**	**325,314**
Theoretical taxation	**-95,505**	**-89,461**
Non-taxable income (+)		
Dividends	280	375
ACE	1,713	874
Other decreases	152	183
Non-deductible charges (-)		
Double taxation on Group's dividends	-3,277	-2,923
Impairment of equity securities PEX	-31	-425
Other non-deductible costs	-2,096	-2,390
Other effects (+/-)		
IRAP	-13,938	-10,810
Prior years' taxes	2,058	1,020
Rate change of companies under foreign law	39,492	50,430
Not related deferred tax assets and liabilities	-1,201	16
Other consolidation adjustments	-43	-81
Actual tax expense	**-72,396**	**-53,192**
Total actual tax rate	**20.8%**	**16.4%**
Actual tax rate (IRES)	**16.8%**	**13.0%**
Actual tax rate (IRAP)	**4.0%**	**3.4%**

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"

	2020	2019
Other equity investments		
1. BG Valeur S.A.	-25	-17
Total	**-25**	**-17**

Section 25 – Earnings per Share

25.1 Average number of ordinary shares with diluted capital

	2020	2019
Net profit for the year (€ thousand)	274,919	272,139
Earnings attributable to ordinary shares (€ thousand)	274,919	272,139
Average number of outstanding shares (thousand)	115,340	115,719
EPS - Earnings per share (euros)	**2.38**	**2.35**
Average number of outstanding shares with diluted capital (thousand)	115,340	115,719
EPS – Diluted earnings per share (euros)	**2.38**	**2.35**

PART D – CONSOLIDATED COMPREHENSIVE INCOME

Analytical Consolidated Statement of Comprehensive Income

ITEMS	2020	2019
10. Net profit (loss) for the year	**274,894**	**272,122**
Other income, without transfer to Profit and Loss Account	**-528**	**-218**
20. Equity securities designated at fair value through other comprehensive income:	**-217**	**-300**
a) fair value changes	-217	-300
b) transfers to other net equity components	-	-
30. Financial liabilities designated at fair value through profit or loss (change in the 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	**-453**	**106**
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	**142**	**-24**
Other income, with transfer to Profit and Loss Account	**860**	**15,829**
110. Hedges of foreign investments:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
120. Exchange differences:	**-2**	**3**
a) value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-2	3
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	2020	2019
150. Financial assets (other than equity securities) at fair value through other comprehensive income:	**1,268**	**23,325**
a) fair value changes	3,162	20,488
b) transfer to Profit and Loss Account	-1,894	2,837
- adjustments due to credit risk	-588	-2,173
- gains (losses) on disposal	-1,306	5,010
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	**-406**	**-7,499**
190. Total other income components	**332**	**15,611**
200. Comprehensive income (Items 10 + 190)	**275,226**	**287,733**
210. Consolidated comprehensive income attributable to minority interests	-21	-8
220. Consolidated comprehensive income attributable to the Parent Company	**275,247**	**287,741**

PART E – INFORMATION ON RISKS AND RISK HEDGING POLICIES

Foreword

The companies in the Banca Generali Banking Group included in the accounting consolidation scope are the same as those included in the prudential consolidation scope.

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 (6th 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.

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 at amortised cost	18,905	2,867	2,825	8,891	9,074,912	9,108,400
2. Financial assets at fair value through other comprehensive income	-	-	-	-	2,711,931	2,711,931
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	22,714	22,714
5. HFS financial assets	-	-	-	-	-	-
Total at 31.12.2020	**18,905**	**2,867**	**2,825**	**8,891**	**11,809,557**	**11,843,045**
Total at 31.12.2019	**28,311**	**3,621**	**1,718**	**7,512**	**10,448,776**	**10,489,938**

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	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets at amortised cost	39,318	14,721	24,597	-	9,089,958	6,155	9,083,803	9,108,400
2. Financial assets at fair value through other comprehensive income	-	-	-	-	2,712,409	478	2,711,931	2,711,931
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	22,714	22,714
5. HFS financial assets	-	-	-	-	-	-	-	-
Total at 31.12.2020	**39,318**	**14,721**	**24,597**	**-**	**11,802,367**	**6,633**	**11,818,448**	**11,843,045**
Total at 31.12.2019	**57,052**	**23,402**	**33,650**	**-**	**10,452,765**	**16,856**	**10,456,288**	**10,489,938**

PORTFOLIOS/QUALITY	ASSETS WITH CLEARLY POOR CREDIT QUALITY		OTHER ASSETS
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	NET EXPOSURE
1. HFT financial assets	-	-	3,611
2. Hedging derivatives	-	-	2,486
Total at 31.12.2020	**-**	**-**	**6,097**
Total at 31.12.2019	**-**	**-**	**23,025**

B. Information on structured entities (other than securitisation companies)

The scope on consolidation of the Banca Generali Banking Group does not include structured entities, either consolidated or non-consolidated.

B.2.2 Other structured entities

Qualitative information

Pursuant to IFRS 12, other structured entities consist solely of units of Italian and foreign UCITS.

Quantitative Information

The following table presents the assets, liabilities and off-balance sheet exposures towards structured entities represented by units of UCITS.

ITEMS/TYPE OF STRUCTURED ENTITIES	ACCOUNTING PORTFOLIOS - ASSETS	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)
UCITS	20. c) Financial assets mandatorily measured at fair value through profit or loss	21,239	-	-	21,239	21,239	-
UCITS	20.a) Financial assets mandatorily held for trading	6	-	-	6	6	-
Total		**21,245**	**-**	**-**	**21,245**	**21,245**	**-**

	31.12.2020
TCERF – Tyrus Capital European Real Estate Fund S.A - European Finance I (Sicav)	10,506
Algebris NPL Partnership SCS (AIF)	2,445
MIP I Fund (AIF) - Milano Investment Partners SGR	1,379
Tenax Italian Credit fund PLC (IE Sicav)	1,976
Lux IM Sicav	4,932
Other	7
Total	**21,245**

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:
  – Risk and Capital Adequacy Department: it 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 is defined as the possibility that an unexpected variation in the creditworthiness of a counterparty may result in a corresponding unexpected variation in the current value of the loan exposure. Credit risk thus manifests as a decline in the counterparty's creditworthiness (migration or downgrading risk) and the risk of insolvency.

As part of its credit risk management process, the Group has formally defined a Credit Risk Management Policy and Financial Portfolio Risk Management Policy, which lay down the general principles and the roles of corporate 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.

Credit risk exposure derives primarily from the exposure to debt securities classified to the hold-to-collect portfolio (IFRS 9) and thus measured at amortised cost, from loans disbursed to individuals and legal entities in the form of revocable lines of credit (current accounts, Lombard loans) and term loans (mortgage and other loans to customers subject to agreements) and from liquidity invested in the money market through interbank deposits.

With regards to customer loans in the traditional form of revocable current accounts, Lombard loans, term and mortgage loans, this Banca Generali activity is an ancillary function to the core activity consisting of managing investment services for retail customers.
During the year, in light of the pandemic scenario, the Bank participated in the initiatives in support of the real economy provided for in the so-called Cure Italy and Liquidity Decrees. With regard to the latter in particular, the Bank disbursed loans to SMEs guaranteed by the Medio Credito Centrale fund. Participation in this initiative, despite being addressed to small and medium-sized enterprises, did not modify the composition of the portfolio by segment (30% retail customers and 70% companies), because it was offset by the increase in Lombard loans, dedicated to retail investors. With the exception for the loans to SMEs guaranteed by the Mediocredito Centrale Fund and mortgage loans, the loan portfolio is characterised by the presence of collateral primarily in the form of pledges of financial instruments.

The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The Group has defined an extensive system of powers and limits associated with loan authorisation. In this context, detailed levels of autonomy have been defined and formalised regarding the authorisation powers resting with the various decision-making levels together with specific operating procedures.

In terms of the monitoring of loans, after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions, and integrated the monitoring system with specific information regarding a credit portfolio mainly guaranteed by financial instruments.

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 operations, strategies and Risk Appetite Framework (RAF), 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 portfolio of reference, the control of the operating 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 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 Bank took various initiatives in support of the real economy, to contribute to the liquidity required by the Italian business community. The support measures included:
> loans subject to “moratoria” falling within the scope of application of the EBA guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
> loans with Covid-19-related forbearance measures;
> Newly originated loans subject to guarantee schemes by the central government or other public entities.

In the April 2020 session of the Board of Directors, the Bank 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). The latter, as opposed to the former, do not meet all the criteria set out in the EBA guidelines (EBA/GL/2020/02), as communicated by the Bank to the Bank of Italy. In particular, they do not include industry agreements and/or those promoted by specific entities. Rather, they are more specifically addressed to customers in the Bank's core loan portfolio, for which credit activity is secondary to the core business, essentially represented by private-banking customers or other customers holding deposits with the Bank;
> the extension of the provisions for legislative moratoria to the non-legislative moratoria at the Bank's 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 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).

On the basis of the dates on which the Board of Directors held the above sessions, the Bank adopted the application of the legislative moratoria with effect from 1 April 2020 and commenced operation with the Medio Credito Centrale SME Fund for the disbursement of loans under the Liquidity Decree with effect from 23 April 2020.
Accordingly, and in compliance with what the Bank of Italy has implemented in its Communication of 30 June 2020, the Bank sent the first reporting stream using the template set out Annex 1 of the EBA Guidelines (EBA GL 2020 07 Annex 1) relating to the legislative moratoria in portfolio as at 30 June 2020.

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 2020, 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, the decreasing trend of the NPL ratio compared to the previous year, and a rather high level of quality in terms of the creditworthiness of performing loans. In 2020, the NPL portfolio declined due to the closure due to derecognition of bad loan positions, the closure due to repayment and/or reclassification to performing of several UTP positions, and the reclassification to performing status of past-due positions.

Banca Generali has adopted a predictive credit risk management model designed to mitigate economic risk for the Bank by anticipating the launch of the most useful measures, culminating in recovery of the most serious types of non-performing positions. All this has been made possible by constant monitoring of credit positions for potential decline in creditworthiness through an extensive system of triggers identified in advance by the Bank, followed by confirmation or rejection of the “management classification”, which thus accompanies the administrative classification and allows the loan portfolio to be segmented more effectively by associating intervention measures with each position to maintain or withdraw commitments.
In 2020, the Bank completed of the IT development initiative in support of the monitoring of the loan portfolio with a specific focus on compliance with the limits set in the Risk Appetite Framework, which call for a thorough assessment of the financial instruments used as collateral.
In 2020, the Covid-19 pandemic profoundly modified and redirected the process of developing the Bank’s range of credit offerings. As mentioned, Banca Generali’s credit offerings were expanded to support liquidity levels in Italy by activating medium/long-term lines of credit guaranteed by the SME Guarantee Fund for the first time. In addition, starting in March 2020 a plan of access to loan moratoria was introduced, also extending to parties excluded from the scope of the government measures. Then, in the third quarter, the Bank added new lines of credit to its range, specifically designed to provide advances against the future tax credits arising from the “110% superbonus” programme.

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 demand 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.
In 2020, the pandemic environment led financial supervisory authorities (EBA and ESMA) to provide guidelines on the calculation of the expected credit losses on financial instruments. As regards lines of credit to customers in particular, the EBA asked banks to consider certain aspects, distinguishing between cases in which a decline in creditworthiness due to the pandemic is merely temporary from those in which such a decline is long-term and thus irreversible. Banca Generali considered these guidelines, carrying out thorough assessments of individual positions and thus avoiding automatic model mechanisms where not corresponding to the counterparties' effective long-term creditworthiness. In view of its target clientele, this phenomenon nonetheless had a marginal impact.

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.

In 2020, the health emergency impacted the decisions of financial operators, which found themselves in the midst of an outright global economic crisis.
Market turbulence led operators to take strategic decisions intended to contain and diversify portfolio risk. In response to the Covid-19 emergency crisis, national and international authorities (such as the EBA, BCE, BCBS, Bank of Italy and Italian government) promoted a thorough programme of support for the banking system and real economy, consisting of the "banking package" and public moratoria, designed to restore businesses and families to normalcy as soon as possible.
The publications issued by the supervisory authorities in March to May 2020 required financial institutions to change the way they manage the credit impairment process to ensure that temporary increases in risk profile are properly measured even in stress conditions, while also reducing the potential procyclical effects of the underlying measurement models.
In adhering to these guidelines, which view the Covid-19 emergency as a temporary phenomenon, and in line with industry practices commonly adopted by Italian financial institutions, the Banca Generali Banking Group decided to make some changes to the current stage assignment model (IFRS 9) for the securities portfolio by adding admissible adjustments, such as the inhibition of the downgrading of sovereign securities, provided that it is circumstantiated in terms of temporariness (i.e., duration in time), extraordinariness (e.g., during the Covid-19 emergency period) and severity (i.e., not resulting in a merit class lower than Credit Quality Step 4[9]).

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.

[9] ECB - Press release of 22 April 2020; IFRS 9 in the context of the coronavirus (Covid-19) pandemic - SSM-2020-0154 (1 April 2020).

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 residences.

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 SA, today EFG Bank AG.
At 31 December 2020, the guarantee covers bad loan positions of approximately 26 million euros, which net of adjustment declined to about 17.6 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 exposures 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 24,597 thousand euros, of which:
> net bad loans amounting to 18,905 thousand euros referring to financing, of which 17,632 thousand euros (93.2%) covered by indemnities, 1,246 thousand euros (6.6%) secured by mortgages and 27 thousand euros (0.2%) not secured;
> unlikely-to-pay loans of 2,867 thousand euros, of which just 270 thousand euros (9.4%) actually at risk, and the remaining 2,596 thousand euros (90.6%) secured by collateral (pledges or mortgages);
> non-performing past-due loans of 2,825 thousand euros, of which 2,574 thousand euros (91.1%) secured by collateral, and 251 thousand euros (8.9%) not secured.

Net non-performing loans in the form of financing may be broken down as follows:
> about 71.7% (17,632 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 28.3% (6,964 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 6,964 thousand euros, representing 0.2% of total net loans to customers. However, considering positions secured by collateral or similar guarantees, which at 6,416 thousand euros make up approximately 92% of total net non-performing loans, a residual total amount of 548 thousand euros of net non-performing loans are not secured by collateral, representing 7.9% of total net non-performing loans and an entirely marginal fraction of total net loans to customers (0.01%).
In 2020, the NPL portfolio declined due to the closure due to derecognition of bad loan positions, the closure due to repayment and/or reclassification to performing of several UTP positions, and the reclassification to performing status of past-due positions.

3.2 Write-offs

The Banking Group has not adopted any write-off policy.

3.3 Acquired or originated 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 2020, outstanding forborne exposures in the portfolio of loans to customers were mostly classified as performing positions (90%), with the remainder classified as non-performing (10%). Nearly all positions were secured by collateral (primarily pledges) or similar guarantees[10].
Exposures subject to forbearance measures at 31 December 2020 mostly consisted (approximately 73%) 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.

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)

	STAGE 1			STAGE 2			STAGE 3		
PORTFOLIOS/RISK STAGES	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 at amortised cost	6,591	-	2	669	490	1,139	-	-	24,597
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total at 31.12.2020	6,591	-	2	669	490	1,139	-	-	24,597
Total at 31.12.2019	3,684	-	-	1,032	1,800	995	-	-	33,650

[10] "Similar guarantees" refer to authorisation to redeem insurance policies.

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								
CAUSES/RISK STAGES	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	OF WHICH : ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	TOTAL
Total adjustment at year-start	**5,544**	**971**	**-**	**6,515**	**1,692**	**94**	**-**	**1,786**	**23,407**	**0**	**23,407**	**-**	**-**	**102**	**6**	**-**	**31,816**
Increases from acquired or originated financial assets	1,044	151	-	1,195	72	-	-	72	-	-	-	-	-	-	-	-	**1,267**
Cancellations other than write-offs	-885	-469	-	-1,354	-90	-2	-	-92	-902	-	-902	-	-	-28	-	-	**-2,376**
Net adjustments/reversals for credit risk (+/-)	-483	-246	-	-729	-738	-22	-	-760	777	-	777	-	-	36	8	-	**-668**
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Changes in the assessment methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs not directly recognised through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	-	-	-8,561	-	-8,561	-	-	-	-	-	**-8,561**
Total adjustments at year-end	**5,220**	**407**	**-**	**5,627**	**936**	**70**	**-**	**1,006**	**14,721**	**-**	**14,721**	**-**	**-**	**110**	**14**	**-**	**21,478**
Recovery from collection of written off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs directly recognised through profit and loss	-	-	-	-	-	-	-	-	34	-	34	-	-	-	-	-	**34**

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 36 thousand euros and did not change considerably from their initial levels.

Final total adjustments to the securities portfolio amounted to 5,795 thousand euros and declined by approximately 11,141 thousand euros compared to the initial balance due to:

> the sale of the Stage 3 HTC security Tyndaris, on which a bad debt provision of 8,555 thousand euros had been recognised at the end of 2019;

> the decline in adjustments to Stage 1 and Stage 2 positions mainly due to the lower risk level of the government bond portfolio resulting from the initiatives taken by the ECB, partially offset by the greater adjustments necessary in light of the expansion of investment volumes.

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)

	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 at amortised cost	9,240	29,943	1,498	-	3,916	2
2. Financial assets at fair value through other comprehensive income	-	3,548	-	-	-	-
3. Commitments to disburse funds and financial guarantees issued	233	3,859	-	-	-	-
Total at 31.12.2020	**9,473**	**37,350**	**1,498**	**-**	**3,916**	**2**
Total at 31.12.2019	**17,424**	**48,605**	**16,063**	**9**	**1,227**	**844**

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 are all classified to Stage 1 and were not transferred between stages during the year.

A.1.4 Prudential consolidation: cash and off-balance sheet credit exposures with banks - gross and net values

	GROSS EXPOSURE				
TYPES OF EXPOSURES/VALUES	NON-PERFORMING	PERFORMING	TOTAL ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures					
a) Bad loans	-	X	-	-	-
- *of which: forborne exposures*	-	*X*	-	-	-
b) Unlikely to pay	-	X	-	-	-
- *of which: forborne exposures*	-	*X*	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-
- *of which: forborne exposures*	-	*X*	-	-	-
d) Performing past-due exposures	X	-	-	-	-
- *of which: forborne exposures*	*X*	-	-	-	-
e) Other performing exposures	X	888,789	559	888,230	-
- *of which: forborne exposures*	*X*	-	-	-	-
Total A	**-**	**888,789**	**559**	**888,230**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	2,681	-	2,681	-
Total B	**-**	**2,681**	**-**	**2,681**	**-**
Total (A + B)	**-**	**891,470**	**559**	**890,911**	**-**

Cash exposures with banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: financial assets at amortised cost, financial assets 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 values

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE NON-PERFORMING	GROSS EXPOSURE PERFORMING	TOTAL ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures					
a) Bad loans	31,676	X	12,771	18,905	-
- *of which: forborne exposures*	-	*X*	-	-	-
b) Unlikely to pay	4,078	X	1,211	2,867	-
- *of which: forborne exposures*	*2,333*	*X*	*390*	*1,943*	-
c) Non-performing past-due exposures	3,563	X	738	2,825	-
- *of which: forborne exposures*	-	*X*	-	-	-
d) Performing past-due exposures	X	9,032	141	8,891	-
- *of which: forborne exposures*	*X*	-	-	-	-
e) Other performing exposures	X	10,929,311	5,933	10,923,378	-
- *of which: forborne exposures*	*X*	*21,139*	*135*	*21,004*	-
Total A	**39,317**	**10,938,343**	**20,794**	**10,956,866**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	31	X	-	31	X
b) Performing	X	74,011	124	73,887	-
Total B	**31**	**74,011**	**124**	**73,918**	**-**
Total (A + B)	**39,348**	**11,012,354**	**20,918**	**11,030,784**	**-**

Cash exposures with customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: financial assets at amortised cost, financial assets 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 31,676 thousand euros and included 12,771 thousand euros of value adjustments; therefore, net bad loans recognised totalled 18,905 thousand euros. Of this amount, 17,632 thousand euros (93.2% 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 1,273 thousand euros, equal to about 6.7% of total net bad loans and 0.01% of total net loans to customers. Considering bad loans secured by mortgages, which amounted to 1,246 thousand euros, the residual net bad loans amounted to 27 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.1.7) declined by 18,667 thousand euros gross, primarily owing to realisation due to sale and collections totalling 19,366 thousand euros, against other increases and transfers from other non-performing categories in the total amount of 699 thousand euros.

The most significant increases related to changes in positions already classified as bad loans, primarily relating to interest accrued, amounting to 581 thousand euros, of which 453 thousand euros of exposures secured by indemnities.
Decreases included realisations due to sale of 15,294 thousand euros, referring to the sale of the convertible loan issued by Tyndaris LLP to Tyrus Capital Holding, collections of 3,195 thousand euros and derecognitions of 877 thousand euros, of which the most significant positions by amount were all secured by mortgages.

Unlikely to pay

At 31 December 2020, gross unlikely-to-pay loans amounted to 4,078 thousand euros, including impairment losses of 1,211 thousand euros, resulting in a net balance of 2,867 thousand euros.

The aggregate (see table A.1.7) decreased by 488 thousand euros compared to 31 December 2019 as a result of:
> a decline of 1,912 thousand euros, due to collections of 1,762 thousand euros, attributable to several counterparties with exposures secured by collateral or similar guarantees which were definitively recovered, and to UTP positions reclassified to performing status;

> the increases of 1,424 thousand euros refer to positions reclassified from other performing categories for 1,190 thousand euros and higher draw-downs from positions already classified as UTP for 170 thousand euros.

Non-performing past-due exposures

Non-performing past-due exposures amounted to 3,563 thousand euros, including impairment losses of 738 thousand euros, yielding a net balance of 2,825 thousand. The net aggregate mainly included:

> exposures largely secured by pledges or mortgages, totalling 2,574 thousand euros;
> other unsecured exposures with an average balance per position of approximately 250 euros.

The aggregate (see table A.1.7) increased by 1,421 thousand euros compared to 31 December 2019 as a result of:

> increases of 4,558 thousand euros, primarily attributable to new reclassifications from performing positions of 4,319 thousand euros and, to a residual extent, to increases in already non-performing positions of 239 thousand euros;
> decreases of 3,137 thousand euros, primarily attributable to collections on expired positions with full repayment of the exposure for 2,836 thousand euros, return to performing status of exposures for 117 thousand euros and, for the remainder, derecognitions totalling 50 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 2020, 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 approximately 119,351 thousand euros, of which 15,104 thousand euros relating to legislative moratoria and 104,247 thousand euros to newly generated loans to small and medium-sized enterprises guaranteed by the Central Guarantee Fund. There were no loans classified as forborne due to difficulties caused by the pandemic.
The table also 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, amounting to 152,796 thousand euros (541 positions).
Of these, 535 positions are classified as performing with a value of 149,665 thousand euros, five are unlikely-to-pay with a value of 2,073 thousand euros and, lastly, one has been reclassified as past due with a value of 1,058 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	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Bad loans	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	-	-	-	-
B. Unlikely-to-pay loans	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	-	-	-	-
C. Non-performing past-due loans	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	-	-	-	-
D. Performing loans	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	-	-	-	-
E. Other performing loans	**119,535**	**184**	**119,351**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	15,161	57	15,104	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	104,374	127	104,247	-
Total (A + B + C + D + E)	**119,535**	**184**	**119,351**	**-**

A.1.7 Prudential consolidation: cash credit exposures with customers - changes in gross non-performing exposures

CAUSES/CATEGORIES	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES
A. Gross exposure at year-start	**50,343**	**4,566**	**2,142**
- *of which: exposures transferred but non written off*	-	-	-
B. Increases	**699**	**1,424**	**4,558**
B.1 New reclassifications from performing exposures	-	1,190	4,319
B.2 New reclassifications from acquired or originated impaired financial assets	-	-	-
B.3 Transfers from other categories of non-performing exposures	91	64	-
B.4 Contractual changes without derecognitions	-	-	
B.5 Other increases	608	170	239
- *of which: business combinations*	-	-	-
C. Decreases	**19,366**	**1,912**	**3,137**
C.1 Reclassifications to performing exposures	-	5	117
C.2 Write-offs	877	11	50
C.3 Repayments received	3,195	1,762	2,836
C.4 Gains on disposals	15,294	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	90	64
C.7 Contractual changes without derecognitions	-	-	-
C.8 Other decreases	-	44	70
D. Gross exposure at year-end	**31,676**	**4,078**	**3,563**
- *of which: exposures transferred but non written off*	-	-	-

A.1.7–bis 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	**3,045**	**41,468**
- *of which: exposures transferred but non written off*	-	-
B. Increases	**924**	**4,570**
B.1 New reclassifications from performing non-forborne exposures	115	2,902
B.2 New reclassifications from performing forborne exposures	775	X
B.3 New reclassifications from non-performing forborne exposures	X	478
B.4 Other increases	34	1,190
C. Decreases	**1,636**	**24,899**
C.1 Reclassifications to performing non-forborne exposures	X	5,436
C.2 Reclassifications to forborne performing exposures	491	X
C.3 Reclassifications to non-performing forborne exposures	X	775
C.4 Write-offs	-	-
C.5 Repayments received	1,145	18,653
C.6 Gains on disposals	-	-
C.7 Losses on disposals	-	-
C.8 Other decreases	-	35
D. Gross exposure at year-end	**2,333**	**21,139**
- *of which: exposures transferred but non written off*	-	-

Forborne exposures

Forborne exposures consisted mostly of performing positions, for a gross amount of 21,139 thousand euros, almost entirely secured by collateral or similar guarantees, whose decline compared to 2019 (41,468 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 2,333 thousand euros gross (accounting for 11% of total performing and non-performing forborne exposures), almost all of which were fully secured by pledges.

The non-performing cash forborne positions aggregate declined by 712 thousand euros overall (in gross terms), as a result of:

- increases arising from positions reclassified from performing categories (890 thousand euros) and higher draw-downs from positions already classified as non-performing forborne for 34 thousand euros;
- a decline due to collections amounting to 1,145 thousand euros referring to positions reclassified outside the non-performing forborne category due to full repayment of the exposure and closure of the relationships, in addition to positions transferred to performing forborne exposures for 491 thousand euros.

The main component of performing forborne positions is collections, amounting to 18,653 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 5,436 thousand euros, and positions transferred to the non-performing category for 775 thousand euros. All new reclassifications, amounting to 2,902 thousand euros, refer to performing positions to which a new line of credit was granted (new finance or restructuring of the existing debt position) as a forbearance measure, whereas 478 thousand euros refer to forborne positions reclassified as performing from the non-performing category due to the end of the cure period. The remaining 1,190 thousand euros refers to greater draw-downs on already forborne positions.
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	**22,032**	**-**	**945**	**156**	**424**	**-**
- *of which: exposures transferred but non written off*	-	-	-	-	-	-
B. Increases	**244**	**-**	**472**	**292**	**487**	**-**
B.1 Value adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other adjustments	149	-	460	292	457	-
B.3 Losses on disposals	4	-	2	-	30	-
B.4 Transfers from other categories of non-performing exposures	91	-	10	-	-	-
B.5 Contractual changes without derecognitions	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**9,504**	**-**	**206**	**58**	**173**	**-**
C.1 Reversal of adjustments	16	-	46	38	12	-
C.2 Reversal of collections	56	-	58	20	101	-
C.3 Gains on disposals	-	-	-	-	-	-
C.4 Write-offs	877	-	11	-	50	-
C.5 Transfers to other categories of non-performing exposures	-	-	91	-	10	-
C.6 Contractual changes without derecognitions	-	X	-	X	-	X
C.7 Other decreases	8,555	-	-	-	-	-
D. Total adjustment at year-end	**12,772**	**-**	**1,211**	**390**	**738**	**-**
- *of which: exposures transferred but non 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 1,263 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	31.12.2020 GROSS	WRITE-DOWNS	NET
Receivables related to FA litigation	1,883	-623	1,260
Advances to FAs	79	-79	-
Write-downs of receivables from FAs	**1,962**	**-702**	**1,260**
Write-downs of operating receivables	358	-355	3
Write-downs of operating receivables	**358**	**-355**	**3**
Total write-downs	**2,320**	**-1,057**	**1,263**

A.2 Classification 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)

EXPOSURES	EXTERNAL RATING CLASSES AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-	WITHOUT RATING	TOTAL
A. Financial assets at amortised cost	**263,824**	**182,103**	**5,635,841**	**123,107**	**4,993**	**-**	**2,919,407**	**9,129,275**
- Stage 1	263,824	182,103	5,628,163	123,107	4,993	-	2,762,822	8,965,012
- Stage 2	-	-	7,678	-	-	-	117,268	124,946
- Stage 3	-	-	-	-	-	-	39,317	39,317
B. Financial assets at fair value through other comprehensive income	**88,434**	**188,535**	**2,298,282**	**35,055**	**100,029**	**-**	**2,073**	**2,712,408**
- Stage 1	88,434	188,535	2,298,282	30,086	100,029	-	-	2,705,366
- Stage 2	-	-	-	4,969	-	-	2,073	7,042
- Stage 3	-	-	-	-	-	-	-	-
Total (A + B)	**352,258**	**370,638**	**7,934,123**	**158,162**	**105,022**	**-**	**2,921,480**	**11,841,683**
- *of which: acquired or originated impaired financial assets*	-	-	-	-	-	-	-	-
C. Commitments to disburse funds and financial guarantees issued								
- Stage 1	-	-	1,345	-	-	-	74,425	75,770
- Stage 2	-	-	-	-	-	-	2,442	2,442
- Stage 3	-	-	-	-	-	-	-	-
Total C	**-**	**-**	**1,345**	**-**	**-**	**-**	**76,867**	**78,212**
Total (A + B + C)	**352,258**	**370,638**	**7,935,468**	**158,162**	**105,022**	**-**	**2,998,347**	**11,919,895**

Financial assets at amortised cost without rating include trade receivables and sums advanced to Financial Advisors totalling 174,696 thousand euros.

A.3 BREAKDOWN OF GUARANTEED CREDIT EXPOSURES BY TYPE OF GUARANTEE

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:	**2,276,345**	**2,263,388**	**379,846**	**-**	**1,540,116**	**223,065**	**-**	**-**	**-**	**-**	**-**	**-**	**97,164**	**2**	**11,448**	**2,251,641**
1.1 Totally guaranteed	2,216,367	2,203,800	375,583	-	1,524,796	206,596	-	-	-	-	-	-	85,040	-	11,048	2,203,063
- *of which: non-performing*	*33,349*	*23,765*	*12,712*	-	*2,337*	*8,662*	-	-	-	-	-	-	-	-	*54*	*23,765*
1.2 Partially guaranteed	59,978	59,588	4,263	-	15,320	16,469	-	-	-	-	-	-	12,124	2	400	48,578
- *of which: non-performing*	*698*	*384*	-	-	*177*	*42*	-	-	-	-	-	-	-	-	*118*	*337*
2. Guaranteed off-balance sheet credit exposures:	**639,577**	**639,465**	**69**	**-**	**479,379**	**148,592**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**354**	**448**	**628,842**
2.1 Totally guaranteed	608,872	608,762	69	-	467,380	140,940	-	-	-	-	-	-	-	87	287	608,763
- *of which: non-performing*	*31*	*31*	-	-	*31*	*0*	-	-	-	-	-	-	-	-	-	*31*
2.2 Partially guaranteed	30,705	30,703	-	-	11,999	7,652	-	-	-	-	-	-	-	267	161	20,079
- *of which: non-performing*	*18*	*18*	-	-	-	-	-	-	-	-	-	-	-	-	*18*	*18*

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	**7,660,365**	**1,626**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	-	2
- *of which: forborne exposures*	-	-
A.4 Performing exposures	7,660,365	1,624
- *of which: forborne exposures*	-	-
2. Financial companies	**882,833**	**1,262**
A.1 Bad loans	5,433	80
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	149	31
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	71	82
- *of which: forborne exposures*	-	-
A.4 Performing exposures	877,180	1,069
- *of which: forborne exposures*	-	-
3. Financial companies (of which insurance companies)	**52,928**	**-**
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	52,928	-
- *of which: forborne exposures*	-	-
4. Non-financial companies	**557,604**	**13,674**
A.1 Bad loans	11,463	11,858
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	2	26
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	30	42
- *of which: forborne exposures*	-	-
A.4 Performing exposures	546,109	1,748
- *of which: forborne exposures*	*8,434*	*93*
5. Households	**1,803,136**	**4,232**
A.1 Bad loans	2,010	833
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	2,715	1,155
- *of which: forborne exposures*	*1,944*	*391*
A.3 Non-performing past-due exposures	2,725	612
- *of which: forborne exposures*	-	-
A.4 Performing exposures	1,795,686	1,632
- *of which: forborne exposures*	*12,570*	*42*
Total A - Cash exposures	**10,956,866**	**20,794**

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	**1,669**	**6**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	1,669	6
3. Financial companies (of which insurance companies)	**2,345**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	2,345	-
4. Non-financial companies	**27,989**	**91**
B.1 Non-performing exposures	31	-
B.2 Performing exposures	27,958	91
5. Households	**41,915**	**28**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	41,915	28
Total B - Off-balance sheet exposures	**73,918**	**125**

	NET EXPOSURE	TOTAL ADJUSTMENTS
Public administration bodies	7,660,365	1,626
Financial companies	884,502	1,268
Financial companies (of which insurance companies)	55,273	-
Non-financial companies	585,593	13,765
Households	1,845,051	4,260
Overall total (A + B) at 31.12.2020	**11,030,784**	**20,919**
Overall total (A + B) at 31.12.2019	**9,696,439**	**31,072**

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 credit exposures										
A.1 Bad loans	18,905	12,090	-	681	-	-	-	-	-	-
A.2 Unlikely to pay	2,867	1,211	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	2,824	733	1	5	-	-	-	-	-	-
A.4 Other performing exposures	8,469,329	5,661	2,388,951	360	46,071	37	14,143	12	13,774	4
Total A	**8,493,925**	**19,695**	**2,388,952**	**1,046**	**46,071**	**37**	**14,143**	**12**	**13,774**	**4**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	31	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	73,506	124	381	-	-	-	-	-	-	-
Total B	**73,537**	**124**	**381**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**8,567,462**	**19,819**	**2,389,333**	**1,046**	**46,071**	**37**	**14,143**	**12**	**13,774**	**4**
Total at 31.12.2019	**8,022,131**	**21,069**	**1,609,124**	**9,957**	**48,397**	**35**	**12,349**	**9**	**4,442**	**3**

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-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 exposures	538,199	439	302,330	102	35,110	14	7,555	3	5,036	1
Total A	**538,199**	**439**	**302,330**	**102**	**35,110**	**14**	**7,555**	**3**	**5,036**	**1**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,335	-	1,346	-	-	-	-	-	-	-
Total B	**1,335**	**-**	**1,346**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**539,534**	**439**	**303,676**	**102**	**35,110**	**14**	**7,555**	**3**	**5,036**	**1**
Total at 31.12.2019	**705,273**	**632**	**209,441**	**92**	**4,404**	**13**	**17,565**	**5**	**5,024**	**2**

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. 34, dated 22 September 2020) — 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 eligible capital base.
The EU Regulation CRR No. 575/2013 defines the "eligible capital" as the sum of Tier 1 capital and Tier 2 capital that is equal to or less than one third of Tier 1 capital.

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	31.12.2020	31.12.2019
a) Amount of the exposure	8,843,093	8,147,888
b) Weighted amount	401,749	253,366
c) Number	11	8

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 (1.4% 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

	CASH EXPOSURES					
	SENIOR		MEZZANINE		JUNIOR	
TYPE OF UNDERLYING ASSETS/EXPOSURES	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS
Prisma SPV S.r.l.	20,965	-139	-	-	-	-
GIM NL LUX 12.06.2018	20,135	-	-	-	-	-
Credimi Italianonsiferma Floater 20.07.2026	64,473	-403	-	-	-	-
German21 REG-S 3.75%	15,557	-	-	-	-	-
Eridano II SPV FRN 28.05.2035	7,606	-72	-	-	-	-

D. Transfer operations

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							
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 at fair value through other comprehensive income							
1. Debt securities	29,582	-	29,582	-	29,353	-	29,353
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost							
1. Debt securities	118,067	-	118,067	-	121,598	-	121,598
2. Loans	-	-	-	-	-	-	-
Total at 31.12.2020	**147,649**	**-**	**147,649**	**-**	**150,951**	**-**	**150,951**
Total at 31.12.2019	**115,479**	**-**	**115,479**	**-**	**116,218**	**-**	**116,218**

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 security or a portfolio of securities 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.

In 2020, the Covid-19 emergency caused severe volatility on both equity markets (which reached draw-down levels conceivable in black-swan scenarios) and bond markets, although the latter saw a less acute period of turbulence, concentrated in the second quarter of the year. The economic crisis triggered by the health emergency was contained thanks to the numerous purchasing programmes implemented by central banks, which together with national and supra-national support policies, contained the fall in bond market prices. 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 at 31 December 2020:

(€ THOUSAND)	PORTFOLIO
Interest-rate risk sensitivity	**-4.8**

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	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	TOTAL
1. Cash assets	**45**	**1,999**	**-**	**-**	**2**	**-**	**-**	**-**	**2,046**
1.1 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	45	1,999	-	-	2	-	-	-	2,046
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**66,646**	**-**	**21,444**	**-**	**-**	**-**	**-**	**88,090**
3.1 With underlying securities	-	-	-	-	-	-	-	-	-
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	66,646	-	21,444	-	-	-	-	88,090
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	33,323	-	10,722	-	-	-	-	44,045
+ short positions	-	33,323	-	10,722	-	-	-	-	44,045

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	OTHER	NON-LISTED
A. Equity securities				
- long positions	-	-	2	-
- short positions	-	-	-	-
B. Equity security purchases/sales to be settled				
- long positions	-	-	-	111
- short positions	-	-	-	111
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 88.3/-88.3 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 -4.8/+4.9 thousand euros, gross of the tax effect.

(€ THOUSAND)	HTS
FV equity delta (+10%)	88.3
FV equity delta (-10%)	-88.3
FV bonds delta (+1%)	-4.8
FV bonds delta (-1%)	+4.9

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.

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 (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	TOTAL
1. Cash assets	**2,517,975**	**2,905,566**	**2,913,653**	**750,780**	**1,650,077**	**1,001,205**	**103,789**	**-**	**11,843,045**
1.1 Debt securities									
- with early repayment option	-	52,794	10,067	22,541	80,626	61,107	15,492	-	242,627
- other	-	2,501,111	2,900,762	727,705	1,564,030	936,911	87,980	-	8,718,499
1.2 Loans to banks	150,401	132,639	-	-	-	-	-	-	283,040
1.3 Loans to customers									
- current accounts	1,299,431	11	203	28	9	-	-	-	1,299,682
- other loans	1,068,143	219,011	2,621	506	5,412	3,187	317	-	1,299,197
- with early repayment option	881,563	324	130	148	1,722	3,187	317	-	887,391
- other	186,580	218,687	2,491	358	3,690	-	-	-	411,806
2. Cash liabilities	**10,812,055**	**164,835**	**-**	**-**	**497,361**	**-**	**-**	**-**	**11,474,251**
2.1 Due to customers									
- current accounts	10,440,898	-	-	-	-	-	-	-	10,440,898
- other payables	276,403	158,821	-	-	-	-	-	-	435,224
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	276,403	158,821	-	-	-	-	-	-	435,224
2.2 Due to banks									
- current accounts	72,891	-	-	-	-	-	-	-	72,891
- other payables	21,863	6,014	-	-	497,361	-	-	-	525,238
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**210,000**	**2,361,000**	**271,000**	**302,000**	**434,000**	**90,000**	**-**	**3,668,000**
3.1 With underlying security									
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying security									
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	160,000	1,336,000	176,000	162,000	-	-	-	1,834,000
+ short positions	-	50,000	1,025,000	95,000	140,000	434,000	90,000	-	1,834,000
4. Other off-balance sheet transactions	**-**	**138**	**-**	**-**	**-**	**-**	**-**	**-**	**138**
+ long positions	-	69	-	-	-	-	-	-	69
+ short positions	-	69	-	-	-	-	-	-	69

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 at fair value through other comprehensive income, the portfolio of financial assets 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 -10.7/+10.5 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the HTCS portfolio would amount to -8.3/+8.2 million euros as a result of the hypothesised shift in the rate curve, or about 77% 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%)	-10,751	-124,566	-17,411	-163,479
- *of which: government bonds*	*-8,304*	*-99,317*	*-*	*-115,925*
FV bonds delta (-1%)	10,576	114,150	-17,477	152,779
- *of which: government bonds*	*8,181*	*89,418*	*-*	*105,780*

(*) 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 +55.9 million euros, gross of the tax effect in case of increase of interest rates by 1%, and -38.6 million euros in case of decrease by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	69,374	-13,399	55,975
Net interest income delta (-1%)	-50,460	11,875	-38,585

1.2.3 Exchange rate 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	CURRENCY								
	US DOLLAR	JAPANESE YEN	SWISS FRANC	POUND STERLING	ICELAND KRONA	CANADIAN DOLLAR	AUSTRALIAN DOLLAR	OTHER CURRENCIES	TOTAL CURRENCIES
A. Financial assets	**69,267**	**2,429**	**19,564**	**6,965**	**45**	**1,312**	**2,060**	**4,081**	**105,723**
A.1 Debt securities	20,485	-	5,631	1,122	45	-	-	-	27,283
A.2 Equity securities	4,961	-	-	-	-	-	-	-	4,961
A.3 Loans to banks	43,821	2,429	11,636	5,843	-	1,312	2,060	4,081	71,182
A.4 Loans to customers	-	-	2,297	-	-	-	-	-	2,297
A.5 Other financial assets	-	-	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**			**-**	**-**
C. Financial liabilities	**76,705**	**2,933**	**16,191**	**6,706**	**-**	**1,522**	**1,896**	**2,101**	**108,054**
C.1 Due to banks	53	27	39	86	-	12	-	105	322
C.2 Due to customers	76,652	2,906	16,152	6,620	-	1,510	1,896	1,996	107,732
C.3 Debt securities	-	-	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**
E. Financial derivatives	**231**	**-153**	**-35**	**242**	**-**	**13**	**6**	**25**	**329**
- Options	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
- Other derivatives	231	-153	-35	242	-	13	6	25	329
- long positions	11,504	245	101	616	-	42	37	9,642	22,187
- short positions	11,273	398	136	374	-	29	31	9,617	21,858
Total assets	**80,771**	**2,674**	**19,665**	**7,581**	**45**	**1,354**	**2,097**	**13,723**	**127,910**
Total liabilities	**87,978**	**3,331**	**16,327**	**7,080**	**-**	**1,551**	**1,927**	**11,718**	**129,912**
Excess	**-7,207**	**-657**	**3,338**	**501**	**45**	**-197**	**170**	**2,005**	**-2,002**

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/-10 bps on equity instruments denominated in currencies other than the euro would have an effect on the fair value of approximately +451/-551 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 -599/+648 thousand euros, gross of the tax effect.

(€ THOUSAND)	ASSETS
FV equity delta (+10%)	451
FV equity delta (-10%)	-551
FV non-equity delta (+1%)	-599
FV non-equity delta (-1%)	648

By contrast, an interest rate movement of +100/-100 basis points would have an effect of -230/+245 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%)	-230
Net interest income delta (-1%)	+245

1.3 Derivatives and hedging policies

1.3.1 Trading derivatives

A. Financial derivatives

A.1 HFT financial derivatives: notional amounts at year-end

	31.12.2020				31.12.2019			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
TYPES OF DERIVATIVES/ UNDERLYING ASSETS	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	**-**	**-**	**31,676**	**-**	**-**	**-**	**54,358**	
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	31,676	-	-	-	54,358	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**		**-**
Total	**-**	**-**	**31,676**	**-**	**-**	**-**	**54,358**	**-**
Average values	**-**	**-**	**43,017**	**-**	**-**	**-**	**33,932**	**-**

A.2 HFT financial derivatives: positive and negative gross fair value – breakdown by products

TYPE OF DERIVATIVES	31.12.2020				31.12.2019			
	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	-	-	1,561	-	-	-	1,218	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,561**	**-**	**-**	**-**	**1,218**	**-**
1. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	1,551	-	-	-	1,204	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,551**	**-**	**-**	**-**	**1,204**	**-**

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	15,838	-	15,838
- positive fair value	X	159	-	1,402
- negative fair value	X	1,396	-	155
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) 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, 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	31,676	-	-	31,676
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2020	**31,676**	**-**	**-**	**31,676**
Total at 31.12.2019	**54,358**	**-**	**-**	**54,358**

3.2 Hedging instruments

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: notional amounts at year-end

	31.12.2020				31.12.2019			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
TYPE 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	**-**	**1,709,000**	**125,000**	**-**	**-**	**541,000**	**130,000**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	1,709,000	125,000	-	-	541,000	130,000	-
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	**-**	**1,709,000**	**125,000**	**-**	**-**	**541,000**	**130,000**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by products

	31.12.2020				31.12.2019				CHANGE IN VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	
	OVER THE COUNTER				OVER THE COUNTER					
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES				
TYPE 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	31.12.2020	31.12.2019
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	2,486	-	-	-	3,668	1,059	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**2,486**	**-**	**-**	**-**	**3,668**	**1,059**	**-**	**-**	**-**
1. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	61,523	6,330	-	-	5,287	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	2,193	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**61,523**	**6,330**	**-**	**-**	**7,480**	**-**	**-**	**-**	**-**

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	-	-	125,000	-
- positive fair value	-	-	-	-
- negative fair value	-	-	6,330	-
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	-	-	-	-
Contracts within the scope of netting arrangements				
1) Debt securities and interest rates				
- notional value	-	1,589,000	120,000	-
- positive fair value	-	2,140	346	-
- negative fair value	-	60,575	948	-
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, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	50,000	680,000	1,104,000	1,834,000
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 31.12.2020	**50,000**	**680,000**	**1,104,000**	**1,834,000**
Total at 31.12.2019	**-**	**245,000**	**426,000**	**671,000**

D. Hedged instruments

D.1 Fair value hedging

	SPECIFIC HEDGES: CARRYING AMOUNT	SPECIFIC HEDGES – NET POSITIONS: CARRYING AMOUNT OF ASSETS AND 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 at fair value through other comprehensive income - hedging of:						
1.1 Debt securities and interest-rates	296,065	-	39,906	-	-	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 at amortised cost - hedging of:						
1.1 Debt securities and interest-rates	1,619,696	-	-1,138	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
31.12.2020	**1,915,761**	**-**	**38,768**	**-**	**-**	**-**
31.12.2019	**676,923**	**-**	**-477**	**-**	**-**	**-**
B. Liabilities						
1. Financial liabilities at amortised cost - hedging of:						
1.1 Debt securities and interest-rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**
31.12.2019	**-**	**-**	**-**	**-**	**-**	**-**

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	-	1,589,000	245,000	-
- positive fair value	-	2,140	346	-
- negative fair value	-	60,575	7,278	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	15,838	-	15,838
- positive fair value	-	159	-	1,402
- negative fair value	-	1,396	-	155
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 LCR, calculated according to the provisions applicable on a consolidated basis as at 31 December 2020, amounted to 443%, far in excess of the current mandatory minimum level, thanks to high quality liquid assets ("HQLAs") of approximately 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 223% as at 31 December 2020, due to long-term stable funding in excess of the on-balance sheet assets requiring such long-term stable funding.

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.

Within the framework of the Covid-19 emergency, the liquidity risk monitoring framework was enhanced and the Bank's corporate bodies were provided specific brief bulletins on the ongoing situation, such as:
- evidence relating to the performance of the ongoing liquidity risk profile, with particular regard to the performance of direct inflows;
- assessment of the main risks associated with the transactions approved by the Bank post-Covid-19, such as the commercial initiatives associated with the Cure Italy and Liquidity decrees and TLTRO funding operations;
- the results of stress tests leading up to the ICAAP and ILAAP on the basis of the macroeconomic scenarios generated in response to the Covid-19 emergency, which made it possible to test the adequacy of the liquidity profile.

Quantitative information

1. Breakdown of financial assets and liabilities by time to contractual maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH 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	UNSPECIFIED MATURITY	TOTAL
A. Cash assets											
A.1 Government securities	138	5,002	409,005	15,035	280,627	937,925	721,200	3,648,153	1,642,406	-	7,659,491
A.2 Other debt securities	-	39	17,707	37,098	62,703	45,320	37,458	748,771	349,324	-	1,298,420
A.3 UCITS units	21,245	-	-	-	-	-	-	-	-	-	21,245
A.4 Loans											
- to banks	150,492	24,448	-	283	162	-	-	-	-	107,771	283,156
- to customers	1,492,994	160,910	5,932	52	120,708	42,860	61,529	418,993	303,511	-	2,607,489
Total	**1,664,869**	**190,399**	**432,644**	**52,468**	**464,200**	**1,026,105**	**820,187**	**4,815,917**	**2,295,241**	**107,771**	**11,869,801**
B. Cash liabilities											
B.1 Deposits and current accounts											
- from banks	77,034	-	-	-	-	-	-	497,361	-	-	574,395
- from customers	10,440,898	-	-	-	-	-	-	-	-	-	10,440,898
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	326,469	144,937	-	-	19,897	-	-	-	-	-	491,303
Total	**10,844,401**	**144,937**	**-**	**-**	**19,897**	**-**	**-**	**497,361**	**-**	**-**	**11,506,596**
C. Off-balance sheet transactions											
C.1 Financial derivatives with capital swap											
- long positions	-	12,370	-	1,628	19,325	-	10,722	-	-	-	44,045
- short positions	-	12,370	-	1,628	19,325	-	10,722	-	-	-	44,045
C.2 Financial derivatives without capital swap											
- long positions	-	-	-	101	367	3,696	4,567	-	-	-	8,731
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions		-	-	-	-	-	-			-	-
C.4 Irrevocable commitments to disburse funds											
- long positions	84,456	-	-	-	80	3	154	1,307	295	-	86,295
- short positions	86,295	-	-	-	-	-	-	-	-	-	86,295
C.5 Financial guarantees issued	11,066	-	-	50	895	7,030	1,726	12,948	5,394	-	39,109
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	**181,817**	**24,740**	**-**	**3,407**	**39,992**	**10,729**	**27,891**	**14,255**	**5,689**	**-**	**308,520**

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 and IT Management* 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 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 2020 is broken down below by event type:

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 MALFUNCTIONS	ET 07 - PROCESS EXECUTION, DELIVERY AND MANAGEMENT	TOTAL
Asset Management	-	-	-	-	-	-	78	**78**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	322	-	-	-	**322**
Corporate Items	-	35	80	349	-	47	217	**728**
Payment and Settlement	-	71	-	10	-	-	7	**88**
Retail Banking	914	36	-	108	-	-	381	**1,438**
Retail Brokerage	1,130	-	-	51	-	-	438	**1,618**
Trading and Sales	-	-	-	-	-	-	-	**-**
Total	**2,044**	**142**	**80**	**839**	**-**	**47**	**1,121**	

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 MALFUNCTIONS	ET 07 - PROCESS EXECUTION, DELIVERY AND MANAGEMENT	TOTAL
Asset Management	-	-	-	-	-	-	3	**3**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	5	-	-	-	**5**
Corporate Items	-	8	3	2	-	10	5	**28**
Payment and Settlement	-	2	-	2	-	-	1	**5**
Retail Banking	10	1	-	1	-	-	13	**25**
Retail Brokerage	4	-	-	-	-	-	37	**41**
Trading and Sales	-	-	-	-	-	-	-	**-**
Total	**14**	**11**	**3**	**10**	**-**	**10**	**59**	

The event type recording the most impact is ”ET01 – 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.

The second source of losses 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.

A significant impact was also reported by losses due to event type “ ET 04 – Customers, products and business practices” arising from breaches of professional obligations towards customers by the Bank or its Financial Advisors either involuntarily or due to negligence, or due to the nature or configuration of the service/product provided.

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 IT risk.
Residual losses include the event type “Employment and workplace safety” due to actions not in compliance with the law or agreements relating to employment and occupational health and safety, and the event type “Interruption of operations and IT system malfunctions”, whereas there were no losses due to damage to or destruction of property and equipment as a result of 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.

Capital adequacy compliance is also ensured by observance of the ECB recommendation of 27 March 2020, subsequently adopted by the Bank of Italy.
The Recommendation was created to ensure profits were allocated to reinforcing capital and put the financial system in the best position to absorb the losses that will materialise as a result of the health emergency and to be able to continue to support the economy.

The Bank of Italy thus recommended that all banks and banking groups under its supervision, at least until 1 October 2020:
- i) not pay dividends, including the distribution of reserves, and not take on any irrevocable commitments regarding the payment of dividends for financial years 2019 and 2020;
- ii) refrain from carrying out share buy-backs aimed at remunerating shareholders.

On 28 July 2020, given the persistent situation of economic uncertainty, the Bank of Italy updated its indications, extending their scope of application and duration. In particular, it was recommended that less significant banks and investment firms subject to the CRR/CRD IV regulations, at least until 1 January 2021:
- i) refrain from distributing dividends and from making any irrevocable commitment to pay out dividends;
- ii) refrain from making share buybacks aimed at remunerating shareholders;
- iii) adopt an extremely prudent approach, also with reference to variable remuneration policies.

Finally, on 16 December 2020, in view of the persistent situation of economic uncertainty, the Bank of Italy recommended that less significant Italian banks, at least 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.

In the absence of a substantial worsening in the macroeconomic situation, starting on 30 September 2021 the Bank of Italy will revert to assessing dividend distribution and remuneration policies based on the ordinary supervisory review and evaluation process for individual banks.

B. Quantitative information

At 31 December 2020, consolidated net equity, including net profit for the year, amounted to 1,184.5 million euros compared to 917.7 million euros at the end of the previous year.

			CHANGE	
(€ THOUSAND)	31.12.2020	31.12.2019	AMOUNT	%
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	57,062	57,729	-667	-1.2%
3. Reserves	726,471	454,465	272,006	59.9%
4. (Treasury shares)	-45,185	-37,356	-7,829	21.0%
5. Valuation reserves	4,139	3,813	326	8.5%
6. Equity instruments	50,000	50,000	-	-
7. Net equity attributable to minority interests	246	26	220	n.a.
8. Net profit (loss) for the year	274,919	272,139	2,780	1.0%
Total net equity	**1,184,504**	**917,668**	**266,836**	**29.1%**

The increase in net equity for 2020, which amounted to 266.8 million euros, was chiefly attributable to the reallocation to an equity reserve of the dividend for financial year 2019 (216.2 million euros) authorised by the Shareholders' Meeting on 23 April 2020, in accordance with the ensuing Recommendation issued by the ECB, and extended by the Bank of Italy to less significant directly supervised institutions.

In addition to the evolution of the above-mentioned dividend for financial year 2019, the change in net equity for 2020 was influenced by the buy-back of treasury shares, the overall positive performance of fair value valuation reserves for the portfolio of financial assets 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.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 190,903 treasury shares, with a value of 4,859 thousand euros, were allotted to employees and Financial Advisors falling within the category of Key Personnel and to network managers.

On 23 April 2020, the General Shareholders' Meeting authorised the buy-back of a maximum of 491,000 treasury shares in service of remuneration plans for Key Personnel for 2020, the fourth cycle of the Loyalty Programme for 2020 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 16 July 2020, was launched on 3 August 2020 and completed in September 2020.

At 31 December 2020, the Parent Company, Banca Generali, thus held 1,767,676 treasury shares, with a value of 45,185 thousand euros.

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a slight net increase of 0.7 million euros, owing to the good performance of financial markets following the measures taken by international central banks to mitigate the financial effects of the pandemic emergency.

(€ THOUSAND)	31.12.2020	31.12.2019
Net equity at year-start	**917,668**	**734,875**
Dividend paid	-	-144,900
Purchase and sale of treasury shares	-12,440	-17,786
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	5,631	7,207
Matured IFRS 2 reserves on the AG Group's IFRS 2 - related plans	192	653
Change in OCI valuation reserves	332	15,611
Issue of AT1 subordinated loan	-	50,000
Dividends on AT1 equity instruments	-1,632	-
Consolidated net profit	274,894	272,122
Other effects	-141	-114
Net equity at year-end	**1,184,504**	**917,668**
Change	**266,836**	**182,793**

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 31.12.2020	TOTAL AT 31.12.2019	CHANGE
1. Share capital	117,127	-	-	-	117,127	116,879	248
2. Share premium reserve	57,062	-	-	-	57,062	57,729	-667
3. Reserves	726,453	-	-	-	726,453	454,472	271,981
4. Equity instruments	50,000	-	-	-	50,000	50,000	-
5. (Treasury shares)	-45,185	-	-	-	-45,185	-37,356	-7,829
6. Valuation reserves	4,153	-	-	-	4,153	3,822	331
Equity securities designated at fair value through other comprehensive income	-510	-	-	-	-510	-300	-210
Equity security hedges designated at fair value through other comprehensive income	-	-	-	-	-	-	-
Financial assets (other than equity securities) at fair value through other comprehensive income	7,030	-	-	-	7,030	6,170	860
Property and equipment	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-	-
Cash-flow hedges	-	-	-	-	-	-	-
Hedging instruments (non-designated items)	-	-	-	-	-	-	-
Exchange differences	-130	-	-	-	-130	-128	-2
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	-2,237	-	-	-	-2,237	-1,920	-317
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	274,894	-	-	-	274,894	272,122	2,772
Total net equity	**1,184,504**	**-**	**-**	**-**	**1,184,504**	**917,668**	**266,836**

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 increased compared to the end of the previous year, primarily due to the positive increase in debt securities reserves.

The aggregate had an overall positive balance of 6.5 million euros, up by 0.7 million euros compared to year-end 2019.

This increase was influenced by the portfolio of Italian government bonds, for which net reserves amounted to 5.0 million euros compared to 3.9 million euros at year-end 2019.

	SCOPE OF REGULATORY CONSOLIDATION		INSURANCE COMPANIES		OTHER COMPANIES		CANCELLATIONS AND ADJUSTMENTS FOR CONSOLIDATION PURPOSES		TOTAL	
ASSETS/VALUES (€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	7,305	-275	-	-	-	-	-	-	7,305	-275
2. Equity securities	-	-510	-	-	-	-	-	-	-	-510
3. Financing	-	-	-	-	-	-	-	-	-	-
Total at 31.12.2020	**7,305**	**-785**	**-**	**-**	**-**	**-**	**-**	**-**	**7,305**	**-785**
Total at 31.12.2019	**6,852**	**-982**	**-**	**-**	**-**	**-**	**-**	**-**	**6,852**	**-982**

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 increase of 0.7 million euros in 2020, as a result of the following factors:

> an increase in net valuation capital gains totalling 2.4 million euros, net of 0.6 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 (-1.3 million euros);
> the negative net tax effect associated with the above changes and mainly resulting from net increases in DTLs (-0.4 million euros).

	31.12.2020				
	DEBT SECURITIES				
(€ THOUSAND)	CORPORATE	GOVERNMENT	EQUITY SECURITIES	UCITS UNITS	TOTAL
1. Amount at year-start	**2,233**	**3,937**	**-300**	**-**	**5,870**
Adjustment of opening balances	**-**	**-**	**-**	**-**	**-**
1. Amount at year-start	**2,233**	**3,937**	**-300**	**-**	**5,870**
2. Increases	**1,552**	**3,759**	**7**	**-**	**5,318**
2.1 Fair value increases	1,288	3,182	-	-	4,470
2.2 Adjustments for credit risk	-	-	X	-	-
2.3 Transfer to Profit and Loss Account of negative reserves: due to disposal	60	437	X	-	497
2.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
2.5 Other changes	204	140	7	-	351
3. Decreases	**1,753**	**2,698**	**217**	**-**	**4,668**
3.1 Fair value decreases	550	758	217	-	1,525
3.2 Reversals for credit risk	154	434	-	-	588
3.3 Transfer to Profit and Loss Account of positive reserves: due to disposal	940	864	X	-	1,804
3.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
3.5 Other changes	109	642	-	-	751
4. Amount at year-end	**2,032**	**4,998**	**-510**	**-**	**6,520**

B.4 Valuation reserves relating to defined benefit plans: year changes

	31.12.2020		
(€ THOUSAND)	RESERVES	DTAS	NET RESERVE
1. Amount at year-start	**-2,614**	**694**	**-1,920**
2. Increases	47	-1	46
Decreases of actuarial losses	47	-1	46
Other increases	-	-	-
of which:			
- *business combinations*	-	-	*-363*
3. Decreases	-	-	-
Increases of actuarial losses	-500	137	-363
Other decreases	-	-	-
4. Amount at year-end	**-2,567**	**693**	**-2,237**

Section 2 – Own funds and banking capital ratios

In accordance with Circular No. 262 of 22 December 2005, 6th update of 30 November 2018, 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

Two business combinations were undertaken in 2020 as part of the reorganisation of the Nextam Partners Group[11]:
> on 30 June, the business unit responsible for managing Italian UCITS (the "UCITS Unit") was contributed by Nextam Partners SGR to the independent asset management company 8a+ Investimenti SGR ("8a+ SGR"), resulting in the acquisition of a 19.5% interest in the latter. This transaction resulted in a capital gain of 612 thousand euros on the acquisition of the equity investment in 8a+ SGR, valued at 912 thousand euros;
> the subsequent merger of Nextam Partners S.p.A. ("NP SPA") and Nextam Partners SGR ("NP SGR") into the parent company Banca Generali was finalised on 1 July 2020, with retroactive effects for accounting and tax purposes from 1 January 2020.

The merger of Nextam Partners S.p.A. and Nextam Partners SGR qualified as a transaction between entities under common control. It was accounted for in accordance with the principle of the continuity of values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali's 2019 Consolidated Financial Statements, and therefore it did not have any effects on the Consolidated Financial Statements for 2020.

Section 1 in Part G of the Notes and Comments to the Company's Financial Statements provides further details on this transaction.

1.1 The contribution of the UCITS Unit

The transaction entailed the substantial transfer to 8a+ Investimenti SGR of all assets of NP SGR attributable to the provision of collective asset management service and was intended to form a partnership between the Banca Generali Group and 8a+ SGR, instrumental to the development of operational and industrial synergies in the asset management sector.

In particular, the business unit contributed comprised:
> the management mandates of NP SGR relating to the Italian open-ended (reserved) AIF "Nextam Partners Hedge" and the two Italian open-ended UCITS "Nextam Partners Bilanciato" (Balanced) and "Nextam Partners Obbligazionario Misto" (Mixed Bond), with total assets under management of **93.3 million euros** at the end of 2019;
> the related distribution agreements, including that in force with Banca Generali;
> contracts for the supply of goods and services and all legal relationships associated with such contractual positions, including an agreement for placing the funds contributed and an advisory contract entered into with Banca Generali;
> cash and equivalents.

In return for the contribution, 8a+ SGR will undertook a reserved capital increase, without options, through the issue of new shares accounting for 19.5% of the company's post-transaction capital.

Following the transaction, Banca Generali became the owner of a significant equity interest in 8a+ SGR amounting to 912 thousand euros, which was recognised in the portfolio of Financial assets at fair value through other comprehensive income (without transfer to Profit or Loss Account).

All relations between Banca Generali and 8a+ SGR are governed by shareholders' agreements that do not constitute a situation of significant influence over the receiving company.

[11] For further information regarding the acquisition of the Nextam Partners Group, see Part G of the Notes and Comments to the Consolidated Financial Statements at 31 December 2019.

The composition of the business unit is shown below; it included 869 thousand euros attributable to the residual portion of an intangible asset recognised during the PPA for the Nextam Group and relating to customer relationships pertaining to the UCITS.

(€ THOUSAND)	30.06.2020
Equity interest in 8a+ SGR	912
Intangible assets (client relationships)	869
Deferred taxes (DTLs on intangible assets)	-257
Loans to banks	294
Loans to customers	82
Due to customers	-76
Total business unit	**912**

The business unit contributed net fees on an annual basis amounting to 0.8 million euros in 2019 and to 0.4 million euros in the first half of 2020, with a marginal ratio to the net banking income of the Wealth Management CGU of reference.

The exchange ratio between the new shares issued and the economic value of the unit contributed with respect to the economic value of the receiving company were determined, with support from a major consulting company, by applying the Excess of Capital variant of the Dividend Discount Model (DDM) with effect from the financial position situations of 8a+ and the UCITS unit and their projected financial performance during the 2020-2022 period. The control method used was an analysis based on market multiples, and in particular the goodwill/AUM ratio for a panel of listed companies with comparable businesses.

Within the framework of the investment agreement entered into with 8a+ SGR, Banca Generali will continue to act as distributor of the funds and advisor on investment policies.
In addition, within the framework of the partnership with 8a+ SGR, Banca Generali will act as advisor and distribute to its customers the new non-reserved, closed-ended alternative investment fund (AIF) 8a+ Real Innovation, intended for investments in the real estate and private equity sector, in support of innovative SMEs, and a new ELTIF (European Long Term Investment Fund) product currently being launched.

Section 2 – Transactions after the close of the period

No business combination transactions were undertaken after 31 December 2020 and until the date of approval of the Consolidated Financial Statements.

Section 3 – Retrospective adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2020 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 subsidiary SIMs Prime Consult 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, finalised on 25 July 2019; and
> acquisition of Valeur Fiduciaria, finalised on 15 October 2019.

At 31 December 2020, the Banking Group's goodwill totalled 86.9 million euros, broken down as follows:

(€ THOUSAND)	31.12.2020	PB CGU	WM CGU	31.12.2019
Prime Consult SIM e INA SIM	2,991	2,343	648	2,991
BG Fiduciaria SIM S.p.A.	4,289	3,360	929	4,289
Banca del Gottardo Italia	31,352	24,558	6,794	31,352
Credit Suisse Italy	27,433	21,488	5,945	27,433
Nextam Group	12,202	-	12,202	12,202
BG Valeur S.A.	8,706	-	8,706	8,652
Total	**86,973**	**51,749**	**35,224**	**86,919**

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 is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified for management reporting, pursuant to IFRS 8.

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 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's assets, as discussed in further detail in Section 1 above.

Definition and identification of the CGUs[12]

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*[13], and the assets attributable to the employed Financial Advisors included in the Private *Relationship Manager Area* and their clients.

At 31 December 2020, this CGU included 1,745 Financial Advisors managing assets amounting to 48.2 billion euros (+10.9% compared to the previous year), with net banking income exceeding 311 million euros and an estimated net result of 78.5 million euros.
In light of economic-financial forecasts based on the 2021-2023 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is expected to expand yearly by **7.9%** over the three years in question (CAGR), whilst the CGU's net result decreased by 1.9% per annum on average.

[12] On this subject, see also Part L "Segment Reporting" of these Notes and Comments and the corresponding chapter of the Annual Integrated Report.
[13] 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.

At 31 December 2020, the goodwill allocated to the new Private Banking CGU amounted to 51.7 million euros, as defined following the aforementioned reorganisation of operating segments, in addition to intangible assets totalling 4.3 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 2020, this CGU included 354 Wealth Managers managing assets amounting to 25.8 billion euros (+2.3% compared to the previous year), with net banking income exceeding 131 million euros and an estimated net result of 50.2 million euros.
In light of economic-financial forecasts based on the 2021-2023 Economic and Financial Plan, the CGU's mean portfolio of assets under management (AUM) is expected to expand yearly by **8.9%** over the three years in question (CAGR), whilst the growth rate of the CGU's net result was positive and equal to +11.1% per annum.

At 31 December 2020, the goodwill allocated to Wealth Management CGU amounted to 35.2 million euros, in addition to intangible assets totalling 17.5 million euros.

	31.12.2020				31.12.2019			
	FIGURATIVE CAPITAL	GOODWILL	OTHER INTANGIBLE ASSETS	CARRYING AMOUNT	FIGURATIVE CAPITAL	GOODWILL	OTHER INTANGIBLE ASSETS	CARRYING AMOUNT
PB CGU	157.2	51.7	4.3	213.2	150.0	51.7	4.8	206.5
WM CGU	80.9	35.2	17.5	133.6	75.5	35.2	19.9	130.6
Total	**238.1**	**86.9**	**21.8**	**346.8**	**225.5**	**86.9**	**24.7**	**337.1**

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 2021-2023 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 **1.35%**, in line with the International Monetary Fund's last estimates on expected inflation.

The cost of capital used to discount cash flows was **7.46%** 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 **1.12%,** equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of **5.6%**, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value of **1.12** 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[14].

[14] The cost of capital remained essentially unchanged compared to 2019 (7.46%) due to the significant reduction of the risk-free rate, which fell from 1.91% in 2019 to 1.12%, offset, as market premium held stable (5.6%), by an increase in the beta coefficient, which estimates the specific risk level of the security in the market of reference, equal to 1.0 in 2019.

The value analyses of the aforementioned CGUs carried out by the Bank as at 31 December 2020, 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 4 February 2021.

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 **133.6** million euros, while the value in use obtained by applying the analytical method described above amounted to a minimum of **705** million euros and a maximum of **888** million euros, with an average value of **785** million euros.
Therefore, the tests performed on the CGU did not detect any goodwill impairment.

The **PB CGU**'s carrying amount was **213.2** million euros, while the value in use obtained by applying the analytical method described above amounted to a minimum of **1,124** million euros and a maximum of **1,407** million euros, with an average value of **1,248** million euros.
Therefore, the tests performed on the CGU did not detect any goodwill impairment.

The test performed using the control method based on market multiples also confirmed that the carrying amount remained applicable in both cases.

	CGU'S 2020 RECOVERABLE AMOUNT			CGU'S 2019 RECOVERABLE AMOUNT		
	MIN	MAX	2020 CARRYING AMOUNT	MIN	MAX	2019 CARRYING AMOUNT
PB CGU	1,124	1,407	213.2	1,025	1,180	206.5
WM CGU	705	888	133.6	715	966	130.6

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.
Compared to the impairment test as at 31 December 2019, the margin of variability between the parameters Ke and g-rate was expanded and an additional analysis of sensitivity to changes in the parameters Ke and the CET1 ratio was introduced.

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 6.9%-7.9% and 1.1%-1.5%[15], respectively, whereas for the sensitivity at the level of CET1 the range of variation identified was between 10.8% and 12.8% (+/- 2%).

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.

[15] Last year, the range for Ke and g-rate was between 7.2%-7.7% and 1.05%-1.55%.

PART H – RELATED PARTY TRANSACTIONS

Procedural aspects

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with the provisions of Article 2391-*bis* of the Italian Civil Code, and Article 4 of the Regulation adopted with Consob Resolution No. 17221 of 12 March 2010, as subsequently amended.
On 12 December 2011, the Bank of Italy also updated the Prudential Supervisory Instructions for Banks (Bank of Italy Circular No. 263/2006), issuing new Provisions regulating risk-taking and conflicts of interest on the part of banks and banking groups, towards Associated Undertakings (Title V, Chapter 5).
The Procedure was last updated to bring it in line with Article 150 of TUF and the provisions introduced by the Bank of Italy on 2 July 2013 with the 15th amendment of Circular No. 263 of 27 December 2006 concerning "New Prudential Supervisory Provisions for Banks" on Transactions of Greater Importance.
The new Procedure for Related Party and Connected Party Transaction and Transactions of Greater Importance, in force as from 1 July 2014 and most recently updated on 15 May 2017, is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

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 (Managers with Strategic Responsibilities), 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[16], namely the Chief Executive Officer/General Manager and the two Deputy General Managers[17];
> 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 Transactions** — falling short of the threshold defining Highly Significant RP Transactions; they must be approved by the relevant corporate officers as established 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 in such regard. 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.

[16] Banking Group's Remuneration and Incentive Policies approved by the General Shareholders' Meeting on 23 April 2020.
[17] 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, paragraph 3, 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 **33.8 million** euros, reduced to **16.9 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.

	2020					
	DIRECTORS	AUDITORS	OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES	TOTAL	2019	CHANGE
Short-term benefits (current remuneration and social security charges) (1)	1,267	295	1,928	3,490	3,038	452
Post-employment benefits (2)			259	259	249	10
Other long-term benefits (3)	-	-	289	289	191	97
Share-based payments (4)	-	-	1,271	1,271	1,621	-350
Total	**1,267**	**295**	**3,488**	**5,309**	**5,099**	**210**
Total at 31 December 2019	**1,102**	**299**	**4,112**	**5,099**		

(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 Incentive Policy*.
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 1.1 million euros;
> the share-based payments envisaged in the Remuneration Policy for 0.2 million euros.

The last LTI Plan activated by the parent company Assicurazioni Generali S.p.A. and referring to the three-year period 2017-2019 is no longer generating effects.
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 Managers (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 2020, 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 2020, the Banking Group did not undertake any transaction qualifying as "highly significant".

Other significant transactions
In 2020, 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 2020 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	31.12.2020	31.12.2019	WEIGHT % 2020
Financial assets at fair value through profit or loss:	883	-	883	1,141	1.8%
c) other financial assets mandatorily measured at fair value	883	-	883	1,141	2.0%
Financial assets at fair value through other comprehensive income	246	-	246	246	-
Financial assets at amortised cost:	36,413	1,632	38,045	23,778	0.4%
b) loans to customers	36,413	1,632	38,045	23,778	0.5%
Equity investments	-	1,717	1,717	2,061	100.0%
Property, equipment and intangible assets	68,896	-	68,896	73,480	23.9%
Tax assets (AG tax consolidation)	-	-	-	2,903	-
Other assets	191	-	191	86	-
Total assets	**106,629**	**3,349**	**109,978**	**103,695**	0.8%
Financial liabilities at amortised cost:	333,129	2,672	335,801	433,868	2.9%
b) due to customers	333,129	2,672	335,801	433,868	3.1%
Tax liabilities (AG tax consolidation)	5,287	-	5,287	-	12.4%
Other liabilities	5,850	-	5,850	5,071	3.2%
Equity instruments	**50,000**	**-**	**50,000**	**50,000**	**100.0%**
Total liabilities	**394,266**	**2,672**	**396,938**	**488,939**	**3.0%**
Guarantees issued	**2,300**	**-**	**2,300**	**2,649**	**3.3%**

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 106.6 million euros, compared to the 101.6 million euros recognised at the end of 2019, equal to 0.8% 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 68.9 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 394.3 million euros, accounting for 3.0% of liabilities, down by 90.7 million euros (-18.7%) 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 71.2 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 19.9% interest in BG Saxo SIM that was acquired on 31 October 2019.
The share of interest that the Bank acquired in 2015 in IOCA Entertainment Ltd., a company under the UK law, and that had already been impaired in the previous year, was almost fully written off at the end of 2020 in light of the absence of concrete future economic prospects.

Exposures to Generali Group companies recognised as **loans to customers** amounted to 36.4 million euros and refer to the following transactions:

			31.12.2020		31.12.2019	
COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT	REVENUES	AMOUNT	REVENUES
Genertellife	Subsidiary of the AG Group	Operating loans	31,949	-	21,196	-
Other companies of the Generali Group	Subsidiary of the AG Group	Operating loans	3,520	-	2,538	-
Other companies of the Generali Group	Subsidiary of the AG Group	Medium/Short-term loans	933	19	-	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	11	1,178	44	1,470
			36,413	**1,197**	**23,778**	**1,470**

Operating loans 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 333.1 million euros compared to 429.8 million euros for the previous year and included amounts due to the parent company Assicurazioni Generali S.p.A. for 25.2 million euros, and amounts due to Generali Italia S.p.A. for 97.5 million euros (of which 38.5 million euros relating to lease liabilities arising from the lease contracts for the administrative offices and the commercial network offices).

Amounts due to the Parent Company and classified as **tax liabilities** consisted of Banca Generali S.p.A.'s net tax debt resulting from the balance between tax prepayments, withholdings and tax credits and the estimated IRES tax 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 in force 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 2020, the first two instalments were paid for a total amount of 2,250 thousand euros.

Finally, a total of 2.3 million euros in personal guarantees was issued for Generali Group companies, of which 1.3 million euros on behalf of Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 31 December 2020, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 232.1 million euros, or 58.9% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2020	2019	WEIGHT % 2020
Interest income	1,197	-	1,197	1,470	1.2%
Interest expense	-1,587	-	-1,587	-2,954	25.5%
Net interest income	**-390**	**-**	**-390**	**-1,484**	**-0.4%**
Fee income	255,710	1,629	257,339	245,711	27.8%
Fee expense	-2,087	-125	-2,212	-1,883	0.6%
Net fees	**253,623**	**1,504**	**255,127**	**243,828**	**48.8%**
Dividends	31	-	31	56	1.3%
Operating income	**253,264**	**1,504**	**254,768**	**242,400**	**40.3%**
Staff expenses	310	-	310	180	-0.3%
General and administrative expenses	-13,887	-	-13,887	-13,512	7.9%
Net adjustments/reversals of property and equipment	-7,654	-	-7,654	-6,810	23.2%
Other net operating income	73	1	74	73	0.1%
Net operating expenses	**-21,158**	**1**	**-21,157**	**-20,069**	**8.9%**
Operating result	**232,106**	**1,505**	**233,611**	**222,331**	**59.3%**
Operating profit	**232,106**	**1,505**	**233,611**	**222,331**	**67.3%**
Net profit (loss) for the year	**232,106**	**1,505**	**233,611**	**222,331**	**85.0%**
Net profit (loss) for the year attributable to the Parent Company	**232,106**	**1,505**	**233,611**	**222,331**	**85.0%**

Overall **net interest income** accrued in dealings with members of the Insurance Group was negative at 0.4 million euros. 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 1.6 million euros, equal to 25.5% 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 255.7 million euros, equal to 27.7% of the aggregate amount and was broken down as follows:

			CHANGE	
	2020	2019	ABSOLUTE	%
Fees for the placement of UCITS	1,667	1,816	-149	-8.2%
Fees for distribution of insurance products	246,708	236,855	9,853	4.2%
Distribution of discretionary mandates	926	771	155	20.1%
Advisory fees	6,183	5,941	242	4.1%
Other banking fees	226	192	34	17.7%
Total	**255,710**	**245,575**	**10,135**	**4.1%**

The most significant component consists of fees for the **distribution of insurance products** paid back by **Genertellife**, reaching 246.7 million euros, up by 4.2% 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 2020 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 6.2 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	
	2020	2019	ABSOLUTE	%
Sicav underwriting fees	16	22	-6	-27.3%
Trading fees on funds and Sicavs	1,146	1,008	138	13.7%
Total	**1,162**	**1,030**	**132**	**12.8%**

With regard to fee income arising from associates subject to significant influence, worthy of note is the fee income relating to BG Saxo services and linked to the marketing to Bank's customers of the trading and order collection services rendered by BG Saxo SIM S.p.A.

The **net operating expenses** reported by the Banca Generali Group in relation to transactions with related parties of the Generali Group amounted to 21.2 million euros and refer for 8.9% to outsourced insurance, leasing, administrative and IT services.

			CHANGE	
	2020	2019	ABSOLUTE	%
Insurance services	2,710	2,395	315	13.2%
Property services	1,040	1,158	-118	-10.2%
Administration, IT and logistics services	10,064	9,886	178	1.8%
Staff services	-310	-180	-130	72.2%
Depreciation of ROUs (IFRS 16)	7,654	6,810	844	12.4%
Total administrative expenses	**21,158**	**20,069**	**1,089**	5.4%

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 chiefly refer 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 7.7 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

Exposure 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)	KEY MANAGERS
Loans to customers	4,234
Amounts due to customers	7,092
Other liabilities	63
General and administrative expenses	-193
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.

2019 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 2019. 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)	2019
Net profit	**1,514.6**
Aggregate dividend	1,513.0
Increase	7.08%
Total net premiums	2,634.2
Total gross premiums	3,666.8
Total gross premiums from direct business	718.4
Increase on equivalent terms (a)	
Total gross premiums from indirect business	2,948.4
Increase on equivalent terms (a)	
Acquisition and administration costs	527.7
Expense ratio (b)	20.00%
Life business	
Life net premiums	1,277.1
Life gross premiums	1,684.5
Increase on equivalent terms (a)	
Life gross premiums from direct business	222.2
Increase on equivalent terms (a)	
Life gross premiums from indirect business	1,462.4
Increase on equivalent terms (a)	
Life acquisition and administration costs	212.9
Expense ratio (b)	16.60%
Non-life business	
Non-life net premiums	1,357.2
Non-life gross premiums	1,982.2
Increase on equivalent terms (a)	
Non-life gross premiums from direct business	496.2
Increase on equivalent terms (a)	
Non-life gross premiums from indirect business	1,486.0
Increase on equivalent terms (a)	
Non-life acquisition and administration costs	314.8
Expense ratio (b)	23.2%
Loss ratio (c)	74.2%
Combined ratio (d)	97.4%
Current financial result	**2,809.2**
Technical provisions	7,088.0
Life segment technical provisions	5,147.0
Non-life segment technical provisions	1,941.0
Investments	40,474.8
Capital and reserves	13,564.3

(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 2020, 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 Incentive 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 fourth annual cycle (2020-2026), 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 Incentive Policy* — adopted in compliance with the Supervisory Provisions[18] 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[19].

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[20], 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.

[18] Bank of Italy Circular No. 285/2013, "Supervisory Provisions for Banks", Part I, Title IV, Chapter 2, Remuneration and Incentive Policies and Procedures.
[19] During the retention period, voting and dividend rights are unrestricted; however, plans referring to years prior to 2019 did not envisage any dividend rights.
[20] 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)[21].

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[22].

1.2 Information on the share-based payment plans in connection to the Remuneration Policies

At 31 December 2020, there were three active cycles of share-based plans in connection to the Remuneration Policies relating to 2018, 2019 and 2020, in addition to a modest number of non-standardised recruitment plans that call for a greater deferral on a long-term horizon.

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.

In that cycle, the shares to be assigned to Key Personnel totalled **138,375**, of which **42,903** were awarded to Network Managers, **80,254** referred to ordinary incentives and entry bonuses paid to Financial Advisors falling within Key Personnel on the basis of the fee volume accrued, **13,205** to employees, and **1,417** referred to the subsidiary BGFML, for a total fair value amounting to approximately **3.2 million** euros.

[21] 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.

[22] They include, in particular, the bonuses paid in shares to Key Personnel and some managers of the subsidiary BGFML.

In 2019, 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 granted 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 **216,133**, of which **80,897** were awarded to Network Managers, **106,082** referred 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 approximately **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 respect of the assessment of the achievement by Key Personnel of the objectives set for 2020, it was estimated that the portion of variable remuneration subject to share-based payment amounted to approximately **116 thousand** shares, for a total plan fair value of **2.3 million euros**.

Other plans
In 2017, a settlement agreement was also reached with a former Area Manager which, based on the current Remuneration Policy, provided for the granting of a portion of the indemnity, estimated in the amount of **17,591** Banca Generali shares and a total fair value of an additional **0.4** million euros. In 2020, the assignment of shares envisaged in the plan was suspended.

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.
The shares to be assigned under these plans currently amount to **30,350**, including **7,402** shares already assigned, for a total fair value of approximately **0.7 million euros**.

In the reporting year, on the basis of the achievement of the performance objectives set out in the 2017, 2018 and 2019 Remuneration Policy, **190,903** treasury shares were granted to company managers and network managers, of which **27,772** assigned to employees or former employees, and **164,202** to area managers and Financial Advisors[23].

[23] Including former area managers.

In particular, the shares assigned for 2017 and 2018 related, respectively, to the first and second tranches deferred by one year (20%), whereas the shares assigned for 2019 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 AUTHORI-SATION	ASSIGNMENT PRICE	WEIGHTED AVERAGE FV	TOTAL SHARES ACCRUED/ ACCRUING	SHARES VESTED	SHARES ASSIGNED IN 2019	SHARES TO BE ASSIGNED	PLAN'S FAIR VALUE (€ MILLION)
Year 2016 (*)	21.04.2016	06.06.2016	25.28	23.20	17.9	4.7	2.1	11.1	0.4
Year 2017	20.04.2017	03.07.2017	23.73	22.53	156.2	150.0	28.2	3.8	3.5
Year 2018	12.04.2018	11.06.2018	28.57	23.54	141.7	141.7	29.1	28.5	3.3
Year 2019	18.04.2019	21.06.2019	20.25	21.73	216.1	17.1	130.9	85.2	4.7
Year 2020 (*)	23.04.2020	16.07.2020	29.71	19.88	128.4	71.0	0.6	127.8	2.6
Total					**660.4**	**384.5**	**190.9**	**256.4**	**14.5**

(*) Including long-term recruitment plans.

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 three plans amounted to about 970 thousand (873 thousand net of the estimated turnover), for a total value of 11.2 million euros, of which 2.6 million euros 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
2017-2026 Plan	208	187	2.5	0.8
2018-2026 Plan	164	148	2.4	0.7
2019-2026 Plan	338	305	3.9	0.8
2020-2026 Plan	259	233	2.5	0.3
Total	**970**	**873**	**11.2**	**2.6**

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 incentive 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 features of the plan are as follows[24]:
> 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[25] 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.

24 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).
25 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.

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)[26].

The following sections show the performance indicators defined for the plans activated up to now.

3. 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	ACCESS GATES		OBJECTIVES	
		BANKING GROUP'S	INSURANCE GROUP'S	BANKING GROUP'S	INSURANCE GROUP'S
2018 LTI	80% -20%			1. tROE, 2. EVA	1. Operating ROE, 2. rTSR
2019 LTI	80% -20%	Total Capital Ratio (TCR), Liquidity Coverage Ratio (LCR) (*)	Regulatory solvency ratio	1. tROE, 2. Recurring net profit, 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

a) tROE (tangible – Return on equity): the ratio of net profit and average net equity, net of net profit for the year of the OCI component and intangible assets.
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 * 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.
(*) In detail, 2020 access gates are: TCR >=13% and LCR >=130%.

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.

[26] In particular, the maximum performance level is associated with a percentage of 175%.

3.2 Information on the share-based payment plans linked to the BG LTI plans

Overall, the total number of shares, either assigned or in the process of accruing, for the three plans amounted to about 332 thousand, for a total value of 5.2 million euros, of which 3.6 million euros already recognised through profit or loss (2.1 million euros for 2019).

(THOUSANDS OF SHARES)	MAXIMUM NO. OF SHARES	PLAN'S FAIR VALUE (€ MILLION)	IFRS 2 RESERVE
2018-2020 Plan	90	1.8	1.8
2019-2021 Plan	151	2.3	1.5
2020-2022 Plan	90	1.2	0.3
Total	**332**	**5.2**	**3.6**

Quantitative information

The value of treasury shares assigned during the year was 4.9 million euros, against IFRS 2 reserves totalling 4.2 million euros, with a negative net effect on the share premium reserve of about 0.7 million euros.
New provisions have also been made to the reserve totalling 5.6 million euros.

At 31 December 2020, total IFRS 2 reserves allocated therefore amounted to 10.6 million euros, of which:
> 4.4 million euros in relation to the Remuneration Policies;
> 2.6 million euros in relation to the Loyalty Programme;
> 3.6 million euros in relation to the BG LTI plan.

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, with effect from 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 net 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. For the purpose of a better understanding of the P&L data reported below, it bears recalling that changes also reflect the 2020 reallocations among CGUs.

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT (€ THOUSAND)	2020				2019			
	PB CGU	WM CGU	CORPORATE CENTER	TOTAL	PB CGU	WM CGU	CORPORATE CENTER	TOTAL
Net interest income	**9,317**	**5,206**	**75,121**	**89,644**	**10,247**	**5,192**	**58,577**	**74,015**
Fee income	565,734	259,433	98,950	924,117	539,860	250,090	91,065	881,014
of which:								
- *underwriting*	*24,018*	*7,357*	*1,000*	*32,375*	*21,956*	*5,916*	*910*	*28,781*
- *management*	*429,350*	*206,569*	*39,486*	*675,406*	*416,321*	*198,125*	*31,868*	*646,313*
- *performance*	*68,888*	*27,510*	*45,367*	*141,765*	*70,958*	*31,117*	*45,361*	*147,436*
- *other*	*43,477*	*17,997*	*13,097*	*74,571*	*30,626*	*14,932*	*12,926*	*58,484*
Fee expense	-263,666	-133,463	-18,958	-416,087	-252,465	-126,199	-12,540	-391,204
of which:								
- *incentives*	*-8,958*	*-5,823*	*-*	*-14,781*	*-8,216*	*-5,113*	*-*	*-13,329*
Net fees	**302,067**	**125,970**	**79,992**	**508,030**	**287,395**	**123,890**	**78,525**	**489,810**
Net income (loss) from trading activities and dividends	-	-81	20,019	19,939	-	-20	14,193	14,173
Net banking income	**311,384**	**131,095**	**175,133**	**617,613**	**297,642**	**129,062**	**151,295**	**577,998**
Staff expenses	-	-	-	-104,272	-	-	-	-97,219
Other general and administrative expenses	-	-	-	-176,237	-	-	-	-162,681
Adjustments of property, equipment and intangible assets	-	-	-	-32,958	-	-	-	-29,955
Other operating expenses/income	-	-	-	74,965	-	-	-	68,706
Net operating expenses	**-**	**-**	**-**	**-238,502**	**-**	**-**	**-**	**-221,149**
Operating result	**-**	**-**	**-**	**379,111**	**-**	**-**	**-**	**356,849**
Adjustments of other assets	-	-	-	-662	-	-	-	-5,387
Net provisions	-	-	-	-30,828	-	-	-	-24,281
Gains (losses) from equity investments	-	-	-	-331	-	-	-	-1,867
Operating profit before taxation	**-**	**-**	**-**	**347,290**	**-**	**-**	**-**	**325,314**
Income taxes - current operations	-	-	-	-72,396	-	-	-	-53,192
Net profit	**-**	**-**	**-**	**274,894**	**-**	**-**	**-**	**272,122**
Profit (loss) for the year attributable to minority interests	-	-	-	-25	-	-	-	-17
Net profit	-	-	-	**274,919**	**-**	**-**	**-**	**272,139**

(€ MILLION)	31.12.2020				31.12.2019			
	PB CGU	WM CGU	CORPORATE CENTER	TOTAL	PB CGU	WM CGU	CORPORATE CENTER	TOTAL
Assets Under Management	48,172	25,830	5,333	79,335	43,428	25,235	5,091	73,754
Net Inflows	3,905	1,961	n.a.	5,866	3,151	2,349	-370	5,130
No. of FAs/RMs	1,745	354	n.a.	2,099	1,707	333	n.a.	2,040

Interest income includes negative interest income classified under Item 20 of the Profit and Loss Account (Interest expense).
Interest expense includes negative interest expense classified under Item 10 of the Profit and Loss Account (Interest income).
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.

	31.12.2020		
(€ THOUSAND)	PB CGU	WM CGU	TOTAL
Goodwill	51,749	35,224	86,973
Intangible assets (customer relationships and trademarks)	4,274	17,501	21,775

In accordance with the requirements of IFRS 8.33, it bears recalling that the Group's business is substantially evenly distributed throughout Italy. The 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 related to lease debts** in Part C, Section 1 – Interests – Items 10 and 20, Table 1.1 Breakdown of interest income and similar revenues;
> **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, 5 March 2021

The board of Directors

Independent Auditors' Report on the Consolidated Financial Statements

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Independent auditor's Report
pursuant to article 14 of Legislative Decree n. 39, dated January 27 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of Banca Generali S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banca Generali Group (the Group), which comprise the balance sheet as at December 31, 2020, the profit and loss account, the statement of other comprehensive income, the statement of changes in net equity, cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree NO. 38/05 as well as 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Banca Generali S.p.A. (the Company) in accordance with the ethical and independence requirements applicable in Italy to the audit 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

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Key audit matters	Audit responses
VALUATION OF GOODWILL Notes: Part A) Accounting policies; Part B) Information on the consolidated balance sheet Assets - Section 10; Part G) Business combinations of entities or branches - Section 3. The Group recorded among intangibles in the financial statements, goodwill for Euro 86,97 million. This goodwill, as required by IAS 36 "Impairment of assets", are not depreciated but tested for impairment ("Impairment test"), at least annually, by means of comparison of the carrying value with recoverable amounts of each CGU represented by the value in use. The impairment test performed by the Bank confirmed the recoverability of goodwill registered in the consolidated financial statements. We focused on this area due to the significance of its amount and the significant judgement and complexity of the evaluation process; the recoverable amount of goodwill is based on the realisation of the assumptions of the plan, discount rates and expected future growth rates and other subjective assumptions.	Our main audit procedures performed, also with the support of our specialists, in response to the key audit matter regarding the valuation of goodwill, included the following: ▪ We challenged the reasonableness of the key underlying assumptions of the plan; ▪ We assessed and challenged the adequacy of the impairment model adopted; ▪ We assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, discount rates, long term growth rates. ▪ We verified the clerical accuracy of the impairment model adopted. ▪ We performed sensitivity analysis of the control model of impairment when key assumptions change; ▪ We verified the disclosures provided.
VALUATION OF THE PROVISIONS REGARDING THE INDEMNITY OF THE NETWORK AND LEGAL DISPUTES Notes: Part A) Accounting policies; Part B) Information on the balance sheet Liabilities - Section 10. Provisions for liabilities and contingencies at December 31, 2020 show a balance of Euro 187,3 million.In the section, Provisions for termination indemnity of Financial Advisors are equal to Euro 121,4 million, Provisions for network incentives are equal to Euro 27,5 million, Provisions for legal disputes are equal to Euro 12,9 million and Provisions for staff expenses are equal to Euro 15,7 million. We focused on these items due to the significance of their amount, the complexity of the algorithms of actuarial statistical calculation adopted and significant judgement in the evaluation process, based on various assumptions and factors.	Our main audit procedures performed in response to the key audit matter regarding the valuation of the provisions regarding the indemnity to the network and legal disputes included the following: ▪ We analysed the methodology used by the Group to estimate the provisions; ▪ We performed test of details on the completeness and accuracy of data used to determine the provisions for risks and charges; ▪ We performed an actuarial review, also with the support of external specialists, of the approach and assumptions adopted for the evaluations at December 31, specifically regarding the termination indemnity of Financial Advisors; ▪ We obtained an external confirmation from legal experts of the Group on their evaluation about the existing disputes' development and the chance of losing; ▪ We verified the disclosures provided.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree NO. 38/05 and article 43 of Legislative Decree NO. 136/15 and, within the terms provide by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the holding Banca Generali S.p.A. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's 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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated 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.
- Obtained 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 have communicated with those charged with governance, as properly identified in accordance with ISA Italia, 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 have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated 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 period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of Banca Generali S.p.A. on April 23, 2015 to perform the audits of the financial statements and of the consolidated financial statements of each fiscal year starting from December 31, 2015 to December 31, 2023.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10 and of article 123-bis of Legislative Decree n. 58/98

The directors of Banca Generali S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Banca Generali S.p.A. as at December 31, 2020, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the consolidated financial statements of Banca Generali S.p.A. as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Banca Generali Group as at December 31, 2020 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement in accordance with article 4 of Consob Regulation in application of Legislative Decree n. 254, of December 30, 2016

The Directors of Banca Generali S.p.A. are responsible for the preparation of the consolidated non financial statements in accordance with Legislative Decree n.254, of December 30, 2016.

We verified the approval of the consolidated non financial statements by the Board of Directors.

According to article 3, paragraph 10, of Legislative Decree n.254, of December 30, 2016 we performed a separate audit analysis on this statement.

Milan, March 29, 2021

BDO Italia S.p.A.

Rosanna Vicari
Partner
(signed in the original)

Independent Auditors' Report on the Consolidated Non-Financial Statement

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Independent Auditors' Report

on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016 and to article 5 of CONSOB Regulation adopted with resolution no. 20267/January 2018.

To the Board of Directors of Banca Generali S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 ("Decree") and to article 5 of the CONSOB Regulation n. 20267/2018 of January 18, 2018, we have been engaged to perform a limited assurance engagement on the Consolidated Non-Financial Statement of Banca Generali S.p.A. and subsidiaries (**the "Group"**) as of December 31, 2020 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 5 March 2021 (hereinafter the "NFS").

Directors' and Board of Statutory Auditors' responsibility for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI - Global Reporting Initiative 'core option' ("GRI Standards") that have been identified as the reference standard for the reporting process.
The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of a 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, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the Group' business and characteristics, to the extent necessary to ensure an understanding of the Group's business, performance, results and the related impacts.

Finally, the Directors are responsible to design a business management model for the organisation of the Group's activities, as well as, with reference to the topics identified and reported in the NFS, for the policies for the identification and management of the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, compliance with the provisions set out in the Decree.

Auditors' Independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants 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 that includes directives and procedures concerning compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express our 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 in the *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 (IAASB) for limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance 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 performed on the NFS are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence, as appropriate.

Specifically, we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in the light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance to the Decree.
3. Comparison of data and financial economic disclosures presented in the NFS with those included in the Group's consolidated financial statements.
4. Understanding of the following matters:
   - Business management model of the Group's activity, with reference to the management of the topics set out in article 3 of the Decree;
   - Policies adopted by the entity in connection with the topics set out in article 3 of the Decree, achieved results and related key performance indicators;
   - Main risks, generated and/or undertaken, in connection with the topics set out in article 3 of the Decree.

   With reference to these matters, we compared them with the disclosures presented in the NFS and carried out the procedures described in point 5, letter a).
5. Understanding of the processes underlying the origination, recording and management of significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we carried out interviews and discussions with the management of Banca Generali S.p.A. and we also performed limited documentary verifications, in order to gather information on the processes and procedures supporting the collection, aggregation, processing and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

   In addition, with respect to significant information, taking into consideration the Group's business and characteristics:

   - at parent company's and subsidiaries level:
     a) with regards to qualitative information included in the NFS, and specifically with reference to the business model, policies applied and main risks, we carried out interviews and gathered supporting documentation to check for consistency with available evidence.
     b) with regards to quantitative information, we carried out both analytical and limited procedures to ensure, on a sample basis, the correct aggregation of data.

- for Banca Generali sites of Milan and Trieste, selected on the basis of their business activities, their contribution to the key performance indicators at consolidated level and location, we carried out site visits, to meet their management and gather supporting documentation with reference to the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Banca Generali Group as of December 31, 2020 has not been prepared, in all material respects, in accordance with the requirements of article 3 and 4 of the Decree and the GRI Standards.

Milan, 29 March 2021

Signed by
BDO Italia S.p.A.

Rosanna Vicari
Partner

This report has been translated into English language
Solely for the convenience of international readers.

06

FINANCIAL STATEMENTS OF BANCA GENERALI S.P.A. at 31.12.2020

“Our commitment is to be
a new asset to be made available
to our entrepreneur clients
to help them to optimise
the governance of their family
businesses.”

Andrea Ragaini
Deputy General Manager, Banca Generali

Economic and financial highlights

ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	31.12.2020	31.12.2019	CHANGE %
Net interest income	90.1	74.3	21.3
Net financial income	110.1	88.5	24.4
Net fees	234.5	218.9	7.1
Net banking income	**344.6**	**307.3**	**12.1**
Net operating expenses (c)	**-207.9**	**-198.4**	**4.8**
of which:			
- *staff expenses*	*-90.1*	*-86.5*	*4.1*
Operating result	**136.7**	**108.9**	**25.6**
Provisions and charges related to the banking system (c)	-42.1	-32.5	29.6
Adjustments to non-performing loans	-0.3	-5.4	-95.1
Profit before taxation	**331.3**	**281.3**	**17.8**
Net profit	**289.2**	**248.4**	**16.4**

PERFORMANCE INDICATORS

	31.12.2020	31.12.2019	CHANGE %
Cost/Income ratio (c)	51.2%	55.2%	-7.3
EBTDA (c)	168.2	137.7	22.1
ROE (a)	31.0%	34.9%	-11.0
ROA (b)	0.4%	0.4%	7.4
EPS - Earnings per share (euros)	2.507	2.146	16.8

NET INFLOWS

(€ MILLION) (ASSORETI DATA)	**31.12.2020**	**31.12.2019**	CHANGE %
Mutual Funds and Sicavs	2,169	1,642	32.1
Portfolio management	119	-322	137.0
Insurance/Pension funds	1,097	1,479	-25.8
Securities/Current accounts	2,481	2,331	6.4
Total	**5,866**	**5,130**	**14.3**

(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 to the average of Assoreti's annualised quarterly AUM.
(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.

ASSETS UNDER MANAGEMENT & CUSTODY (AUM/C)

(€ BILLION) (ASSORETI DATA)	31.12.2020	31.12.2019	CHANGE %
Mutual Funds and Sicavs	19.3	16.5	17.4
Financial wrappers	7.3	6.7	9.2
Insurance wrappers	9.5	8.7	9.5
Asset management	36.1	31.8	13.5
Traditional life insurance policies	16.6	16.5	0.1
AUC	20.7	18.5	11.8
Total	**73.3**	**66.8**	**9.7**

NET EQUITY

(€ MILLION)	31.12.2020	31.12.2019	CHANGE %
Net equity	1,071.6	791.6	35.4
Own funds	575.5	475.6	21.0
Excess capital	234.3	152.2	54.0
Total Capital Ratio	**17.7%**	**15.4%**	**14.7**

Accounting statements

BALANCE SHEET

ASSETS

(EURO)	31.12.2020	31.12.2019
10. Cash and deposits	574,102,472	525,395,846
20. Financial assets measured at fair value through profit or loss	48,455,012	64,996,677
a) HFT financial assets	3,619,452	18,298,453
c) other financial assets mandatorily measured at fair value	44,835,560	46,698,224
30. Financial assets at fair value through other comprehensive income	2,730,097,911	2,778,836,317
40. Financial assets at amortised cost	9,027,610,582	7,631,497,543
a) loans to banks	664,419,250	616,243,595
b) loans to customers	8,363,191,332	7,015,253,948
50. Hedging derivatives	2,486,444	4,727,087
70. Equity investments	16,827,362	37,463,437
80. Property and equipment	147,052,581	159,309,595
90. Intangible assets	123,578,888	99,698,707
of which:		
- *goodwill*	*78,266,416*	*66,064,683*
100. Tax receivables	48,107,498	49,298,583
a) current	486,073	3,171,392
b) prepaid	47,621,425	46,127,191
120. Other assets	372,229,845	333,830,704
Total assets	**13,090,548,595**	**11,685,054,496**

NET EQUITY AND LIABILITIES

(EURO)	31.12.2020	31.12.2019
10. Financial liabilities at amortised cost	11,563,118,207	10,565,184,070
a) due to banks	598,129,295	94,766,641
b) due to customers	10,964,988,912	10,470,417,429
20. HFT financial liabilities	1,551,247	1,203,977
40. Hedging derivatives	67,853,205	7,480,844
60. Tax liabilities	21,859,005	9,569,260
a) current	9,165,983	1,490,483
b) deferred	12,693,022	8,078,777
80. Other liabilities	176,261,489	140,178,939
90. Employee termination indemnities	4,870,388	4,681,101
100. Provisions for liabilities and contingencies:	183,448,313	165,159,587
a) commitments and guarantees issued	124,441	107,702
c) other provisions	183,323,872	165,051,885
110. Valuation reserves	4,158,152	3,998,890
130. Equity instruments	50,000,000	50,000,000
140. Reserves	599,493,200	352,015,427
150. Share premium reserve	57,061,655	57,728,952
160. Share capital	116,851,637	116,851,637
170. Treasury shares (-)	-45,185,140	-37,356,083
180. Net profit (loss) for the year	289,207,237	248,357,895
Total net equity and liabilities	**13,090,548,595**	**11,685,054,496**

PROFIT AND LOSS ACCOUNT

ITEMS

(EURO)		2020	2019
10.	Interest income and similar revenues	96,075,578	82,987,961
20.	Interest expense and similar charges	-5,995,768	-8,710,161
30.	**Net interest income**	**90,079,811**	**74,277,800**
40.	Fee income	620,305,363	581,991,820
50.	Fee expense	-371,024,816	-349,805,632
60.	**Net fees**	**249,280,547**	**232,186,188**
70.	Dividends and similar income	240,645,123	215,503,593
80.	Net income (loss) from trading activities	6,127,161	5,625,489
90.	Net income (loss) from hedging	-906,245	17,618
100.	Gain (loss) on disposal or repurchase of:	15,292,850	5,839,978
	a) financial assets at amortised cost	17,450,210	314,734
	b) financial assets at fair value through other comprehensive income	-2,157,361	5,525,244
110.	Net income (loss) from financial assets and liabilities at fair value through profit and loss:	-2,819,339	-180,897
	b) other financial assets mandatorily measured at fair value	-2,819,339	-180,897
120.	**Net banking income**	**597,699,907**	**533,269,769**
130.	Net adjustments/reversals due to credit risk:	-263,695	-5,387,350
	a) financial assets at amortised cost	-381,086	-5,591,088
	b) financial assets at fair value through other comprehensive income	117,391	203,738
150.	**Net income (loss) from trading activities**	**597,436,211**	**527,882,419**
160.	General and administrative expenses:	-262,190,588	-245,890,259
	a) staff expenses	-90,065,916	-86,484,686
	b) other general and administrative expenses	-172,124,672	-159,405,573
170.	Net provisions for liabilities and contingencies:	-45,601,045	-37,603,540
	a) commitments and guarantees issued	-16,739	-22,081
	b) other net provisions	-45,584,307	-37,581,459
180.	Net adjustments/reversals of property and equipment	-20,425,702	-19,406,400
190.	Net adjustments/reversals of intangible assets	-11,076,304	-9,426,558
200.	Other operating expenses/income	74,542,318	68,068,989
210.	**Operating expenses**	**-264,751,321**	**-244,257,768**
220.	Gains (losses) from equity investments	-1,370,482	-2,058,518
250.	Gains (losses) on disposal of investments	6,834	-262,322
260.	**Profit from operating activities before income taxes**	**331,321,242**	**281,303,811**
270.	Income taxes for the year on operating activities	-42,114,005	-32,945,916
280.	**Net profit from operating activities after income taxes**	**289,207,237**	**248,357,895**
300.	**Net profit (loss) for the year**	**289,207,237**	**248,357,895**

STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(EURO)		2020	2019
10.	**Net profit for the year**	**289,207,237**	**248,357,895**
	Other income net of income taxes, without transfer to Profit and Loss Account		
20.	Equity securities at fair value through other comprehensive income	-210,160	-300,000
70.	Defined benefit plans	-362,247	-23,028
	Other income net of income taxes, with transfer to Profit and Loss Account		
140.	Financial assets (other than equity securities) at fair value through other comprehensive income	860,474	15,826,885
170.	**Total other income net of income taxes**	**288,067**	**15,503,857**
180.	**Comprehensive income (Items 10 + 170)**	**289,495,304**	**263,861,752**

STATEMENT OF CHANGES IN EQUITY

ITEMS

(EURO)	SHARE CAPITAL A) ORDINARY SHARES	SHARE CAPITAL B) OTHER	SHARE PREMIUM RESERVE	FESERVES A) RETAINED EARNINGS	FESERVES B) OTHER	VALUATION RESERVES	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 options	-	-	-	-	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**

(EURO)	SHARE CAPITAL A) ORDINARY SHARES	SHARE CAPITAL B) OTHER	SHARE PREMIUM RESERVE	FESERVES A) RETAINED EARNINGS	FESERVES B) OTHER	VALUATION RESERVES	EQUITY INSTRUMENTS	TREASURY SHARES	NET PROFIT (LOSS)	NET EQUITY
Net equity at 31.12.2018	**116,851,637**	**-**	**57,889,178**	**284,056,361**	**18,983,293**	**-11,504,968**	**-**	**-22,723,670**	**189,057,613**	**632,609,444**
Change in opening balances	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2019	116,851,637	-	57,889,178	284,056,361	18,983,293	-11,504,968	-	-22,723,670	189,057,613	632,609,444
Allocation of net profit for the previous year:	-	-	-	44,158,109	-	-	-	-	-189,057,613	-144,899,504
- Reserves	-	-	-	44,158,109	-	-	-	-	-44,150,830	7,279
- Dividends and other allocations	-	-	-	-	-	-	-	-	-144,906,783	-144,906,783
Change in reserves	-	-	-	-	651,040	-		-		651,040
Transactions on net equity:	-	-	-160,226	-	4,166,624		50,000,000	-14,632,413	-	39,373,985
- Issue of new shares	-	-	-160,226	-	-2,851,564	-	-	3,153,456	-	141,666
- Purchase of treasury shares	-	-	-	-	-	-	-	-17,785,869	-	-17,785,869
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	50,000,000	-	-	50,000,000
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	7,018,188	-	-	-	-	7,018,188
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**15,503,858**	**-**	**-**	**248,357,895**	**263,861,753**
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**

CASH FLOW STATEMENT

INDIRECT METHOD

(EURO)	2020	2019
A. OPERATING ACTIVITIES		
1. Operations	**78,109,779**	**87,331,713**
Net profit (loss) for the year	289,207,237	248,357,895
Gain/loss on HFT financial assets and other assets and liabilities at fair value through profit or loss	4,090,631	1,620,134
Gain/loss on hedging assets	143,818	-17,618
Net adjustments/reversals due to credit risk	263,695	5,387,350
Net adjustments/reversals of property, equipment and intangible assets	31,502,006	28,832,958
Net provisions for liabilities and contingencies and other costs/revenues	18,288,726	5,484,432
Taxes, duties and tax credits not paid	11,549,504	-9,337,965
Net adjustments/reversals of discontinued operations	-	-
Other adjustments	-276,935,838	-192,995,473
2. Liquidity generated by/used for financial assets (+/-)	**-1,291,584,111**	**-2,264,076,871**
HFT financial assets	15,743,102	16,467,885
Financial assets at fair value	-	-
Other financial assets mandatorily measured at fair value	-853,973	8,775,817
Financial assets at fair value through other comprehensive income	50,435,000	-749,639,765
Financial assets at amortised cost:	-1,322,500,885	-1,525,090,575
Loans to banks	-45,011,416	-216,054,199
Loans to customers	-1,277,489,470	-1,309,036,375
Other assets	-34,407,355	-14,590,234
3. Liquidity generated by/used for financial liabilities (+/-)	**1,056,979,048**	**1,635,036,172**
Financial liabilities at amortised cost:	997,004,837	1,651,709,824
Due to banks	505,780,727	-33,994,203
Due to customers	491,224,109	1,685,704,027
Securities issued	-	-
HFT financial liabilities	-1,203,977	-384,030
Financial liabilities at fair value	-	-
Other liabilities	61,178,189	-16,289,622
Net liquidity generated by/used for operating activities	**-156,495,284**	**-541,708,986**

(EURO)	2020	2019
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**238,026,325**	**212,613,000**
Disposal of equity investments	-	-
Dividends received	238,320,000	212,613,000
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-293,675	-
2. Liquidity used for	**-17,886,241**	**-45,854,475**
Purchase of equity investments	-3,168,004	-28,710,106
Purchase of property and equipment	-1,087,521	-3,121,188
Purchase of intangible assets	-13,630,716	-14,023,181
Purchase of business units	-	-
Net liquidity generated by/used for investing activities	**220,140,084**	**166,758,525**
C. Funding activities		
Issue/purchase of treasury shares	-12,688,173	-17,644,203
Issue/purchase of equity instruments	-	50,000,000
Distribution of dividends and other	-2,250,000	-144,899,504
Net liquidity generated by/used for funding activities	**-14,938,173**	**-112,543,707**
NET LIQUIDITY GENERATED BY/USED IN THE YEAR	**48,706,626**	**-487,494,168**
+ Liquidity generated (-) Liquidity used		
Reconciliation		
Cash and cash equivalents at year-start	**525,395,846**	**1,012,890,014**
Total liquidity generated/used in the year	48,706,626	-487,494,168
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at year-end	**574,102,472**	**525,395,846**

Legend:
(+) Liquidity generated
(-) Liquidity used.

Notes and Comments

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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 No. 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 2020 (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 2020, 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 2020

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	2019/2075	06.12.2019	01.01.2020
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	2019/2104	10.12.2019	01.01.2020

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2020 AND EFFECTIVE AS OF 2020

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 3: Business Combinations (issued on 22 October 2018)	2020/551	22.04.2020	01.01.2020
Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform (issued on 26 September 2019)	2020/34	16.01.2020	01.01.2020
Amendment to IFRS 16 – Leases: Covid-19 – Related Rent Concessions (issued on 28 May 2020)	2020/1434	12.10.2020	01.06.2020

INTERNATIONAL ACCOUNTING STANDARDS EFFECTIVE AFTER 31 DECEMBER 2020

	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
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

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 2020 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 Banca Generali'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/EC, 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 2019.

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 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 ability to operate as a going concern.

Content of the Financial Statements and the Notes and Comments

The Financial Statements at 31 December 2020 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, the 6th update of Circular No. 262/2005, published on 30 November 2018 and entered into force on 1 January 2019, endorsed the new provisions introduced by IFRS 16 – *Leases*.

The Instructions were supplemented by the Communication published by the Bank of Italy on 15 December 2020, which governs market disclosure in financial statements for the year ended 31 December 2020 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 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.

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 period 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.

Section 3 – Events Occurred after the Balance Sheet Date

The draft Financial Statements of Banca Generali were approved by the Board of Directors on 5 March 2021, when the Board also authorised its disclosure pursuant to IAS 10.

No events occurred after 31 December 2020 and until 4 March 2021 that would significantly impact the Bank's capital, financial and operating performance reported in these Financial Statements.

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 2020.

Accounting standards endorsed that will enter into effect after 31 December 2020

There are no international accounting standards and related interpretations endorsed but not effective yet as of 31 December 2020 that could have a material impact on the Bank's operations.

Amendments to the IFRS 9 Policy regarding staging assignment and admissibility of sale of the held-to-collect portfolio

On 25 September 2020, Banca Generali's Board of Directors approved some amendments to its IFRS 9 Policy regarding:
> the stage assignment criteria applicable to the portfolio of debt securities allocated to the HTC and HTCS portfolios;
> criteria for eligibility of sales in the HTC (held-to-collect) business model.

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 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 perfectly 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.

Criteria for eligibility of sales for the HTC model
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).

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.

Finally, it should be noted that the amendments made to the policy did not result in any impact in terms of the assessment of the expected credit losses (ECLs) at the end of 2020.

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 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.

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.
The Covid-19 pandemic unleashed particularly severe effects of a health and economic nature at the global level. In particular, the expansion of the epidemic and the resulting measures taken by the governments of the various countries to halt it resulted in a significant slowing of global economic activity which in turn led to recession in the most developed economies and triggered a situation of extreme financial market volatility.

In light of Banca Generali's specific operations, the main risks to which it is exposed as a consequence of the Covid-19 pandemic relate to:
> the effect of market volatility, due also to the risk-aversion of more traditional customers on the performance and allocation of assets under management (AUM), with potential impacts on net fee income;
> the effects on interest rates of ultra-expansionary monetary policies in support of the financial system and the economy implemented by the main central banks, with a consequent impact on the profitability of the financial investment portfolio;
> to a lesser extent, the possible deterioration of exposures to customers in the most affected sectors.

However, these risks appear to be mitigated by numerous factors of an external and internal nature.
External factors include the prospects of a recovery in global GDP tied to the progress of vaccine campaigns launched in late 2020 in the course of 2021, the low correlation between GDP growth trajectory and financial market performance and extensive liquidity in households' portfolios awaiting re-qualification.
Internal factors include the proven capacity of sales networks and the operating structure to continue to operating even in a scenario of strict limitations on individual movement, while also achieving excellent commercial results.

From an operational standpoint, Banca Generali's technological infrastructure and digital banking operating procedures have made it possible to implement several processes aimed at keeping up with the increased remote workload and to ensure the full operation of all company activities, without significant interruptions or service outages.

It should also be noted that the Bank's exposures to customers, in light of its business model, are amply secured by financial collateral and also benefited from government guarantees in support of the economy. The impact of the legal and other moratoria granted to customers also proved limited overall.
It should also be noted that 2020 reported positive results in terms of net inflows, increased total managed assets and performance. Within this scenario, the Bank confirmed the strategies previously defined and the 2021 targets already disclosed to the market, both in terms of net inflows (14.5 billion euros) and total assets (76-80 billion euros), as well as of profitability (core net banking income not below 63 bps). It is also believed that the pandemic will not have a significant effect on the Group's growth prospects in the future years covered by the 2021-2023 plan.
The overall impacts of the pandemic on the Bank's operations, personnel, financial performance for the period and the actions taken to mitigate the effects of the crisis, as well as expectations regarding future impacts, while still characterised by a high level of uncertainty, are also discussed in detail in the **Annual Integrated Report**, to which reference is made.

In accordance with instructions from market and sector regulators, Banca Generali has also reflected the changed economic scenarios in its assessments, with particular regard to:

> the accounting treatment of moratoria granted by law and individually for customers, which did not generally result in the emergence of non-performing positions;
> the assessment of expected credit losses on the loan portfolio, for which forward-looking PDs were recalibrated on the basis of the most recent macroeconomic forecasts[1].

In any event, there have not been any significant increases in the risk level of financial assets in connection with the Covid-19 emergency entailing a deterioration in the risk level assigned to the assets and the associated adjustments (IFRS 9). In particular, the collective provision for credit risks relating to the portfolio of loans to customers increased by slightly less than 1 million euros to 3.4 million euros.

In addition, in 2020 the Bank did not make any changes to accounting estimates relating to the Covid-19 emergency entailing a significant impact on the year or subsequent years.

The following should be noted with regard to specific items of the profit and loss account and balance sheet:

> no impairment losses were recognised pursuant to IAS 36 as a result of the Covid-19 emergency[2];
> with regard to payment plans based on own financial instruments, there have been no significant changes in vesting conditions; however, the performance of the Bank's shares in the first half of 2020 resulted in a decline in the fair value of the new plans activated during the year[3];
> the general decline in market interest rates due to the massive central bank interventions had an impact on the discounting rates used by the Bank in relation to the various cases provided for in the IAS/IFRS. In particular, the narrowing of the spread on Italian ten-year government bonds had an impact on provisions for contractual commitments to the sales network assessed according to the actuarial method of approximately 5.9 million euros, as well as, to a lesser extent, on long-term personnel expenses, actuarial gains/losses relating to post-employment benefits and other supplementary pension funds.

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, Banca Generali, in the exclusive capacity of lessee, did not benefit from any suspensions of payments due for the operating lease contracts in force.

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.

[1] These aspects are analysed in Part E, Information on Risks and Risk Hedging Policies, of these Notes and Comments.
[2] In this respect, see Part G of these Notes and Comments for the impairment testing of goodwill.
[3] In this respect, see Part I of these Notes and Comments.

However, the following extraordinary transactions are reported:
- on **30 June 2020**, Nextam Partners SGR contributed its business unit responsible for managing Italian UCITS ("UCITS unit") to the independent management company 8a+ Investimenti SGR ("8 a+ SGR"), taking a 19.5% equity investment in the latter; the transaction resulted in a capital gain of 612 thousand euros on the acquisition of the equity investment in 8a+ SGR, valued at 912 thousand euros;
- the subsequent merger of the parent company, Nextam Partners S.p.A. ("NP SPA") and Nextam Partners SGR ("NP SGR") into Banca Generali was closed on **1 July 2020**, with accounting and tax effects retroactively from 1 January 2020;
- on **16 December 2020**, Nextam Partners LTD proceeded with the member's voluntary liquidation procedure, which is expected to be concluded in early 2021 in the absence of obstacles; on 12 September 2020, the company had already obtained approval from the UK Financial Conduct Authority (FCA) for the deregistration of its authorisation to provide regulated investment services. It should be noted that, in order to comply with the capital requirements imposed by the FCA until it ceased to operate, in July 2020 the company had carried out a capital increase of GBP 590 thousand, fully subscribed by the parent company Banca Generali S.p.A. At the end of 2020, the equity investment was subject to impairment;
- on **30 November 2020**, the subsidiary BG Valeur S.A. undertook a capital increase of CHF 2.7 million, the relevant share of which was subscribed by Banca Generali S.p.A. (90.1%) and the remainder by the minority shareholders, intended to bring its capital into line with both the new capital requirements set by the new Swiss federal law on financial institutions (LIsFi), which entered into effect on 1 January 2020, and with business development prospects.

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.
Indeed, 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 2020 Banca Generali received the following grants:

BENEFICIARY	TYPE OF GRANT	GRANTOR AUTHORITY	AMOUNTS RECEIVED (€ THOUSAND)
Banca Generali	Personnel training	FBA Banks and Insurers' Fund (*)	150
Banca Generali	Cinematographic tax credit	MIBACT (**)	105

(*) This sum refers to aid for personnel training applied for 2018 and paid in December 2020. 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 September 2019, for which no disbursements were made in 2020.
(**) This refers to the tax credit for external investors in the cinematographic industry governed by Article 15 of the Ministerial Decree of 15 March 2018, applicable to up to 40% of the capital contributions made to joint ventures with labour contributions formed for Italian cinematographic production recognised by the Ministry for Cultural Heritage, Activities and Tourism. It should be noted that the tax credits accrued in respect of productions in 2019 had yet to be used as at 31 December 2020.

Audit
The Financial Statements are subject to auditing by the firm BDO Italia S.p.A. in execution of the resolution passed by the General Shareholders' Meeting on 23 April 2015.

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 2020, 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 in the reporting year, the accounting policies adopted by Bank underwent no significant amendments and integrations, except for the information provided in the preceding Section 4.

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 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 upon initial recognition.

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.

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 residual 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 balance-sheet 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 subsidiaries, 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

Equity investments are measured at cost, adjusted for impairment where applicable.
When there is indication of a possible impairment 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 previous 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 (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.

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 (for example, 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 new 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.
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 27.5% (IRES) and 3.9% (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. 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 may be 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.
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.

Lastly, paragraphs 12 to 14 of Article 23 of Legislative Decree No. 98/2011 (known as the "Summer Manoeuvre") introduced the new paragraphs 10-*bis* and 10-*ter* to Article 10 of Legislative Decree No. 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.
The additional redemption scenario is founded solely on the accounting figures presented in the consolidated financial statements (it is not required that the value of the goodwill be separated from that of the equity investment at an accounting level) and applies not only to cases of equity investments arising from mergers or other extraordinary transactions, but also to cases of non-tax neutral transactions excluded from the previous rules, such as the acquisition of an entity whose assets also include a control interest or the acquisition of such a control interest (the new paragraph 10-*ter*).
The statute also provides that in order to close redemption transactions, as limited to previous transactions undertaken prior to 31 December 2010, the payment of the 16% substitute tax must have been made by 30 November 2011, whereas the off-balance deduction of amortisation in ten equal instalments had to take place beginning in financial year 2013.

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.

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 may be deducted on a straight-line basis, the entity will release the previously recognised deferred tax assets to profit and loss at a constant rate, based on 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.

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 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 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 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 fourth plan under the Programme, covering the period 2020-2026, was activated in 2020. All four 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 each 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. HFT financial liabilities

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 demand 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 Bank 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 160.a) "General and administrative expenses: staff expenses", if 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 140. "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 ("BG LTI 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 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 risk.

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.

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**[4].

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 and following of Legislative Decree 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".
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".

[4] 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%.

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 IFRS. 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, it should be 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 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 Finance 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 executable prices and indicative prices contributed to Bloomberg;
> 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 usually not considered listed on active markets and are valued at the unit value (NAV) at the end of the period in question.

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.

On-demand 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, on-demand 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 on-demand 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, 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

	31.12.2020				
ASSETS/LIABILITIES 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 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 comprehen-sive 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 at fair value	-	-	-	-	-
3. Hedging derivatives	-	67,853	-	-	67,853
Total	**-**	**69,404**	**-**	**-**	**69,404**

	31.12.2019				
ASSETS/LIABILITIES AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss					
a) HFT financial assets	1,974	16,324	-	-	18,298
b) financial assets at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	6,163	40,535	-	-	46,698
2. Financial assets at fair value through other comprehensive income	2,742,474	24,003	122	12,237	2,778,836
3. Hedging derivatives	-	4,727	-	-	4,727
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,750,611**	**85,589**	**122**	**12,237**	**2,848,559**
1. HFT financial liabilities	-	1,204	-	-	1,204
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	7,481	-	-	7,481
Total	**-**	**8,685**	**-**	**-**	**8,685**

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 97.2% of financial assets eligible for allocation to class L1, with an unchanged ratio compared to the previous year. This category remained chiefly focused on sovereign debt: Italian government bonds (729 million euros) declined compared to the previous year (-169 million euros; -19%), offset by the new acquisition in 2020 of government bonds issued by other European countries (mainly Spanish, Greek and Portuguese bonds totalling 1,606 million euros), in addition to US securities (8.2 million euros). It also includes other debt securities (356.2 million euros) chiefly referring to credit sector (201 million euros), listed equities listed and the equity investment on the Sicav Lux IM (5.8 million euros overall).

The financial assets allocated to the L2 class, on the other hand, consist primarily of UCITS not listed on regulated markets (16.3 million euros), including an interest in the Sicav SIF Tyndaris, a closed-end fund that invests in subordinated financial assets linked to the real estate market, 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 (15 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) FI-NANCIAL ASSETS AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
1. Amount at year-start	**-**	**-**	**-**	**-**	**12,359**
2. Increases	**1,668**	**-**	**-**	**1,668**	**6,140**
2.1 Purchases	1,662	-	-	1,662	6,140
2.2 Gains through:	-	-	-	-	-
2.2.1 Profit and loss	-	-	-	-	-
- *of which: capital gains*	-	-	-	-	-
2.2.2 Net equity	-	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-
2.4 Other increases	6	-	-	6	-
3. Decreases	**22**	**-**	**-**	**22**	**332**
3.1 Disposals	-	-	-	-	-
3.2 Redemptions	-	-	-	-	116
3.3 Losses through:	22	-	-	22	216
3.3.1 Profit and loss	22	-	-	22	-
- *of which: capital losses*	-	-	-	-	-
3.3.2 Net equity	-	-	-	-	216
3.4 Transfers to other levels	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-
4. Amount at year-end	**1,646**	**-**	**-**	**1,646**	**18,167**

The Conio Inc. convertible loan, acquired in December for a total consideration of 1,662 million euros, has been classified under Other financial assets mandatorily measured at fair value under level L3.

By contrast, L3 financial assets in the portfolio of Financial assets at fair value through other comprehensive income, for a total amount of 18,167 thousand euros, consist of:

> the investment in the private-equity special purpose entity Athena Private Equity, which is currently in the course of liquidation and repayment, and had already become impaired in previous years;
> the acquisition of a small stake in SPAC Capital for Progress, equal to 155 thousand euros at 31 December 2020;
> the equity investment in Conio Inc., a company operating in the cryptocurrency industry, acquired in December for a consideration of 5,019 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 2020;
> some equity investments that continued to be measured at purchase cost, in the absence of reliable estimates of fair value. In detail:
  a) the “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;
  b) 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., for a total amount of approximately 0.7 million euros.

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	31.12.2020			
	BV	L1	L2	L3
1. Financial assets at amortised cost	9,027,610	6,287,990	1,986,469	1,019,805
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**9,027,610**	**6,287,990**	**1,986,469**	**1,019,805**
1. Financial liabilities at amortised cost	11,563,118	-	11,563,118	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**11,563,118**	**-**	**11,563,118**	**-**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2019			
	BV	L1	L2	L3
1. Financial assets at amortised cost	7,631,498	5,059,494	1,906,295	820,980
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**7,631,498**	**5,059,494**	**1,906,295**	**820,980**
1. Financial liabilities at amortised cost	10,565,184	-	10,565,184	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**10,565,184**	**-**	**10,565,184**	**-**

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.
It should be noted that no such cases occur in the Financial Statements in question.

PART B – INFORMATION ON THE BALANCE SHEET - ASSETS[5]

Section 1 – Cash and deposits - Item 10

1.1 Breakdown of cash and deposits

	31.12.2020	31.12.2019
a) Cash	25,122	21,952
b) Sight deposits with Central Banks	548,980	503,443
Total	**574,102**	**525,395**

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 – Held-for-trading financial assets - Item 20

2.1 HFT financial assets: categories

	31.12.2020			31.12.2019		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
A Cash assets						
1 Debt securities	2,003	47	-	1,974	15,106	-
1.1 Structured securities	-	-	-	-	15,054	-
1.2 Other debt securities	2,003	47	-	1,974	52	-
2 Equity securities	2	-	-	-	-	-
3 UCITS units	6	-	-	-	-	-
4 Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**2,011**	**47**	**-**	**1,974**	**15,106**	**-**
B Derivatives						
1 Financial	-	1,561	-	-	1,218	-
1.1 Trading	-	1,561	-	-	1,218	-
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	**-**	**1,561**	**-**	**-**	**1,218**	**-**
Total (A + B)	**2,011**	**1,608**	**-**	**1,974**	**16,324**	**-**

[5] A more detailed analysis of the fair value hierarchy of financial instruments (L1, L2, L3) is given in Part A.4 – Information on Fair Value of these Notes and Comments.

2.2 HFT financial assets: debtors/issuers/counterparties

ITEMS/VALUES	31.12.2020	31.12.2019
A. Cash assets		
1. Debt securities	**2,050**	**17,080**
a) Central Banks	-	-
b) Public administration bodies	45	52
c) Banks	2,001	17,028
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	4	-
2. Equity securities	**2**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
c) Non-financial companies	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	**2,058**	**17,080**
B. Derivatives		
a) Central counterparties	-	-
b) Other	1,561	1,218
Total B	**1,561**	**1,218**
Total (A + B)	**3,619**	**18,298**

2.5 Other financial assets mandatorily measured at fair value: categories

ITEMS/VALUES	31.12.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	1,646	-	3,045	-
1.1 Structured securities	-	-	1,646	-	3,045	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	883	-	-	1,141	-	-
3. UCITS units	4,932	16,307	-	5,022	20,156	-
4. Loans	-	21,067	-	-	17,334	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	21,067	-	-	17,334	-
Total	**5,815**	**37,374**	**1,646**	**6,163**	**40,535**	**-**

2.6 Other financial assets mandatorily measured at fair value: debtors/issuers

ITEMS/VALUES	31.12.2020	31.12.2019
1. Equity securities	**883**	**1,141**
of which:		
- *banks*	-	-
- *other financial companies*	*883*	*1,141*
- *other non-financial companies*	-	-
2. Debt securities	**1,646**	**3,045**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	3,045
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	1,646	-
3. UCITS units	**21,239**	**25,178**
4. Loans	**21,067**	**17,334**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	21,067	17,334
of which:		
- *insurance companies*	*17,328*	*17,334*
e) Non-financial companies	-	-
f) Households	-	-
Total	**44,835**	**46,698**

The UCITS portfolio included 10,506 thousand euros related to an interest of about 8% in Tyrus CapitalEuropean Real Estate Fund S.A. (TCERF), an alternative fund under Luxembourg law, which through the master/feeder fund invests in financial instruments linked to the European business real-estate market, particularly in mezzanine instruments.
The residual UCITS portfolio is comprised for 2,445 thousand euros of the investment in the Luxembourg vehicle Algebris, for 1,976 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., for 1,379 thousand euros of the closed alternative real-estate investment fund managed by Milano Investment Partners SGR S.p.A., and for the remainder of investments in the Lux IM Sicav.
Equity securities include all equity shares of the parent company, Assicurazioni Generali (883 thousand euros).
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

	31.12.2020			31.12.2019		
ITEMS/VALUES	L1	L2	L3	L1	L2	L3
1. Debt securities	2,696,936	14,995	-	2,742,474	24,003	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,696,936	14,995	-	2,742,474	24,003	-
2. Equity securities	-	-	18,167	-	-	12,359
3. Financing	-	-	-	-	-	-
Total	**2,696,936**	**14,995**	**18,167**	**2,742,474**	**24,003**	**12,359**

3.2 Financial assets measured at fair value through other comprehensive income: debtors/issuers

ITEMS/VALUES	31.12.2020	31.12.2019
1. Debt securities	**2,711,931**	**2,766,477**
a) Central Banks	-	-
b) Public administration bodies	2,337,209	2,278,815
c) Banks	198,653	262,781
d) Other financial companies	156,677	179,219
of which:		
- *insurance companies*	-	-
e) Non-financial companies	19,392	45,662
2. Equity securities	**18,167**	**12,359**
a) Banks	-	-
b) Other issuers	18,167	12,359
- other financial companies	3,028	2,231
of which:		
- *insurance companies*	-	-
- non-financial companies	15,132	10,121
- 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	**2,730,098**	**2,778,836**

Item “Debt securities” includes assets sold but not written off, which refer to own securities used in repurchase agreements amounting to 29,582 thousand euros.
The equity securities portfolio included 17,362 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, 8a+ SGR, Conio Inc.), usually non-negotiable. Those interests are measured at purchase cost in the absence of reliable, updated estimates of fair value.

In 2020, equity securities grew by 5.8 million euros as of result of the following acquisitions:

- on 30 June 2020, following the contribution of the UCITS management business unit under Italian law, the subsidiary Nextam Partners SGR, subsequently merged into Banca Generali, acquired a 19.5% interest in the management company 8a+ SGR, for a total consideration of 912 thousand euros[6];
- on 9 December 2020, Banca Generali acted as main investor in the capital increase launched by the Californian company Conio Inc., which operates in the cryptocurrency industry, and acquired an interest of approximately 9.9%, equal to 6,088 thousand USD (4,961 thousand euros) at the end of the year.

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 1,662 thousand euros as at 31 December 2020.

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.

Finally, a small stake was acquired in the SPAC Capital for Progress (155 thousand euros), and the liquidation of Athena Private Equity continued, with additional redemptions of 115 thousand euros.
Capital contributions relating to film partnership contracts, with no expiry date, for a total amount of 650 thousand euros at 31 December 2020 are also classified in this portfolio, net of 105 thousand write-offs in 2020, following the recognition of the film partnership tax credit.

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	STAGE 1	STAGE 2	STAGE 3	OVERALL PARTIAL WRITE-OFFS
Debt securities	2,705,366	2,337,463	7,042	-				-
Financing	-	-	-	-	-	-	-	-
Total at 31.12.2020	**2,705,366**	**2,337,463**	**7,042**	**-**	**407**	**70**	**-**	**-**
Total at 31.12.2019	**2,746,664**	**2,279,503**	**20,878**	**-**	**971**	**94**	**-**	**-**
of which:								
- *acquired or originated impaired financial assets*	X	X	-	-	X	-	-	-

In respect of the model for measuring expected credit losses (ECLs) provided for in IFRS 9, as at 31 December 2020 collective reserves of 477 thousand euros had been recognised for the debt securities portfolio, of which 254 thousand euros relating to the portfolio of government securities.

6 For further information on the transaction concerning the contribution of the business unit, see Section 1 of Part G — Business Combinations of these Notes and Comments.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: categories of loans to banks

TYPE OF TRANSACTIONS/VALUES	31.12.2020 - BOOK VALUE STAGE 1 AND STAGE 2	31.12.2020 - BOOK VALUE STAGE 3	31.12.2020 - BOOK VALUE OF WHICH: ACQUIRED OR ORIGINATED	31.12.2019 - BOOK VALUE STAGE 1 AND STAGE 2	31.12.2019 - BOOK VALUE STAGE 3	31.12.2019 - BOOK VALUE OF WHICH: ACQUIRED OR ORIGINATED
A. Loans to Central Banks	**107,772**	**-**	**-**	**101,063**	**-**	**-**
1. Terms deposits	-	-	-	-	-	-
2. Mandatory reserve	107,772	-	-	101,063	-	-
3. Repurchase agreements	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
B. Loans to banks	**556,647**	**-**	**-**	**515,181**	**-**	**-**
1. Loans	152,111	-	-	270,065	-	-
1.1 Current accounts and sight deposits	68,839	-	-	84,819	-	-
1.2 Term deposits	24,423	-	-	22,233	-	-
1.3 Other loans:	58,849	-	-	163,013	-	-
- repurchase agreements	-	-	-	152,969	-	-
- lease loans	-	-	-	-	-	-
- other	58,849	-	-	10,044	-	-
2. Debt securities	404,536	-	-	245,116	-	-
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	404,536	-	-	245,116	-	-
Total	**664,419**	**-**	**-**	**616,244**	**-**	**-**

TYPE OF TRANSACTIONS/VALUES	31.12.2020 BOOK VALUE	31.12.2020 FAIR VALUE L1	31.12.2020 FAIR VALUE L2	31.12.2020 FAIR VALUE L3	31.12.2019 BOOK VALUE	31.12.2019 FAIR VALUE L1	31.12.2019 FAIR VALUE L2	31.12.2019 FAIR VALUE L3
A. Loans to Central Banks	**107,772**	**-**	**107,772**	**-**	**101,063**	**-**	**101,063**	**-**
B. Loans to banks	**556,647**	**376,262**	**188,194**	**-**	**515,181**	**171,450**	**346,120**	**-**
1. Loans	152,111		152,111	-	270,065	-	270,065	-
2. Debt securities	404,536	376,262	36,083	-	245,116	171,450	76,055	-
2.1 Structured securities	-	-	-	-	-	-	-	-
2.2 Other debt securities	404,536	376,262	36,083	-	245,116	171,450	76,055	-
Total	**664,419**	**376,262**	**295,966**	**-**	**616,244**	**171,450**	**447,183**	**-**

4.2 Financial assets measured at amortised cost: categories of loans to customers

TYPE OF TRANSACTIONS/VALUES	31.12.2020 - BOOK VALUE			31.12.2019 - BOOK VALUE		
	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED
1. Loans	**2,495,583**	**24,596**	**-**	**2,219,981**	**26,911**	**-**
1.1 Current accounts	1,290,743	8,939	-	1,104,150	8,285	-
1.2 Repurchase agreements	160,907	-	-	206,069	-	-
1.3 Mortgages	837,305	15,648	-	752,600	18,614	-
1.4 Credit cards, personal loans and loans on wages	-	6	-	15	6	-
1.5 Lease loans	-	-	-	-	-	-
1.6 Factoring	-	-	-	-	-	-
1.7 Other loans	206,628	3	-	157,147	6	-
2. Debt securities	**5,843,012**	**-**	**-**	**4,761,623**	**6,739**	**-**
2.1 Structured securities	-	-	-	-	6,739	-
2.2 Other debt securities	5,843,012	-	-	4,761,623	-	-
Total	**8,338,595**	**24,596**	**-**	**6,981,604**	**33,650**	**-**

TYPE OF TRANSACTIONS/VALUES	31.12.2020				31.12.2019			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1. Loans	**2,520,179**	**-**	**1,605,767**	**923,973**	**2,246,892**	**-**	**1,435,824**	**814,241**
2. Debt securities	**5,843,012**	**5,911,728**	**84,736**	**95,832**	**4,768,362**	**4,888,044**	**23,288**	**6,739**
2.1 Structured securities	-	-	-	-	6,739	-	-	6,739
2.2 Other debt securities	5,843,012	5,911,728	84,736	95,832	4,761,623	4,888,044	23,288	-
Total	**8,363,191**	**5,911,728**	**1,690,503**	**1,019,805**	**7,015,254**	**4,888,044**	**1,459,112**	**820,980**

Item 2.2 “Other debt securities” included 128,736 thousand euros for senior tranches of securitisations (GIM NL LUX, Prisma SPV, Credimi, Eridano and German 21).
The convertible bond issued by Tyndaris LLP, amounting to 6,739 thousand euros at the end of 2019, was transferred in December 2020 to Tyrus Capital Holding.
The item “Debt securities” includes encumbered assets used as collateral for ECB refinancing operations totalling 784,715 thousand euros and securities held in deposit with Cassa di Compensazione e Garanzia amounting to 155,023 thousand euros. This item also includes own securities used in repurchase agreements amounting to 118,067 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 93,027 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	31.12.2020	31.12.2019
Other grants and pooled funding	48,074	30,693
Loans on promissory notes	3,173	-
Stock exchange interest-bearing daily margin	24,096	14,091
Sums advanced to Financial Advisors	23,297	18,415
Operating loans	93,027	81,533
Interest-bearing caution deposits	1,003	1,011
Amounts to be collected	13,961	11,410
Total	**206,631**	**157,153**

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 1,263 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

	31.12.2020			31.12.2019		
TYPE OF TRANSACTIONS/VALUES	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED ASSETS	STAGE 1 AND STAGE 2	STAGE 3	OF WHICH: ACQUIRED OR ORIGINATED IMPAIRED ASSETS
1. Debt securities	**5,843,012**	**-**	**-**	**4,761,623**	**6,739**	**-**
a) Public administration bodies	5,323,110	-	-	4,496,146	-	-
b) Other financial companies	339,272	-	-	176,905	-	-
of which:						
- *insurance companies*	-	-	-	-	-	-
c) Non-financial companies	180,630	-	-	88,572	6,739	-
2. Loans to	**2,495,583**	**24,596**	**-**	**2,219,981**	**26,911**	**-**
a) Public administration bodies	-	-	-	-	-	-
b) Other financial companies	358,034	5,652	-	354,534	5,405	-
of which:						
- *insurance companies*	*35,562*	-	-	*23,410*	-	-
c) Non-financial companies	344,104	11,494	-	263,491	15,516	-
d) Households	1,793,445	7,450	-	1,601,956	5,990	-
Total	**8,338,595**	**24,596**	**-**	**6,981,604**	**33,650**	**-**

4.4 Financial assets measured at amortised cost: gross value and total adjustments

	GROSS VALUE				TOTAL ADJUSTMENTS			
	STAGE 1	OF WHICH: LOW CREDIT RISK INSTRUMENTS	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	OVERALL PARTIAL WRITE-OFFS
Debt securities	6,222,325	-	27,899	2,642	2,456	220	2,642	-
Financing	2,661,900	-	97,046	36,675	3,000	480	12,079	-
Total at 31.12.2020	**8,884,225**	**-**	**124,945**	**39,317**	**5,456**	**700**	**14,721**	**-**
Total at 31.12.2019	**7,459,170**	**-**	**145,915**	**57,051**	**5,545**	**1,692**	**23,401**	**-**
of which:								
- *acquired or originated impaired financial assets*	*X*	*X*	-	-	*X*	-	-	-

In respect of the model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 31 December 2020 performing loans at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 6,156 thousand euros, of which:
> 2,676 thousand euros relating to the debt securities portfolio;
> 3,480 thousand euros relating to other loans.

Within this item, total value adjustments of exposures to banks amounted to 465 thousand euros, of which 350 thousand euros on debt securities and 115 thousand euros on other loans.
By contrast, the provision for expected losses on debt securities refers to the government bond portfolio in the amount of 1,372 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 amount of 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	STAGE 1	STAGE 2	STAGE 3	OVERALL PARTIAL WRITE-OFFS
1. Loans subject to forbearance in accordance with the GLs	15,161	-	-	-	57	-	-	-
2. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
3. Newly originated loans	104,374	-	-	-	127	-	-	
Total	**119,535**	**-**	**-**	**-**	**184**	**-**	**-**	**-**

Section 5 – Hedging derivatives - Item 50

5.1 Breakdown of hedging by type of hedge and hierarchy levels[7]

	31.12.2020				31.12.2019			
	FAIR VALUE				FAIR VALUE			
TYPE OF TRANSACTIONS/VALUES	L1	L2	L3	NOTIONAL VALUE	L1	L2	L3	NOTIONAL VALUE
A) Financial derivatives	**-**	**2,486**	**-**	**180,000**	**-**	**4,727**	**-**	**401,000**
1) Fair value	-	2,486	-	180,000	-	4,727	-	401,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**2,486**	**-**	**180,000**	**-**	**4,727**	**-**	**401,000**

[7] Hedging derivatives are analysed in detail in Section 4 of the Balance Sheet (Liabilities).

5.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

HEDGING TRANSACTIONS/TYPE	FAIR VALUE							CASH FLOWS		FOREIGN INVEST-MENTS
	SPECIFIC									
	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND EQUITY INDICES	CURREN-CIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	2,486	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**2,486**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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%
5. 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

	31.12.2020	31.12.2019	CHANGE
Generfid S.p.A.	245	245	-
BG Fund Management Luxembourg S.A.	2,000	2,000	-
Nextam Partners S.p.A.	-	24,095	-24,095
Nextam Partners SIM S.p.A.	1,115	-	1,115
Nextam Partners Ltd.	233	-	233
BG Valeur S.A.	11,232	8,980	2,252
Total	**14,825**	**35,320**	**-20,495**

On 1 July 2020, the merger of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR S.p.A. into the parent company Banca Generali S.p.A. became effective.

Subsidiaries under common control - accounting information

	31.12.2020	31.12.2019	CHANGE
BG Saxo SIM S.p.A.	2,002	2,002	-
Total	**2,002**	**2,002**	**-**

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-banking and corporate customers.

Companies subject to significant influence — accounting information

	31.12.2020	31.12.2019	CHANGE
IOCA Entertainment Limited	-	141	-141
Total	**-**	**141**	**-141**

IOCA Entertainment Ltd., 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 already subject to impairment in the previous year as it did not attain its commercial targets.

The equity investment was fully written off in the year due to further losses incurred, of which 28 thousand euros attributable to Banca Generali, and in light of the absence of tangible future economic prospects;

7.5 Equity investments: year changes

	31.12.2020	31.12.2019
A. Amount at year-start	**37,463**	**4,445**
B. Increases	**4,830**	**35,077**
B.1 Purchases	4,830	35,077
of which:		
- *business combinations*	*2,577*	*33,075*
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**25,466**	**2,059**
C.1 Sales	24,095	-
of which:		
- *business combinations*	*24,095*	-
C.2 Adjustments	1,371	2,059
C.3 Write-downs	-	-
C.4 Other changes	-	-
D. Amount at year-end	**16,827**	**37,463**
E. Total revaluations	-	**-**
F. Total adjustments	3,430	**2,059**

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.

Impairment testing of equity investments in associates indicated a need to write off the residual carrying amount of the equity investment in IOCA Ltd, already subject to impairment in prior years, in the amount of 141 thousand euros, due to further losses incurred and in light of the absence of tangible future economic prospects.

The controlling interests recognised in the separate financial statements of Banca Generali have been 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, the equity investments in Nextam Partners SIM S.p.A. and Nextam Partners Ltd fall within the Wealth Management CGU. At the end of the reporting year, the equity investment in Nextam Partners Ltd was written down by 1.2 million euros following the beginning of the member's voluntary liquidation procedure on 16 December 2020, which is expected to be concluded in early 2021 in the absence of obstacles.

The controlling interest in BG Valeur S.A. is also attributable to the Wealth Management CGU and has been tested for impairment to assess whether the carrying amounts at parent company level are recoverable, both on an individual basis and in respect of the relevant CGU. Following the procedure, values were determined to be accurate.

Section 8 – Property and equipment - Item 80

8.1 Operating property and equipment: breakdown of assets valued at cost

ASSETS/VALUES	31.12.2020	31.12.2019
1. Owned assets	**7,321**	**7,676**
a) Land	-	-
b) Buildings	-	-
c) Furniture	6,230	6,507
d) Electronic equipment	158	146
e) Other	933	1,023
2. Rights of use acquired through leases	**139,732**	**151,634**
a) Land	-	-
b) Buildings	138,726	150,886
c) Furniture	-	-
d) Electronic equipment	-	-
e) Other	1,006	748
Total	**147,053**	**159,310**
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	**168,477**	**1,047**	**24,714**	**4,950**	**8,734**	**207,922**
A.1 Total net impairment	17,591	299	18,207	4,804	7,711	48,612
A.2 Net amount at year-start	**150,886**	**748**	**6,507**	**146**	**1,023**	**159,310**
B. Increases:	**8,380**	**633**	**891**	**116**	**274**	**10,294**
B.1 Purchases	7,050	596	821	41	216	8,724
of which:						
- *business combinations*	-	-	-	-	-	-
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	-	-	-	-	-	-
B.7 Other changes	1,330	37	70	75	58	1,570
of which:						
- *business combinations*	*1,330*	*37*	*70*	*75*	*58*	*1,570*
- *adjustment for IFRS 16 FTA*	-	-	-	-	-	-
C. Decreases:	**20,540**	**375**	**1,168**	**104**	**364**	**22,551**
C.1 Sales	-	-	-	-	-	-
of which:						
- *business combinations*	-	-	-	-	-	-
C.2 Depreciation	18,421	369	1,168	104	364	**20,426**
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 in-vestments	-	-	-	-	-	-
b) non-current assets available for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	2,119	6	-	-	-	**2,125**
D. Net amount at year-end	**138,726**	**1,006**	**6,230**	**158**	**933**	**147,053**
D.1 Total net impairment	35,140	569	19,335	5,003	8,101	**68,148**
D.2 Gross amount at year-end	**173,866**	**1,575**	**25,565**	**5,161**	**9,034**	**215,201**
E. Valued at cost	138,726	1,006	6,230	158	933	147,053

Section 9 – Intangible assets - Item 90

9.1 Breakdown of intangible assets by categories

	31.12.2020		31.12.2019	
ASSETS/VALUES	DEFINITE LIFE	INDEFINITE LIFE	DEFINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**-**	**78,266**	**-**	**66,065**
A.2 Other intangible assets	**44,983**	**330**	**33,634**	**-**
A.2.1 Assets valued at cost:	44,983	330	33,634	-
a) internally generated intangible assets	-	-	-	-
b) other assets	44,983	330	33,634	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**44,983**	**78,596**	**33,634**	**66,065**

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	**66,065**	**-**	**-**	**83,666**	**-**	**149,731**
A.1 Total net impairment	-	-	-	50,032	-	50,032
A.2 Net amount at year-start	**66,065**	**-**	**-**	**33,634**	**-**	**99,699**
B. Increases	**12,201**	**-**	**330**	**22,425**	**-**	**34,956**
B.1 Purchases	-	-	-	13,631	-	**13,631**
of which:						
- *business combinations*	-	-	-	-	-	**-**
B.2 Increase of internal intangible assets	-	-	-	-	-	**-**
B.3 Reversals	-	-	-	-	-	**-**
B.4 Fair value positive changes in:	-	-	-	-	-	**-**
- Net equity	-	-	-	-	-	**-**
- Profit and Loss Account	-	-	-	-	-	**-**
B.5 Exchange gains	-	-	-	-	-	**-**
B.6 Other changes	12,201	-	330	8,794	-	**21,325**
of which:						
- *business combinations*	12,201	-	330	8,794	-	**21,325**
C. Decreases	**-**	**-**	**-**	**11,076**	**-**	**11,076**
C.1 Sales	-	-	-	-	-	**-**
C.2 Adjustments	-	-	-	11,076	-	**11,076**
- amortisation	-	-	-	11,076	-	**11,076**
- write-downs	-	-	-	-	-	**-**
+ Net equity	-	-	-	-	-	**-**
+ Profit and Loss Account	-	-	-	-	-	**-**
C.3 Fair value negative changes in:	-	-	-	-	-	**-**
- Net equity	-	-	-	-	-	**-**
- Profit and Loss Account	-	-	-	-	-	**-**
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
D. Net amount at year-end	**78,266**	**-**	**330**	**44,983**	**-**	**123,579**
D.1 Total net adjustments	-	-	-	61,108	-	**61,108**
E. Gross amount at year-end	**78,266**	**-**	**330**	**106,091**	**-**	**184,687**
F. Valued at cost	78,266	-	330	44,983	-	123,579

9.3 Intangible assets: other information

Breakdown of goodwill

(€ THOUSAND)	31.12.2020	31.12.2019
Merger of 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
BG Fiduciaria SIM S.p.A.	4,290	4,290
Merger of Nextam SGR and Nextam S.p.A.	12,201	-
Total	**78,266**	**66,065**

Breakdown of intangible assets - other assets

(€ THOUSAND)	31.12.2020	31.12.2019
Charges associated with the implementation of legacy CSE procedures	12,451	13,837
Customer relationships (former Credit Suisse Italy and former Netxam)	18,295	11,328
Other software costs	49	-
Other intangible assets	236	519
Advance payments on intangible assets	13,952	7,950
Total	**44,983**	**33,634**

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 2020 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	31.12.2020	31.12.2019
Current taxation	**486**	**3,171**
Sums due for taxes to be refunded	75	75
IRES arising on National Tax Consolidation scheme	-	2,903
IRES in excess and IRES surtax	354	193
IRAP	57	-
Deferred tax assets	**47,621**	**46,127**
With impact on Profit and Loss Account	**46,861**	**45,318**
IRES	38,645	37,694
IRAP	8,216	7,624
With impact on Net Equity	**760**	**809**
IRES	736	762
IRAP	24	47
Total	**48,107**	**49,298**

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.
Sums due for taxes to be refunded refer to the excess IRES paid in years 2007-2011 due to the effect of the introduction, in accordance with Legislative Decree No. 201/2011, of the deductibility from that tax of the share of IRAP paid on the cost of labour. The account receivable was recognised on the basis of the provisions of the Order of the Director of the Italian Revenue Service of 17 December 2012, which governs the methods for presenting refund applications. The portion of this account receivable that refers to the national tax consolidation scheme is classified under this item.

Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2020	31.12.2019
Current taxation	**9,166**	**1,490**
IRES arising on National Tax Consolidation scheme	5,287	-
IRES	1,110	-
IRAP	2,769	1,490
Deferred tax liabilities	**12,693**	**8,079**
With impact on Profit and Loss Account	**9,232**	**4,832**
IRES	7,004	4,158
IRAP	2,228	674
With impact on Net Equity	**3,461**	**3,247**
IRES	2,961	2,777
IRAP	500	470
Total	**21,859**	**9,569**

10.1 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	31.12.2020	PURSUANT TO LAW NO. 214/2011	31.12.2019	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**46,861**	**7,569**	**45,318**	**8,107**
Provisions for liabilities and contingencies	38,233	-	35,468	-
Write-downs of loans to customers before 2015	2,358	2,358	2,735	2,735
Redeemed goodwill of former Banca del Gottardo (Art. 15, para. 10, of Decree Law Decree 185/08)	2,933	2,933	3,024	3,024
Redeemed goodwill of former BG SGR (Article 176, para. 2-*ter*, of TUIR)	940	940	969	969
Goodwill of former BG Fiduciaria SIM (Article 15, para. 10-*ter*, of Decree-Law No. 185/2008)	1,338	1,338	1,379	1,379
Analytical impairment of debt securities previously HTM (IRAP)	-	-	123	-
Collective write-downs (ECLs) on loans to customers and banks	327	-	912	-
Other	732	-	708	-
With impact on Net Equity	**760**	**-**	**809**	**-**
Measurement at fair value of HTCS financial assets	137	-	324	-
IAS 19-related actuarial losses on post-employment benefits	623	-	485	-
Total	**47,621**	**7,569**	**46,127**	**8,107**

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, 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 No. 185/08 and Article 176, paragraph 2-*ter*, of TUIR;
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 ten-year recovery scheme, 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.

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 159 thousand euros at 31 December 2020.

10.2 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	31.12.2020	31.12.2019
With impact on Profit and Loss Account	**9,232**	**4,832**
Off-balance sheet goodwill deduction	3,964	3,474
Intangible assets recognised after the merger of Nextam (not redeemed)	2,716	-
Provision for post-employment benefits (IAS 19)	152	154
Financial assets mandatorily measured at fair value through profit or loss	418	788
FTA IFRS 15 - Prepayments for recruitment incentives	132	416
Retained earnings of subsidiaries (IAS 12, para. 38 40)	1,850	-
With impact on Net Equity	**3,461**	**3,247**
Measurement at fair value of HTCS financial assets	3,461	3,247
Total	**12,693**	**8,079**

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.
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).
The DTLs on intangible assets refer to the fair value of the customer relationships and trademarks recognised in the Financial Statements following the merger of Nextam S.p.A. and Nextam SGR, occurred in 2020.
The DTLs relating to tax-deductible goodwill refer to portions of amortisation deducted on an off-balance sheet basis in respect of the goodwill recognised during the 2014 acquisition of the former Credit Suisse business unit and, to a lesser extent, to prior goodwill relating to the Prime Group.

10.3 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	31.12.2020	31.12.2019
1. Amount at year-start	**45,318**	**46,543**
2. Increases	**13,929**	**12,846**
2.1 Deferred tax assets for the year:	13,726	12,846
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	13,726	12,846
2.2 New taxes or increases in tax rates	26	-
2.3 Other increases	177	-
of which:		
- *business combinations*	177	-
3. Decreases	**12,386**	**14,071**
3.1 Deferred tax assets eliminated in the year:	11,850	14,071
a) transfers	11,391	13,825
b) write-downs for non-recoverability	280	-
c) change in accounting criteria	-	-
d) other	179	246
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	536	-
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	536	-
of which:		
- *adjustment of losses used within the National Tax Consolida-tion scheme*	-	-
4. Amount at year-end	**46,861**	**45,318**

10.3-*bis* Change in deferred tax assets pursuant to Law No. 214/2011

	31.12.2020	31.12.2019
1. Amount at year-start	**8,107**	**8,107**
2. Increases	**-**	**-**
3. Decreases	**538**	**-**
3.1 Transfers	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	**7,569**	**8,107**

10.4 Change in deferred tax liabilities (offsetting entry to the Profit and Loss Account)

	31.12.2020	31.12.2019
1. Amount at year-start	**4,832**	**5,200**
2. Increases	**5,424**	**786**
2.1 Deferred tax liabilities recognised in the year:	2,454	782
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	2,454	782
2.2 New taxes or increases in tax rates	315	-
2.3 Other increases	2,655	4
of which:		
- *business combinations*	*2,655*	-
- *adjustment for IFRS 9-IFRS 15 FTA*	-	-
3. Decreases	**1,024**	**1,154**
3.1 Deferred tax liabilities eliminated in the year:	480	1,154
a) transfers	480	1,138
b) change in accounting criteria	-	-
c) other	-	16
3.2 Decreases in tax rates	86	-
3.3 Other decreases	458	-
4. Amount at year-end	**9,232**	**4,832**

10.5 Changes in deferred tax assets (offsetting entry to the Net Equity)

	31.12.2020	31.12.2019
1. Amount at year-start	**809**	**6,137**
2. Increases	**565**	**206**
2.1 Deferred tax assets for the year:	427	197
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	427	197
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	138	9
of which:		
- *business combinations*	-	-
3. Decreases	**614**	**5,534**
3.1 Deferred tax assets eliminated in the year:	160	1,634
a) transfers	160	1,634
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	454	3,900
4. Amount at year-end	**760**	**809**

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)

	31.12.2020	31.12.2019
1. Amount at year-start	**3,247**	**1,084**
2. Increases	**1,248**	**6,085**
2.1 Deferred tax liabilities recognised in the year:	1,248	6,085
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,248	6,085
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,034**	**3,922**
3.1 Deferred tax liabilities eliminated in the period:	580	23
a) transfers	580	23
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	454	3,899
4. Amount at year-end	**3,461**	**3,247**

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 – Other assets - Item 120

12.1 Breakdown of other assets

	31.12.2020	31.12.2019
Fiscal items	**81,573**	**57,948**
Advances paid to fiscal authorities – current account withholdings	276	443
Advances paid to fiscal authorities – stamp duty	53,543	44,143
Advances of substitute tax on capital gains	24,637	11,369
Excess payment of substitute tax for tax shield	634	634
Other advances paid to and sums due from fiscal authorities	2,245	916
Fiscal Authorities/VAT	88	-
Sums due from fiscal authorities for other taxes to be refunded	150	443
Leasehold improvements	**7,221**	**6,662**
Operating loans not related to financial transactions	**211**	**361**
Sundry advances to suppliers and employees	**2,924**	**3,091**
Cheques under processing	**9,499**	**8,775**
Money orders and other amounts receivable	9,499	8,775
Other amounts to be debited under processing	**52,534**	**41,149**
Amounts to be settled in the clearing house (debits)	2,702	1,144
Clearing accounts for securities and funds procedure	44,994	36,659
Other amounts to be debited under processing	4,838	3,346
Amounts receivable for legal disputes related to non-credit transactions	**127**	**51**
Trade receivables from customers and banks that cannot be traced back to specific items	**44,972**	**38,342**
Other amounts	**173,169**	**177,452**
Prepayments for the new supplementary fees for sales network	84,556	102,256
Prepayments of segregated asset management fees	4,789	9,619
Prepayments for ordinary incentives	69,255	49,801
Other accrued income and deferred charges that cannot be traced back to specific items	11,454	12,533
Term deposit to guarantee the consideration related to Nextam (escrow account)	3,000	3,000
Sundry amounts	115	243
Total	**372,230**	**333,831**

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 as 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.

	31.12.2019	AMORTISATION	OF WHICH RELATIVE TO PREVIOUS YEARS	INCREASES	OTHER CHANGES	31.12.2020
Supplementary fees	102,256	-43,170	-39,778	25,470	-	84,556
Ordinary incentives	49,801	-22,942	-14,424	42,596	-200	69,255
Up-front fees on segregated accounts	9,619	-4,802	-4,802	-	-28	4,789
Total network incentives	**161,676**	**-70,914**	**-59,004**	**68,066**	**-228**	**158,600**
Entry bonus on BG Solution portfolio management	6,092	-1,893	-1,735	1,541	-	5,740
Bonus on JPM funds	532	-454	-445	39	-	117
Total other acquisition costs	**6,624**	**-2,347**	**-2,180**	**1,580**	**-**	**5,857**
Total	**168,300**	**-73,261**	**-61,184**	**69,646**	**-228**	**164,457**

Other unallocated prepaid expenses of 5,597 thousand euros consist primarily of prepaid expenses not accrued during the year and refer in particular to lease prepayments, insurance premiums and other general and administrative expenses.

PART B – INFORMATION ON THE BALANCE SHEET - 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	31.12.2020 BOOK VALUE	31.12.2019 BOOK VALUE
1. Due to Central Banks	**497,361**	**-**
2. Due to banks	**100,768**	**94,767**
2.1 Current accounts and sight deposits	77,034	72,750
2.2 Term deposits	-	-
2.3 Financing	6,014	-
2.3.1 Repurchase agreements	6,014	-
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Lease debts	-	-
2.6 Other debts	17,720	22,017
Total	**598,129**	**94,767**
Fair value – L1	-	-
Fair value – L2	598,129	94,767
Fair value – L3	-	-
Total - Fair value	**598,129**	**94,767**

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	31.12.2020 BOOK VALUE	31.12.2019 BOOK VALUE
1. Current accounts and sight deposits	10,511,304	10,056,493
2. Term deposits	-	-
3. Financing	144,937	116,218
3.1 Repurchase agreements	144,937	116,218
3.2. Other	-	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Lease debts	143,791	153,690
6. Other debts	164,957	144,016
Total	**10,964,989**	**10,470,417**
Fair value – L1	-	-
Fair value – L2	10,964,989	10,470,417
Fair value – L3	-	-
Total - Fair value	**10,964,989**	**10,470,417**

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 32,345 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 2020 amounted to 143,791 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
2021	17,156
2022	15,891
2023	15,221
2024	14,582
2025	13,449
2026	12,951
2027	11,410
2028	10,552
2029	9,213
2030	8,181
2031	5,962
2032	4,032
2033	3,869
2034	516
2035	533
2036	273

Section 2 – Financial liabilities held for trading - Item 20

2.1 HFT financial liabilities: categories

	31.12.2020					31.12.2019				
		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	**-**	**-**	**1,551**	**-**	**-**	**-**	**-**	**1,204**	**-**	**-**
1.1 Trading	X	-	1,551	-	X	X	-	1,204	-	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**	**-**	**1,551**	**-**	**X**	**X**	**-**	**1,204**	**-**	**X**
Total (A + B)	**X**	**-**	**1,551**	**-**	**X**	**X**	**-**	**1,204**	**-**	**X**

(*) FV measured without taking account of issuer's creditworthiness changes compared to issue date.

HFT financial liabilities consist for 1,551 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 1,835 million euros, of which 285 million euros relating to the HTCS portfolio with a positive fair value of 2.4 million euros and a negative fair value of 67.9 million euros.

4.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

	31.12.2020 - FAIR VALUE			NOTIONAL VALUE	31.12.2019 - FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**67,853**	**-**	**1,654,000**	**-**	**7,481**	**-**	**270,000**
1) Fair value	-	67,853	-	1,654,000	-	7,481	-	270,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**67,853**	**-**	**1,654,000**	**-**	**7,481**	**-**	**270,000**

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 at fair value through other comprehensive income	4,988	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	62,865	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**67,853**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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

	31.12.2020	31.12.2019
Trade payables	**19,083**	**21,174**
Due to suppliers	18,646	20,632
Due for payments on behalf of third parties	437	542
Due to staff and social security institutions	**23,198**	**20,449**
Due to staff for accrued holidays etc.	4,078	3,493
Due to staff for productivity bonuses	12,156	10,094
Contributions to be paid to social security institutions	2,657	2,571
Contributions to Financial Advisors to be paid to Enasarco	4,307	4,291
Tax authorities	**30,208**	**20,688**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	6,044	5,024
Withholding taxes on investment return payable to tax authorities	4,655	3,072
Notes to be paid into collection services	15,707	11,221
VAT and other tax liabilities	3,802	1,371
Amounts to be debited under processing	**93,258**	**67,272**
Bank transfers, cheques and other sums payable	434	2,134
Amounts to be settled in the clearing house (credits)	23,098	17,977
Liabilities from reclassification of portfolio subject to collection (SBF)	5,986	4,526
Other amounts to be debited under processing	63,740	42,635
Sundry items	**10,514**	**10,596**
Amounts to be credited	1,820	1,227
Sundry items	813	1,327
Accrued expenses and deferred income	574	1,078
Sums made available to customers	1,573	1,189
Liabilities for deferred consideration (earn out) related to the acquisition of the Nextam Group	5,734	5,775
Total	**176,261**	**140,179**

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 distribution of certain classes of international UCITS.

Opening balance at 01.01.2020	**803**
Increases	53
Decreases due to the transfer to profit and loss	-702
of which:	
- *relating to prior years*	*-692*
Closing balance at 31.12.2020	**154**

Section 9 – Provisions for termination indemnity – Item 90

9.1 Provisions for termination indemnity: year changes

	31.12.2020	31.12.2019
A. Amount at yearstart	**4,681**	**4,818**
B. Increases	**894**	**100**
B.1 Provisions for the year	23	68
B.2 Other increases	871	32
of which:		
- *business combinations*	*371*	-
C. Decreases	**705**	**237**
C.1 Amounts paid	678	237
C.2 Other decreases	27	-
of which:		
- *business combinations*	-	-
D. Amount at year-end	**4,870**	**4,681**

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 table shows the main actuarial assumptions and the breakdown of the provisions for the year and actuarial gains/(losses):

	31.12.2020	31.12.2019
Discount rate	0.15%	0.53%
Annual inflation rate	0.70%	1.10%
Salary increase rate	1.80%	1.80%
Average duration (years)	10	10

	31.12.2020	31.12.2019
1. Provisions:	23	68
- current service cost	-	-
- interest cost	23	68
2. Actuarial gains and losses	500	32
- based on financial assumptions	106	366
- based on actuarial demographic assumptions	394	-334
Total provisions for the year	**523**	**100**
Actuarial value	**4,870**	**4,681**
Value calculated re. Article 2120 of the Italian Civil Code	**4,188**	**4,384**

Section 10 – Provisions for liabilities and contingencies - Item 100

10.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	31.12.2020	31.12.2019
1. Provisions for credit risk relating to commitments and financial guarantees issued	124	108
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	-	-
4. Other provisions for liabilities and contingencies	183,324	165,052
4.1 Legal and tax disputes	12,914	12,885
4.2 Staff	15,575	16,267
4.3 Other	154,835	135,900
Total	**183,448**	**165,160**

Breakdown of other provisions for liabilities and contingencies

	31.12.2020	31.12.2019
Provisions for staff expenses	**15,575**	**16,267**
Provision for restructuring plan	162	1,741
Provision for staff expenses - other	15,413	14,526
Provisions for legal disputes	**12,914**	**12,885**
Provision for risks related to legal disputes connected with sales network’s embezzlements	7,940	7,317
Provision for risks related to legal disputes with sales network	644	910
Provision for risks related to legal disputes with staff	-	15
Provision for other legal disputes	4,330	4,643
Provisions for termination indemnity of Financial Advisors	**121,433**	**97,879**
Provision for termination indemnity of sales network	74,114	63,424
Provision for managerial development indemnity	12,190	9,344
Provision for portfolio overfee indemnities	4,402	3,850
Provision for pension bonuses	10,180	9,163
Provisions for Framework Loyalty Programme	20,547	12,098
Provisions for network incentives	**27,522**	**31,034**
Provision for network development plans	19,125	21,739
Provision for deferred bonus	474	547
Provision for managers with access gate	821	2,053
Provision for sales incentives	1,615	2,540
Provision for fees – travel incentives	4,500	3,300
Provision for fee plans	987	855
Other provisions for liabilities and contingencies	**5,880**	**6,987**
Total	**183,324**	**165,052**

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	**108**	**-**	**165,052**	**165,160**
B. Increases	**16**	**-**	**54,076**	**54,092**
B.1 Provisions for the year	16	-	54,076	54,092
B.4 Other increases	-	-	-	-
of which:				
- *business combinations*	-	-	-	-
- *adjustment for IFRS 9 FTA*	-	-	-	-
C. Decreases	**-**	**-**	**35,804**	**35,804**
C.1 Use in the year	-	-	27,906	27,906
C.3 Other decreases	-	-	7,898	7,898
of which:				
- *business combinations*	-	-	-	-
D. Amount at year-end	**124**	**-**	**183,324**	**183,448**

Other provisions for liabilities and contingencies - details of movements

	31.12.2019	USES	SURPLUS	OTHER CHANGES	PROVISIONS	31.12.2020
Provisions for staff expenses	**16,267**	**-2,786**	**-1,798**	**-1,184**	**5,076**	**15,575**
Provision for restructuring plan	1,741	-246	-386	-968	21	162
Provision for staff expenses - other	14,526	-2,540	-1,412	-216	5,055	15,413
Provisions for legal disputes	**12,885**	**-2,435**	**-1,186**	**-**	**3,650**	**12,914**
Provision for risks connected with sales network's embezzlements	7,317	-279	-498	-	1,400	7,940
Provision for risks related to legal disputes with sales network	910	-	-343	-	77	644
Provision for risks related to legal disputes with staff	15	-	-15	-	-	-
Provision for other legal disputes	4,643	-2,156	-330	-	2,173	4,330
Provisions for termination indemnity of Financial Advisors	**97,879**	**-1,445**	**-790**	**-**	**25,789**	**121,433**
Provision for termination indemnity of sales network	63,424	-1,332	-540	-	12,487	74,039
Provision for managerial development indemnity	9,344	-	-115	-	2,961	12,190
Provision for portfolio overfee indemnities	3,850	-7	-37	-	671	4,477
Provision for pension bonuses	9,163	-106	-98	-	1,221	10,180
Provisions for Framework Loyalty Programme	12,098	-	-	-	8,449	20,547
Provisions for network incentives	**31,034**	**-18,293**	**-2,662**	**-**	**17,443**	**27,522**
Provision for network development plans	21,739	-13,070	-1,239	-	11,695	19,125
Provision for deferred bonus	547	-120	-12	-	59	474
Provision for managers with access gate	2,053	-1,452	-	-	220	821
Provision for sales incentives	2,540	-925	-	-	-	1,615
Provision for travel incentives	3,300	-1,964	-1,336	-	4,500	4,500
Provision for fee plans	855	-762	-75	-	969	987
Other provisions for liabilities and contingencies	**6,987**	-2,947	-98	-180	2,118	**5,880**
Total	**165,052**	**-27,906**	**-6,534**	**-1,364**	**54,076**	**183,324**

The increase in provisions for contractual indemnities was attributable for approximately 5.9 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	109	15	-	**124**
Total	**109**	**15**	**-**	**124**

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 balance sheet 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 13 December 2019, the Board of Directors extended the voluntary redundancy plan until 31 December 2020. At the end of the year, the residual amount was 162 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 indemnity paid to the sales network, portfolio overfee indemnities, pension bonuses, 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 Financial Statements for the year ended on 31 December 2020.
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	31.12.2020	31.12.2019
Discount rate[8]	1.1%	1.8%
Turnover rate (professionals)	1.71%	1.96%
Average duration (years)	12 years	13 years
IAS 37 DBOs/Indemnity provision at the measurement date	66.72%	60.36%

[8] 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, 12 years.

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 by Financial Advisors was due both to the increased basic fees as a result of the rise in the number of active Financial Advisors and the ongoing development of business, to the change in the discount rate applied and to the adjustment of demographic and statistical parameters.

A specific measurement of the DBO accrued is made for Financial Advisors who have already left service.

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.9 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 Financial Statements as at 31 December 2020) 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.
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.
2020 saw the launch of the fourth annual cycle (2020-2026).

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 Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include provisions for operating risks.

Tax dispute

Provisions for other liabilities and contingencies also include 2.6 million euros set aside to cover the tax dispute, following the audit conducted on financial year 2014 by the Italian Revenue Agency.

It should be noted that:
- the preparation of an initial report laying out charges regarding accrual was concluded on 22 December 2017;
- the charges relating to violations of transfer-pricing rules were formulated in the auditors' report on findings drafted on 29 June 2018;
- the findings of both audits are currently still being evaluated by the competent Large Business Taxpayers Office, with which Banca Generali has entered into discussions;
- 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.

It should also be noted that in March 2020 a new tax audit regarding the years 2015 and following was launched by the Trieste Economic and Financial Police Unit of the Italian Finance Police. The audit, suspended following the implementation of the lockdown measures adopted to contain the spread of the pandemic, was resumed in July and again suspended in October due to the second wave of Covid-19 in Italy.

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	-1,767,676	-1,767,676	-45,185
		115,083,961	**115,083,961**	**71,667**

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 (-)	-1,467,579	-
A.2 Outstanding shares: at year-start	**115,384,058**	**-**
B. Increases	**190,903**	**-**
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	190,903	-
B.3 Other changes	-	-
C. Decreases	-491,000	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-491,000	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at year-end	**115,083,961**	**-**
D.1 Treasury shares (+)	1,767,676	-
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

	31.12.2019	PROFIT ALLOCATION DIVIDEND DISTRIBUTION	PURCHASE/ SALE OF TREASURY SHARES	ISSUE OF NEW SHARES	STOCK OPTION PLANS AND OTHER IFRS 2-RELATED PAYMENT	STOCK GRANTS PLANS LTIP	OTHER CHANGES	31.12.2020
Legal reserve	23,370	-	-	-	-	-	-	23,370
Restricted reserve for shares of the Parent Company	1,141	-	-	-	-	-	-258	883
Merger surplus reserve – BG SGR	3,853	-	-	-	-	-	-	3,853
Merger surplus reserve – BG Fiduciaria	10,901	-	-	-	-	-	-	10,901
Merger deficit reserve – Netxam 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	2,109	-	-	-	1,492	-	-	3,601
IFRS 2 reserves – LTIP cycles underway	1,873	-	-	-	-	18	-1,891	-
IFRS 2 reserves – LTIP cycles ended	8,659	-	-	-	-	-	1,891	10,550
IFRS 2 reserve – Key personnel remuneration	5,494	-	-	-4,191	2,813	-	-	4,116
IFRS 2 reserve – 2019-2021 share plan	44	-	-	-	-	174	-	218
IFRS 2 reserve - Framework Loyalty Programme	1,405	-	-	-	1,247	-	-	2,652
Reserve for AT1 BG Perpetual coupon	-	-	-	-	-	-	-1,631	-1,631
Restricted reserve pursuant to Article 6, para. 1(a), of Leg. Decree No. 38/2005	2,143	1,500	-	-	-	-	-	3,643
Reserve from profit (loss) carried forward	282,038	246,858	-	-	-	-	258	529,154
Equity reserve from the transfer of the funds business unit	3,710	-	-	-	-	-	-	3,710
Total	**352,015**	**248,358**	**-**	**-4,191**	**5,552**	**192**	**-2,433**	**599,493**

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 following 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.

	31.12.2020	POSSIBLE DRAW-DOWNS (1)	RESTRICTED PORTION	UNRESTRICTED PORTION	DISTRIBUTABLE PORTION	DRAW-DOWNS 2020-2019	
						DIVIDENDS	LOSSES
Share capital	**116,852**	**-**	**116,852**	**-**	**-**	**-**	**-**
Treasury shares	**-45,185**	**-**	**-45,185**	**-**	**-**	**-**	**-**
Share premium	**57,062**	**A, B, C (3)**	**-**	**57,062**	**-**	**-**	**-**
Equity instruments	**50,000**		**50,000**	**-**	**-**	**-**	**-**
Reserves	**599,493**		**4,526**	**597,400**	**563,443**	**-**	**-**
Legal reserve	23,370	B (4)	-	23,370	-	-	-
Restricted reserve for shares of the Parent Company	883	B	883	-	-	-	-
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 – Netxam S.p.A.	-802		-	-	-	-	-
Reserve for AT1 BG Perpetual coupon	-1,631		-	-	-	-	-
Share-based payments reserve (IFRS2) – plans ended	507	A, B, C,	-	507	507	-	-
IFRS 2 reserves – LTIP cycles based on BG shares	3,601	A (5)	-	3,601	-	-	-
IFRS 2 reserves – LTIP cycles ended (6)	10,550	A, B, C,	-	10,550	10,550	-	-
IFRS 2 reserve – Key personnel remuneration	4,116	A (5)	-	4,116	-	-	-
IFRS 2 reserve – 2019-2021 share plan	218	A (5)	-	218			
IFRS 2 reserve - Framework Loyalty Programme	2,652	A (5)	-	2,652	-	-	-
Restricted reserve pursuant to Article 6, para. 1(a), of Leg. Decree No. 38/2005	3,643		3,643	-	-	-	-
Reserve from profit (loss) carried forward	529,154	A, B, C	-	529,154	529,154	-	-
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)	**4,158**		**4,158**	**-**	**-**	**-**	**-**
Reserve from valuation of actuarial gains and losses	-2,362		-2,362	-	-	-	-
Reserve from valuation of HTCS financial assets	6,520		6,520	-	-	-	-
Net profit (loss) for the year	**289,207**	**A, B, C**	**-**	**289,207**	**289,207**	**X**	**X**
Net equity for accounting purposes	**1,071,587**		**130,351**	**943,669**	**852,650**	**-**	**-**

Pursuant to Article 2427, paragraph 1- 22-*septies*, 2020 net profit will be fully allocated to dividend distribution for shareholders.

(1) Availability refers to:
A – capital increase; B – covering 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 capital increase ensuing from share-based payments to employees and Directors through assignment of shares of the parent company Assicurazioni Generali S.p.A.

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)	31.12.2020	31.12.2019
Amount at year-start	50,000	-
Issue-related increases	-	50,000
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	31.12.2020	31.12.2019
1 Commitments to disburse funds	**68**	**-**	**-**	**68**	**847**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	649
f) Households	68	-	-	68	198
2 Financial guarantees issued	**75,702**	**2,442**	**-**	**78,144**	**103,045**
a) Central Banks	-	-	-	-	-
b) Public administration bodies	-	-	-	-	-
c) Banks	-	-	-	-	3,006
d) Other financial companies	8,802	7	-	8,809	3,921
e) Non-financial companies	28,762	435	-	29,197	53,208
f) Households	38,138	2,000	-	40,138	42,910
Total	**75,770**	**2,442**	**-**	**78,212**	**103,892**

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 31.12.2020	31.12.2019
1. Other guarantees issued	**31**	**35**
of which:		
- *non-performing*	*31*	*35*
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	31	11
f) Households	-	24
2. Other commitments	**3,612**	**28,485**
of which:		
- *non-performing*		
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	113	28,485
d) Other financial companies	300	-
e) Non-financial companies	3,199	-
f) Households	-	-
Total	**3,643**	**28,520**

Loan commitments include commitments subject to certain or uncertain use towards banks and refer to financial commitments for securities to be received and deposits to be made.

3. Assets pledged as collateral for own liabilities and commitments

	31.12.2020				31.12.2019			
PORTFOLIO	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 at fair value through other comprehensive income	29,582	-	-	29,582	85,767	-	-	85,767
3. Financial assets at amortised cost	118,067	784,715	155,023	1,057,805	29,712	219,386	14,962	264,060
4. Property and equipment	-	-	-	-	-	-	-	-
of which:								
- *assets constituting inventories*	-	-	-	-	-	-	-	-
Total	**147,649**	**784,715**	**155,023**	**1,087,387**	**115,479**	**219,386**	**14,962**	**349,827**

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	31.12.2020	31.12.2019
1. Execution of orders on behalf of customers	**24,242,501**	**23,482,612**
a) Purchases	**12,688,723**	**12,225,287**
1. Settled	12,671,989	12,169,685
2. To be settled	16,734	55,602
b) Sales	**11,553,778**	**11,257,325**
1. Settled	11,538,552	11,190,058
2. To be settled	15,226	67,267
2. Portfolio management	**7,231,828**	**5,997,882**
a) Individual	7,231,828	5,997,882
b) Collective	-	-
3. Custody and administration of securities (excluding portfolio management)	**49,050,916**	**29,666,165**
a) Third-party securities held in deposit: related to services provided as depository bank	-	-
1. Securities issued by the bank that prepares the financial statements	-	-
2. other	-	-
b) Third-party securities held in deposit: other	**20,090,206**	**10,927,742**
1. Securities issued by the bank that prepares the financial statements	14,826	13,862
2. other	20,075,380	10,913,880
c) Third-party securities deposited with third parties	20,043,443	10,880,955
d) Portfolio securities deposited with third parties	8,917,267	7,857,468
4. Other transactions	**-**	**-**

Securities under custody and administration are recognised at nominal value.

5. Financial assets offset in the financial statements or falling in the scope of master netting arrangements or similar agreements

TECHNICAL TYPE	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: FINANCIAL INSTRUMENTS (D)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS: CASH DEPOSITS AS COLLATERAL (E)	NET AMOUNT AT 31.12.2020 (F = C - D - E)	NET AMOUNT AT 31.12.2019
1. Derivatives	1,533	-	1,533	-	-	1,533	998
2. Repurchase agreements	160,907	-	160,907	160,907	-	-	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2020	**162,440**	**-**	**162,440**	**160,907**	**-**	**1,533**	**X**
Total at 31.12.2019	**362,706**	**-**	**362,706**	**361,708**	**-**	**X**	**998**

6. Financial liabilities offset in the financial statements or falling within the scope of master netting agreements or similar agreements

TECHNICAL TYPE	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: FINANCIAL INSTRUMENTS (D)	CORRELATED AMOUNT NOT OFFSET IN THE FINANCIAL STATEMENTS: CASH DEPOSITS AS COLLATERAL (E)	NET AMOUNT AT 31.12.2020 (F = C - D - E)	NET AMOUNT AT 31.12.2019
1. Derivatives	35,238	-	35,238	1,533	34,890	-1,185	4,811
2. Repurchase agreements	150,951	-	150,951	150,951	3,087	-3,087	-
3. Securities loans	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total at 31.12.2020	**186,189**	**-**	**186,189**	**152,484**	**37,977**	**-4,272**	**X**
Total at 31.12.2019	**123,699**	**-**	**123,699**	**118,888**	**-**	**X**	**4,811**

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 valued at amortised cost, whereas financial instruments used as collateral are valued 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.

PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Section – 1 Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

VOCI/FORME TECNICHE	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	2020	2019
1. Financial assets at fair value through profit or loss:	**61**	**-**	**-**	**61**	**573**
1.1 HFT financial assets	4	-	-	4	124
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	57	-	-	57	449
2. Financial assets at fair value through other comprehensive income	**-1,028**	**-**	**X**	**-1,028**	**2,635**
3. Financial assets at amortised cost:	**63,416**	**21,717**	**X**	**85,133**	**76,094**
3.1 Loans to banks	4,219	157	X	4,376	2,884
3.2 Loans to customers	59,197	21,560	X	80,757	73,210
4. Hedging derivatives	X	X	**5,370**	**5,370**	**977**
5. Other assets	X	X	**-**	**-**	**-**
6. Financial liabilities	X	X	X	**6,540**	**2,709**
Total	**62,449**	**21,717**	**5,370**	**96,076**	**82,988**
of which:					
- *interest income on impaired financial assets*	*-*	*455*	*-*	*455*	*462*

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

	2020	2019
Interest income on bank deposits and current accounts	109	7
TLTRO	2,756	-
Repurchase agreements with banks	292	-
Repurchase agreements with customers	628	109
Interest income on customer deposit and current accounts	2,755	2,593
Total interest income on financial liabilities	**6,540**	**2,709**

1.2 Breakdown of interest income and similar revenues: further information

1.2.1 Interest income on financial assets in foreign currencies

	2020	2019
Interest income on financial assets in foreign currencies	181	728
Total	**181**	**728**

1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBITI	TITOLI	ALTRE OPERAZIONI	2020	2019
1. Financial liabilities at amortised cost:	**4,827**	**-**	**-**	**4,827**	**7,076**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	694	X	X	694	634
1.3 Due to customers	4,133	X	X	4,133	6,442
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**	**1,169**	**1,634**
Total	**4,827**	**-**	**-**	**5,996**	**8,710**
of which:					
- interest expense relating to lease debts	*3,396*	*-*	*-*	*3,396*	*3,412*

The Item 1.3 "Financial liabilities at amortised cost – Due to customers" includes 3.4 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

	2020	2019
Interest expense on deposits with the ECB	410	1,444
Interest expense on deposits with banks	587	106
Repurchase agreements with banks	91	40
Repurchase agreements with customers	27	20
Interest expense on customer deposits	54	24
Total	**1,169**	**1,634**

1.4 Interest expense and similar charges: further information

1.4.1 Interest expense on liabilities in foreign currencies

	2020	2019
Interest expense on liabilities in foreign currencies	223	643
Total	**223**	**643**

1.5 Hedging differentials

VOCI	2020	2019
A. Hedging gains	40,282	7,750
B. Hedging losses	34,912	6,773
C. Total (A - B)	**5,370**	**977**

Hedging differentials refer to interest-rate swaps (IRSs) and inflation IFRs entered into in relation to fair-value hedging transactions for fixed-rate or inflation-linked debt securities.
The balance includes 3,595 thousand euros attributable to the hedging of debt securities classified to the portfolio of financial assets measured at amortised cost (470 thousand euros in 2019), 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	2020	2019
a) Guarantees issued	478	583
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	611,173	572,856
1. trading of financial instruments	19,733	16,600
2. currency trading	-	-
3. Individual portfolio management	72,405	75,392
4. Custody and administration of securities	377	347
5. Depository bank	-	-
6. Placement of securities	226,188	211,013
7. Order receiving and collection	8,635	6,702
8. Consultancy activities	32,634	23,699
8.1 investment advice	*32,634*	*23,699*
8.2 advice on financial structure	-	-
9. Distribution of third-party services	251,201	239,103
9.1 portfolio management	*899*	*834*
9.1.1 individual	27	28
9.1.2 collective	*872*	*806*
9.2 Insurance products	247,969	237,632
9.3 Other products	2,333	637
of which:		
- *BG Saxo services*	*1,629*	*88*
d) Collection and payment services	4,180	4,329
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	1,935	2,021
j) Other services	2,539	2,203
of which:		
- *all-inclusive fees on credit lines*	*2,058*	*1,858*
Total	**620,305**	**581,992**

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)	2020	2019
Underwriting fees	30,957	29,492
Management fees	516,545	494,991
Performance fees	663	1,025
Other fees for banking and financial services	72,140	56,484
Total fee income	**620,305**	**581,992**

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	2020	2019
Individual portfolio management	-1,170	72,912	663	-	72,405	75,392
Placement of Group's UCITS	5,816	100,646	-	-	106,462	99,091
Placement of UCITS	5,320	96,874	-	-	102,194	96,692
Placement of securities	17,532	-	-	-	17,532	15,230
Distribution of third-party services	3,459	246,113	-	-	249,572	239,103
Other services and banking products	-	-	-	72,140	72,140	56,484
Total fee income	**30,957**	**516,545**	**663**	**72,140**	**620,305**	**581,992**

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 692 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	2020	2019
a) Group branches	**2,702**	**181**
1. Portfolio management	-	-
2. Placement of securities	2,702	181
3. Third-party products and services	-	-
b) Off-premises offer	**547,092**	**525,306**
1. Portfolio management	72,405	75,392
2. Placement of securities	223,486	210,832
3. Third-party products and services	251,201	239,082
c) Other distribution channels	**-**	**21**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	21
Total	**549,794**	**525,508**

2.3 Breakdown of fee expense

SERVICES/VALUES	2020	2019
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	363,772	343,443
1. Trading of financial instruments	5,226	3,739
2. Currency trading	-	-
3. Portfolio management	1,051	1,004
3.1 Own portfolio	1,051	1,004
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	2,284	1,906
5. Placement of financial instruments	-	-
6. Off-premises offer of financial instruments, products and services	355,211	336,794
d) Collection and payment services	3,871	4,397
e) Other services	3,382	1,966
Total	**371,025**	**349,806**

Fee expense for off-premises offer includes the costs incurred to obtain or fulfil contracts with customers of 73,261 thousand euros, of which 61,184 thousand euros relating to previous years.

Section 3 – Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

	2020		2019	
ITEMS/INCOME	DIVIDENDS	SIMILAR INCOME	DIVIDENDS	SIMILAR INCOME
A. HFT financial assets	4	-	-	-
B. Other financial assets mandatorily measured at fair value	31	1,250	56	1,455
C. Financial assets at fair value through other comprehensive income	1,040	-	1,379	-
D. Equity investments	238,320	-	212,613	-
Total	**239,395**	**1,250**	**214,048**	**1,455**

Section 4 – Net income from trading - 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 2020	NET RESULT 2019
1. HFT financial liabilities	**30**	**106**	**-**	**398**	**-262**	**658**
1.1 Debt securities	30	80	-	145	-35	603
1.2 Equity securities	-	19	-	122	-103	56
1.3 UCITS units	-	7	-	131	-124	-1
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**6,408**	**4,959**
4. Derivatives	**-**	**-**	**-**	**15**	**-19**	**8**
4.1 Financial:	-	-	-	15	-19	8
- on debt securities and interest rates	-	-	-	-	-	-
- *interest rate swaps*	-	-	-	-	-	-
- *government bond forwards*	-	-	-	-	-	-
- on equity securities and stock indexes	-	-	-	15	-15	-2
- *options*	-	-	-	*12*	*-12*	-
- *futures*	-	-	-	*3*	*-3*	*-2*
- on currency and gold [(1)]	X	X	X	X	-4	10
- other	-	-	-	-	-	-
4.2 Credit	-	-	-	-	-	-
of which:						
- *natural hedging related to the fair value option*	*X*	*X*	*X*	*X*	-	-
Total	**30**	**106**	**-**	**413**	**6,127**	**5,625**

(1) It includes currency options and currency outrights.

Section 5 – Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

INCOME COMPONENTS/VALUES	2020	2019
A. Income from:		
A.1 Fair value hedge derivatives	2,146	4,663
A.2 Hedged financial assets (fair value)	44,855	4,066
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)	**47,001**	**8,729**
B. Charges from:		
B.1 Fair value hedge derivatives	46,329	4,168
B.2 Hedged financial assets (fair value)	1,578	4,543
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)	**47,907**	**8,711**
C. Net income from hedging (A - B)	**-906**	**18**
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

	2020			2019		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
A. Financial assets						
1. Financial assets at amortised cost	17,461	11	17,450	315	-	315
1.1 Loans to banks	154	-	154	-	-	-
1.2 Loans to customers	17,307	11	17,296	315	-	315
2. Financial assets at fair value through other comprehensive income	2,800	4,957	-2,157	10,603	5,078	5,525
2.1 Debt securities	2,800	4,957	-2,157	10,603	5,078	5,525
2.2 Loans	-	-	-	-	-	-
Total assets	**20,261**	**4,968**	**15,293**	**10,918**	**5,078**	**5,840**
B. Financial liabilities 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	1,804	-498	1,306
Total	**1,804**	**-498**	**1,306**

Section 7 – Net result on other financial assets and liabilities measured at fair value through profit and 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

	2020					2019				
TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	**407**	**5**	**3,194**	**37**	**-2,819**	**4,315**	**1,442**	**2,673**	**3,265**	**-181**
1.1 Debt securities	-	-	-	37	-37	14	-	2,338	-	-2,324
1.2 Equity securities	-	-	258	-	-258	239	-	-	-	239
1.3 UCITS units	17	2	2,916	-	-2,897	3,162	1,421	296	3,265	1,022
1.4 Loans	390	3	20	-	373	900	21	39	-	882
2. Financial assets in foreign currencies: exchange differences	X	X	X	X	**-**	X	X	X	X	-
Total	**407**	**5**	**3,194**	**37**	**-2,819**	**4,315**	**1,442**	**2,673**	**3,265**	**-181**

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 STAGE 1 AND STAGE 2	ADJUSTMENTS STAGE 3 WRITE-OFFS	ADJUSTMENTS STAGE 3 OTHER	REVERSALS STAGE 1 AND STAGE 2	REVERSALS STAGE 3	2020	2019
A. Loans to banks	**-**	**-**	**-**	**56**	**-**	**56**	**-175**
- Loans	-	-	-	18	-	18	65
- Debt securities	-	-	-	38	-	38	-240
of which:							
- *acquired or originated impaired loans*	-	-	-	-	-	-	-
B. Loans to customers	**947**	**49**	**1,116**	**1,380**	**295**	**-437**	**-5,416**
- Loans	947	49	1,116	-	295	-1,817	-312
- Debt securities	-	-	-	1,380	-	1,380	-5,104
of which:							
- *acquired or originated impaired loans*	-	-	-	-	-	-	-
Total	**947**	**49**	**1,116**	**1,436**	**295**	**-381**	**-5,591**

Specific adjustments to loans to customers classified under “Stage 3” amounted to 1,116 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 the sales network.

These write-downs were 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

TRANSACTIONS/INCOME COMPONENTS	NET ADJUSTMENTS STAGE 1 AND STAGE 2	NET ADJUSTMENTS STAGE 3 WRITE-OFFS	NET ADJUSTMENTS STAGE 3 OTHER	2020	2019
1. Loans subject to forbearance in accordance with the GLs	57	-	-	57	-
2. Loans subject to other forbearance measures	-	-	-	-	-
3. Newly originated loans	127	-	-	127	-
Total	**184**	**-**	**-**	**184**	**-**

8.2 Breakdown of net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS		2020	2019
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3		
		WRITE-OFFS	OTHER				
A. Debt securities	-	-	-	117	-	117	204
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which:							
- *acquired or originated impaired financial assets*	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**117**	**-**	**117**	**204**

Section 10 – General and administrative expenses - Item 160

Breakdown of general and administrative expenses

		2020	2019
160 a)	Staff expenses	90,066	86,485
160 b)	Other general and administrative expenses	172,125	159,406
Total		**262,191**	**245,891**

10.1 Breakdown of staff expenses

TYPE OF EXPENSES/VALUES	2020	2019
1) Employees	**89,931**	**86,041**
a) Wages and salaries	48,246	47,474
b) Social security charges	12,788	12,176
c) Termination indemnity	701	645
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	31	113
f) Provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	4,694	4,412
- defined contribution	4,694	4,412
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	2,192	2,755
i) Other employee benefits	21,279	18,466
2) Other staff	**377**	**374**
3) Directors and Auditors	**1,012**	**968**
4) Retired personnel	**39**	**30**
5) Recovery of expenses for staff seconded to other companies	**-1,992**	**-1,050**
6) Repayments of expenses for third-party staff seconded to the Company	**699**	**122**
Total	**90,066**	**86,485**

10.2 Average number of employees by category (*)

	2020	2019
Employees	**860**	**842**
a) Managers	55	51
b) Executives	279	269
c) Employees at other levels	526	523
Other personnel	**-8**	**-2**
Total	**851**	**840**

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

Breakdown of personnel

	2020	2019
Employees	**897**	**855**
a) Managers	57	54
b) Executives	293	271
of which:		
- *3rd and 4th level*	*147*	*147*
- *1st and 2nd level*	*146*	*124*
c) Employees at other levels	547	530
Other personnel	**-19**	**-1**
Contract and temporary workers	-	5
Staff seconded from other companies	*3*	*3*
Staff seconded to other companies	*-22*	*-9*
Total	**878**	**854**

10.4 Other employee benefits

	2020	2019
Short-term productivity bonuses	**13,287**	**9,433**
Long-term benefits	**2,884**	**3,929**
Charges for Relationship Manager recruitment plans	272	1,229
Charges for deferred variable remuneration (managers' MBO)	1,874	1,521
Charges for post-employment medical care plans	738	1,179
Other benefits	**5,108**	**5,104**
Charges for staff supplementary pensions	3,147	2,980
Amounts replacing cafeteria indemnities	980	966
Training expenses	606	772
Contributions to employees	157	271
Transfer incentives and other indemnities	85	19
Other expenses	133	96
Total	**21,279**	**18,466**

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 2020 plan for measures.

10.5 Breakdown of other general and administrative expenses

	2020	2019
Administration	**19,338**	**21,059**
Advertising	3,310	4,395
Audit fees	9,629	11,746
Corporate boards and auditing firms	377	353
Insurance	3,485	3,127
Entertainment expenses	372	504
Membership contributions	1,084	788
Charity	1,081	146
Operations	**22,106**	**23,154**
Rent and usage of premises and management of property	4,461	4,320
Outsourced administrative services	6,870	6,664
Post and telephone	2,054	2,025
Print material	1,221	1,306
Other expenses for sales network management	2,155	2,743
Other expenses and purchases	4,018	3,907
Other indirect staff expenses	1,327	2,189
Information system and equipment	**47,433**	**42,018**
Expenses related to outsourced IT services	31,108	29,280
Fees for IT services and databases	7,468	6,903
Software maintenance and servicing	7,097	4,873
Fees for equipment hired and software used	337	173
Other maintenance	1,423	789
Indirect taxation	**71,966**	**64,868**
Stamp duty on financial instruments	70,922	63,873
Substitute tax on medium/long-term financing	548	423
Other indirect taxes to be paid by the Bank	496	572
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	**11,282**	**8,307**
Total	**172,125**	**159,406**

The item 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.

	2020	2019
Lease costs < 5,000 euros	247	172
Lease costs < 12 months	214	185
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 3,729 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

	2020			2019		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and financial guarantees issued	17	-	**17**	22	-	**22**
Total	**17**	**-**	**17**	**22**	**-**	**22**

11.3 Breakdown of net provisions for liabilities and contingencies

	2020			2019		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for staff expenses	**2,192**	**-872**	**1,320**	**3,156**	**-524**	**2,632**
Provision for restructuring plan	21	-386	-365	1,672	-	1,672
Provision for staff expenses – Other [(1)]	2,171	-486	1,685	1,484	-524	960
Provisions for legal disputes	**3,650**	**-1,186**	**2,464**	**3,867**	**-1,398**	**2,469**
Provision for risks related to legal disputes with subscribers	1,400	-498	902	1,331	-518	813
Provision for risks related to legal disputes with Financial Advisors	77	-343	-266	30	-100	-70
Provision for risks related to legal disputes with staff	-	-15	-15	15	-	15
Provision for risks related to legal disputes with other parties	2,173	-330	1,843	2,491	-780	1,711
Provisions for termination indemnity - Financial Advisors	**25,789**	**-790**	**24,999**	**16,213**	**-1,474**	**14,739**
Provision for termination indemnity of sales network	12,487	-540	11,947	7,463	-1,110	6,353
Provision for manager incentive indemnity	2,961	-115	2,846	2,638	-107	2,531
Provision for portfolio overfee indemnities	671	-37	634	449	-75	374
Provision for pension bonuses	1,221	-98	1,123	855	-182	673
Provisions for Framework Loyalty Programme	8,449	-	8,449	4,808	-	4,808
Provisions for network incentives	**17,443**	**-2,662**	**14,781**	**17,165**	**-3,836**	**13,329**
Provision for network development plans	11,695	-1,239	10,456	12,630	-3,746	8,884
Provision for deferred bonus	59	-12	47	80	-90	-10
Provision for managers with access gate	220	-	220	300	-	300
Provision for incentive travels	4,500	-1,336	3,164	3,300	-	3,300
Provision for fee plans	969	-75	894	855	-	855
Other provisions for liabilities and contingencies	**2,118**	**-98**	**2,020**	**4,412**	**-**	**4,412**
Total	**51,192**	**-5,608**	**45,584**	**44,813**	**-7,232**	**37,581**

(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 2020 (A + B - C)	NET RESULT 2019
A. Property and equipment	**20,426**	**-**	**-**	**20,426**	**19,406**
1. Operating	**20,426**	**-**	**-**	**20,426**	**19,406**
- owned	1,636	-	-	1,636	1,516
- rights of use acquired through leases	18,790	-	-	18,790	17,890
2. Held as investments	**-**	**-**	**-**	**-**	**-**
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	**X**	**-**	**-**	**-**	**-**
Total	**20,426**	**-**	**-**	**20,426**	**19,406**

Section 13 – Net adjustments/reversals of intangible assets - Item 190

13.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	DEPRECIATION (A)	ADJUSTMENTS FOR IMPAIRMENT (B)	REVERSALS (C)	NET RESULT 2020 (A + B - C)	NET RESULT 2019
A. Intangible assets	**11,076**	**-**	**-**	**11,076**	**9,427**
A.1 Owned	11,076	-	-	11,076	9,427
- generated in-house	-	-	-	-	-
- ther	11,076	-	-	11,076	9,427
A.2 Rights of use acquired through leases	-	-	-	**-**	**-**
Total	**11,076**	**-**	**-**	**11,076**	**9,427**

Breakdown of value adjustments of intangible fixed assets - amortisation

	2020	2019
Charges associated with the implementation of legacy CSE procedures	8,995	8,126
Customer relationships	1,709	1,152
Other intangible fixed assets	372	149
Total	**11,076**	**9,427**

Section 14 – Other operating income and expenses - Item 200

14.1 Breakdown of other operating expenses

	2020	2019
Adjustments of leasehold improvements	2,648	2,385
Write-downs of other assets	-	34
Indemnities and compensation for litigation and claims	396	144
Charges from accounting adjustments with customers	1,282	2,072
Charges for card compensation and guarantees	7	1
Costs associated with tax disputes, penalties and fines	16	26
Other contingent liabilities and non-existent assets	437	1,375
Other operating expenses	-	2
Total	**4,786**	**6,039**

14.2 Breakdown of other operating income

	2020	2019
Recovery of taxes from customers	70,259	62,946
Recovery of expenses from customers	647	733
Fees for outsourced services	172	130
Charge-back of portfolio development indemnity to incoming Financial Advisors	2,413	3,874
Indemnities for Financial Advisors' termination without notice	388	666
Other recoveries of repayments and costs from Financial Advisors	2,612	1,972
Contingent assets related to staff expenses	926	1,441
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training (FBA)	280	230
Other contingent assets and non-existent liabilities	1,041	803
Insurance compensation and indemnities	210	813
Tax credit related to movie production	105	300
Other income	275	200
Total	**79,328**	**74,108**
Total other net income	**74,542**	**68,069**

Section 15 – Gains (losses) of equity investments - Item 220

15.1 Breakdown of gains (losses) of equity investments

INCOME COMPONENTS/VALUES	2020	2019
A. Gains	**-**	**-**
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	**-1,370**	**-2,059**
1. Write-downs	-	-
2. Adjustments for impairment	-1,370	-2,059
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-1,370**	**-2,059**

Section 18 – Gains (losses) on disposal of investments - Item 250

18.1 Breakdown of gains (losses) on disposal of investments

INCOME COMPONENTS/VALUES	2020	2019
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	7	-262
- Gains on disposal	17	-
- Losses on disposal	-10	-262
Net result	**7**	**-262**

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	2020	2019
1. Current taxation (-)	-43,782	-33,095
2. Change in prior years' current taxes (+/-)	2,047	1,006
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. of 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	1,366	-1,225
5. Changes of deferred taxation (+/-)	-1,745	368
6. Taxes for the year (-)	**-42,114**	**-32,946**

19.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes due for 2020, 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 to profit before taxation.
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 3.5 percentage points 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.

	2020	2019
Current taxation	**-43,782**	**-33,095**
IRES	-30,312	-22,378
IRAP	-13,470	-10,717
Prepaid and deferred taxation	**-379**	**-857**
IRES	79	-924
IRAP	-458	67
Prior years' taxes	**2,047**	**1,006**
IRES	2,131	1,179
IRAP	-84	-173
Income taxes	**-42,114**	**-32,946**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**331,321**	**281,304**
Theoretical taxation	**-91,113**	**-77,359**
Non-taxable income (+)		
Dividends	62,541	55,920
ACE	1,705	872
Other decreases	151	181
Non-deductible charges (-)		
Impairment of equity securities PEX	-306	-566
Other non-deductible costs	-2,026	-2,366
Other taxes (+/-)		
IRAP	-13,928	-10,650
Prior years' taxes	2,047	1,006
Change in deferred taxes without offsetting entry	-1,185	16
Actual tax expense	**-42,114**	**-32,946**
Total actual tax rate	**12.7%**	**11.7%**
Actual tax rate (IRES)	**8.5%**	**7.9%**
Actual tax rate (IRAP)	**4.2%**	**3.8%**

Section 22 – Earnings per Share

22.1 Average number of ordinary shares with diluted capital

	2020	2019
Net profit for the year (€ thousand)	289,207	248,358
Earnings attributable to ordinary shares (€ thousand)	289,207	248,358
Average number of outstanding shares (thousand)	115,340	115,719
EPS - Earnings per share (euros)	**2.51**	**2.15**
Average number of outstanding shares with diluted capital (thousand)	115,340	115,719
EPS - Diluted earnings per share (euros)	**2.51**	**2.15**

PART D – COMPREHENSIVE INCOME

Analytical Statement of Comprehensive Income

	ITEMS	2020	2019
10.	**Net profit (loss) for the year**	**289,207**	**248,358**
	Other income, without transfer to Profit and Loss Account	**-572**	**-323**
20.	**Equity securities designated at fair value through other comprehensive income:**	**-217**	**-300**
	a) fair value changes	-217	-300
	b) transfers to other net equity components	-	-
30.	**Financial liabilities designated at fair value through profit or loss (change in the 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**	**-500**	**-32**
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**	**145**	**9**
	Other income, with transfer to Profit and Loss Account	**860**	**15,827**
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) at fair value through other comprehensive income:**	**1,268**	**23,326**
	a) fair value changes	3,162	20,489
	b) transfer to Profit and Loss Account	-1,894	2,837
	- adjustments due to credit risk	-588	-2,173
	- gains (losses) on disposal	-1,306	5,010
	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**	**-408**	**-7,499**
190.	**Total other income components**	**288**	**15,504**
200.	**Comprehensive income (Items 10 + 190)**	**289,495**	**263,862**

PART E – INFORMATION ON 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:
  – Risk and Capital Adequacy Department: it 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.

Section 1 – Credit risks

Qualitative information

1. General aspects

Credit risk is defined as the possibility that an unexpected variation in the creditworthiness of a counterparty may result in a corresponding unexpected variation in the current value of the loan exposure. Credit risk thus manifests as a decline in the counterparty's creditworthiness (migration or downgrading risk) and the risk of insolvency.

As part of its credit risk management process, the Group has formally defined a Credit Risk Management Policy and Financial Portfolio Risk Management Policy, which lay down the general principles and the roles of corporate 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.

Credit risk exposure derives primarily from the exposure to debt securities classified to the hold-to-collect portfolio (IFRS 9) and thus measured at amortised cost, from loans disbursed to individuals and legal entities in the form of revocable lines of credit (current accounts, Lombard loans) and term loans (mortgage and other loans to customers subject to agreements) and from liquidity invested in the money market through interbank deposits.

With regard to customer loans in the traditional form of revocable current accounts, Lombard loans, term and mortgage loans, this Banca Generali activity is an ancillary function to the core activity consisting of managing investment services for retail customers.
During the year, in light of the pandemic scenario, the Bank participated in the initiatives in support of the real economy provided for in the so-called Cure Italy and Liquidity Decrees. With regard to the latter in particular, the Bank disbursed loans to SMEs guaranteed by the Medio Credito Centrale fund. Participation in this initiative, despite being addressed to small and medium-sized enterprises, did not modify the composition of the portfolio by segment (30% retail customers and 70% companies), because it was offset by the increase in Lombard loans, dedicated to retail investors. With the exception for the loans to SMEs guaranteed by the Mediocredito Centrale Fund and mortgage loans, the loan portfolio is characterised by the presence of collateral primarily in the form of pledges of financial instruments.

The Group has also formally defined lending policy guidelines within the Lending Rules and Procedures of Banca Generali S.p.A. that assign specific responsibilities to each company unit involved.

The Group has defined an extensive system of powers and limits associated with loan authorisation. In this context, detailed levels of autonomy have been defined and formalised regarding the authorisation powers resting with the various decision-making levels together with specific operating procedures.

In terms of the monitoring of loans, after they have been disbursed, the Group has assigned specific tasks pertaining to timely monitoring of outstanding loan positions, and integrated the monitoring system with specific information regarding a credit portfolio mainly guaranteed by financial instruments.

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 operations, strategies and Risk Appetite Framework (RAF), 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 portfolio of reference, the control of the operating 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 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 Bank took various initiatives in support of the real economy, to contribute to the liquidity required by the Italian business community. The support measures included:
> loans subject to "moratoria" falling within the scope of application of the EBA guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);

- loans with Covid-19-related forbearance measures;
- Newly originated loans subject to guarantee schemes by the central government or other public entities

In the April 2020 session of the Board of Directors, the Bank 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). The latter, as opposed to the former, do not meet all the criteria set out in the EBA guidelines (EBA/GL/2020/02), as communicated by the Bank to the Bank of Italy. In particular, they do not include industry agreements and/or those promoted by specific entities. Rather, they are more specifically addressed to customers in the Bank's core loan portfolio, for which credit activity is secondary to the core business, essentially represented by private-banking customers or other customers holding deposits with the Bank;
- the extension of the provisions for legislative moratoria to the non-legislative moratoria at the Bank's 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 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).

On the basis of the dates on which the Board of Directors held the above sessions, the Bank adopted the application of the legislative moratoria with effect from 1 April 2020 and commenced operation with the Medio Credito Centrale SME Fund for the disbursement of loans under the Liquidity Decree with effect from 23 April 2020.
Accordingly, and in compliance with what the Bank of Italy has implemented in its Communication of 30 June 2020, the Bank sent the first reporting stream using the template set out Annex 1 of the EBA Guidelines (EBA GL 2020 07 Annex 1) relating to the legislative moratoria in portfolio as at 30 June 2020.

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 2020, 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, the decreasing trend of the NPL ratio compared to the previous year, and a rather high level of quality in terms of the creditworthiness of performing loans. In 2020, the NPL portfolio declined due to the closure due to derecognition of bad loan positions, the closure due to repayment and/or reclassification to performing of several UTP positions, and the reclassification to performing status of past-due positions, as well as the effect of the new credit granting and monitoring policies.

Banca Generali has adopted a predictive credit risk management model designed to mitigate economic risk for the Bank by anticipating the launch of the most useful measures, culminating in recovery of the most serious types of non-performing positions. All this has been made possible by constant monitoring of credit positions for potential decline in creditworthiness through an extensive system of triggers identified in advance by the Bank, followed by confirmation or rejection of the "management classification", which thus accompanies the administrative classification and allows the loan portfolio to be segmented more effectively by associating intervention measures with each position to maintain or withdraw commitments.

In 2020, the Bank completed of the IT development initiative in support of the monitoring of the loan portfolio with a specific focus on compliance with the limits set in the Risk Appetite Framework, which call for a thorough assessment of the financial instruments used as collateral.
In 2020, the Covid-19 pandemic profoundly modified and redirected the process of developing the Bank's range of credit offerings. As mentioned, Banca Generali's credit offerings were expanded to support liquidity levels in Italy by activating medium/long-term lines of credit guaranteed by the SME Guarantee Fund for the first time. In addition, starting in March 2020 a plan of access to loan moratoria was introduced, also extending to parties excluded from the scope of the government measures. Then, in the third quarter, the Bank added new lines of credit to its range, specifically designed to provide advances against the future tax credits arising from the "110% superbonus" programme.

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 EAD (Exposure At Default) parameter 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.
In 2020, the pandemic environment led financial supervisory authorities (EBA and ESMA) to provide guidelines on the calculation of the expected credit losses on financial instruments. As regards lines of credit to customers in particular, the EBA asked banks to consider certain aspects, distinguishing between cases in which a decline in creditworthiness due to the pandemic is merely temporary from those in which such a decline is long-term and thus irreversible. Banca Generali considered these guidelines, carrying out thorough assessments of individual positions and thus avoiding automatic model mechanisms where not corresponding to the counterparties' effective long-term creditworthiness. In view of its target clientele, this phenomenon nonetheless had a marginal impact.

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.

In 2020, the health emergency impacted the decisions of financial operators, which found themselves in the midst of an outright global economic crisis.
Market turbulence led operators to take strategic decisions intended to contain and diversify portfolio risk. In response to the Covid-19 emergency crisis, national and international authorities (such as the EBA, BCE, BCBS, Bank of Italy and Italian government) promoted a thorough programme of support for the banking system and real economy, consisting of the "banking package" and public moratoria, designed to restore businesses and families to normalcy as soon as possible.

The publications issued by the supervisory authorities in March to May 2020 required financial institutions to change the way they manage the credit impairment process to ensure that temporary increases in risk profile are properly measured even in stress conditions, while also reducing the potential procyclical effects of the underlying measurement models.
In adhering to these guidelines, which view the Covid-19 emergency as a temporary phenomenon, and in line with industry practices commonly adopted by Italian financial institutions, Banca Generali decided to make some changes to the current stage assignment model (IFRS 9) for the securities portfolio by adding admissible adjustments, such as the inhibition of the downgrading of sovereign securities, provided that it is circumstantiated in terms of temporariness (i.e., duration in time), extraordinariness (e.g., during the Covid-19 emergency period) and severity (i.e., not resulting in a merit class lower than Credit Quality Step 4[9]).

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 primary residences.

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 SA, today EFG Bank AG.
At 31 December 2020, the guarantee covers bad loan positions of approximately 26 million euros, which net of adjustment declined to about 17.6 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 exposures 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 24,597 thousand euros, of which:

> net bad loans amounting to 18,905 thousand euros referring to financing, of which 17,632 thousand euros (93.2%) covered by indemnities, 1,246 thousand euros (6.6%) secured by mortgages and 27 thousand euros (0.2%) not secured;
> unlikely-to-pay loans of 2,867 thousand euros, of which just 270 thousand euros (9.4%) actually at risk, and the remaining 2,596 thousand euros (90.6%) secured by collateral (pledges or mortgages);
> non-performing past-due loans of 2,825 thousand euros, of which 2,574 thousand euros (91.1%) secured by collateral, and 251 thousand euros (8.9%) not secured.

[9] ECB - Press release of 22 April 2020; IFRS 9 in the context of the coronavirus (Covid-19) pandemic - SSM-2020-0154 (1 April 2020).

Net non-performing loans in the form of financing may be broken down as follows:
> about 71.7% (17,632 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 28.3% (6,964 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 6,964 thousand euros, representing 0.2% of total net loans to customers. However, considering positions secured by collateral or similar guarantees, which at 6,416 thousand euros make up approximately 92% of total net non-performing loans, a residual total amount of 548 thousand euros of net non-performing loans are not secured by collateral, representing 7.9% of total net non-performing loans and an entirely marginal fraction of total net loans to customers (0.01%).
In 2020, the NPL portfolio declined due to derecognition of bad loan positions, the closure due to repayment and/or reclassification to performing of several UTP positions, and the reclassification to performing status of past-due positions.

3.2 Write-offs
The Bank has not adopted any write-off policy.

3.3 Acquired or originated 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 2020, outstanding forborne exposures in the portfolio of loans to customers were mostly classified as performing positions (90%), with the remainder classified as non-performing (10%). Nearly all positions were secured by collateral (primarily pledges) or similar guarantees[10].
Exposures subject to forbearance measures at 31 December 2020 mostly consisted (approximately 73%) 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.

[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.

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 at amortised cost	18,905	2,867	2,825	8,891	8,994,123	9,027,611
2. Financial assets at fair value through other comprehensive income	-	-	-	-	2,711,931	2,711,931
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	22,713	22,713
5. HFS financial assets	-	-	-	-	-	-
Total at 31.12.2020	**18,905**	**2,867**	**2,825**	**8,891**	**11,728,767**	**11,762,255**
Total at 31.12.2019	**28,311**	**3,621**	**1,718**	**7,512**	**10,377,193**	**10,418,355**

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	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets at amortised cost	39,318	14,721	24,597	-	9,009,169	6,155	9,003,014	9,027,611
2. Financial assets at fair value through other comprehensive income	-	-	-	-	2,712,409	478	2,711,931	2,711,931
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	22,713	22,713
5. HFS financial assets	-	-	-	-	-	-	-	-
Total at 31.12.2020	**39,318**	**14,721**	**24,597**	**-**	**11,721,578**	**6,633**	**11,737,658**	**11,762,255**
Total at 31.12.2019	**57,052**	**23,402**	**33,650**	**-**	**10,372,626**	**8,301**	**10,384,704**	**10,418,354**

PORTFOLIOS/QUALITY	ASSETS WITH CLEARLY POOR CREDIT QUALITY		OTHER ASSETS
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	NET EXPOSURE
1. HFT financial assets	-	-	3,611
2. Hedging derivatives	-	-	2,486
Total at 31.12.2020	**-**	**-**	**6,097**
Total at 31.12.2019	**-**	**-**	**23,025**

A.1.3 Breakdown of financial assets by maturity brackets (book value)

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3		
	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 at amortised cost	6,591	-	2	669	490	1,139	-	-	24,597
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total at 31.12.2020	**6,591**	**-**	**2**	**669**	**490**	**1,139**	**-**	**-**	**24,597**
Total at 31.12.2019	**3,684**	**-**	**-**	**1,032**	**1,800**	**995**	**-**	**-**	**33,650**

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								
	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	OF WHICH: INDIVIDUAL WRITE-DOWNS	OF WHICH: COLLECTIVE WRITE-DOWNS	OF WHICH :ACQUIRED OR ORIGINATED IMPAIRED FINANCIAL ASSETS	STAGE 1	STAGE 2	STAGE 3	TOTAL
Total adjustment at year-start	**5,544**	**971**	**-**	**6,515**	**1,692**	**94**	**-**	**1,786**	**23,407**	**-**	**23,407**	**-**	**-**	**102**	**6**	**-**	**31,816**
Increases from acquired or originated financial assets	1,044	151	-	1,195	72	-	-	72	-	-	-	-	-	-	-	-	1,267
Cancellations other than write-offs	-885	-469	-	-1,354	-90	-2	-	-92	-902	-	-902	-	-	-28	-	-	-2,376
Net adjustments/reversals for credit risk (+/-)	-483	-246	-	-729	-738	-22	-	-760	777	-	777	-	-	36	8	-	-668
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the assessment methods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-8,561	-	-8,561	-	-	-	-	-	-8,561
Total adjustments at year-end	**5,220**	**407**	**-**	**5,627**	**936**	**70**	**-**	**1,006**	**14,721**	**-**	**14,721**	**-**	**-**	**110**	**14**	**-**	**21,478**
Recovery from collection of written off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs directly recognised through profit and loss	-	-	-	-	-	-	-	-	34	-	34	-	-	-	-	-	34

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 36 thousand euros and did not change considerably from their initial levels.

Final total adjustments to the securities portfolio amounted to 5,795 thousand euros and declined by approximately 11,141 thousand euros compared to the initial balance due to:

> the sale of the Stage 3 HTC security Tyndaris, on which a bad debt provision of 8,555 thousand euros had been recognised at the end of 2019;

> the decline in adjustments to Stage 1 and Stage 2 positions mainly due to the lower risk level of the government bond portfolio resulting from the initiatives taken by the ECB, partially offset by the greater adjustments necessary in light of the expansion of investment volumes.

A.1.5 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 at amortised cost	9,240	29,943	1,498	-	3,916	2
2. Financial assets at fair value through other comprehensive in-come	-	3,548	-	-	-	-
3. Commitments to disburse funds and financial guarantees is-sued	233	3,859	-	-	-	-
Total at 31.12.2020	**9,473**	**37,350**	**1,498**	**-**	**3,916**	**2**
Total at 31.12.2019	**17,424**	**48,605**	**16,063**	**9**	**1,227**	**844**

A.1.5a 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 are all classified to Stage 1 and were not transferred between stages during the year.

A.1.6 Cash and off-balance sheet credit exposures with banks: gross and net amounts

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE		TOTAL ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
	NON-PERFORMING	PERFORMING			
A. Cash credit exposures					
a) Bad loans	-	X	-	-	-
- *of which: forborne exposures*	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- *of which: forborne exposures*	-	X	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-
- *of which: forborne exposures*	-	X	-	-	-
d) Performing past-due exposures	X	-	-	-	-
- *of which: forborne exposures*	X	-	-	-	-
e) Other performing exposures	X	865,632	559	865,073	-
- *of which: forborne exposures*	X	-	-	-	-
Total A	**-**	**865,632**	**559**	**865,073**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	2,681	-	2,681	-
Total B	**-**	**2,681**	**-**	**2,681**	**-**
Total (A+B)	**-**	**868,313**	**559**	**867,754**	**-**

Cash exposures with banks include all cash financial assets claimed from banks, regardless of the portfolio of allocation for accounting purposes: financial assets at amortised cost, financial assets 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 NON-PERFORMING	GROSS EXPOSURE PERFORMING	TOTAL ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures					
a) Bad loans	31,676	X	12,771	18,905	-
- *of which: forborne exposures*	-	*X*	-	-	-
b) Unlikely to pay	4,078	X	1,211	2,867	-
- *of which: forborne exposures*	*2,333*	*X*	*390*	*1,943*	-
c) Non-performing past-due exposures	3,563	X	738	2,825	-
- *of which: forborne exposures*	-	*X*	-	-	-
d) Performing past-due exposures	X	9,032	141	8,891	-
- *of which: forborne exposures*	*X*	-	-	-	-
e) Other performing exposures	X	10,871,678	5,933	10,865,745	-
- *of which: forborne exposures*	*X*	*21,139*	*135*	*21,004*	-
Total A	**39,317**	**10,880,710**	**20,794**	**10,899,233**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	31	X	-	31	-
b) Performing	X	74,011	124	73,887	-
Total B	**31**	**74,011**	**124**	**73,918**	**-**
Total (A+B)	**39,348**	**10,954,721**	**20,918**	**10,973,151**	**-**

Cash exposures with customers include all cash financial assets claimed from customers, regardless of the portfolio of allocation for accounting purposes: financial assets at amortised cost, financial assets 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 31,676 thousand euros and included 12,771 thousand euros of value adjustments; therefore, net bad loans recognised totalled 18,905 thousand euros. Of this amount, 17,632 thousand euros (93.2% 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 1,273 thousand euros, equal to about 6.7% of total net bad loans and 0.01% of total net loans to customers. Considering bad loans secured by mortgages, which amounted to 1,246 thousand euros, the residual net bad loans amounted to 27 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 18,667 thousand euros gross, primarily owing to realisation due to sale and collections totalling 19,366 thousand euros, against other increases and transfers from other non-performing categories in the total amount of 699 thousand euros.
The most significant increases related to changes in positions already classified as bad loans, primarily relating to interest accrued, amounting to 581 thousand euros, of which 453 thousand euros of exposures secured by indemnities.
Decreases included realisations due to sale of 15,294 thousand euros, referring to the sale of the convertible loan issued by Tyndaris LLP to Tyrus Capital Holding, collections of 3,195 thousand euros and derecognitions of 877 thousand euros, of which the most significant positions by amount were all secured by mortgages.

Unlikely to pay

At 31 December 2020, gross unlikely-to-pay loans amounted to 4,078 thousand euros, including impairment losses of 1,211 thousand euros, resulting in a net balance of 2,867 thousand euros.

The aggregate (see table A.1.9) decreased by 488 thousand euros compared to 31 December 2019 as a result of:
> a decline of 1,912 thousand euros, due to collections of 1,762 thousand euros, attributable to several counterparties with exposures secured by collateral or similar guarantees which were definitively recovered, and to UTP positions reclassified to performing status;

> the increases of 1,424 thousand euros refer to positions reclassified from other performing categories for 1,190 thousand euros and higher draw-downs from positions already classified as UTP for 170 thousand euros.

Non-performing past-due exposures

Non-performing past-due exposures amounted to 3,563 thousand euros, including impairment losses of 738 thousand euros, yielding a net balance of 2,825 thousand euros. The net aggregate mainly included:

> exposures largely secured by pledges or mortgages, totalling 2,574 thousand euros;
> other unsecured exposures with an average balance per position of approximately 250 euros.

The aggregate (see table A.1.9) increased by 1,421 thousand euros compared to 31 December 2019 as a result of:

> increases of 4,558 thousand euros, primarily attributable to new reclassifications from performing positions of 4,319 thousand euros and, to a residual extent, to increases in already non-performing positions of 239 thousand euros;
> decreases of 3,137 thousand euros, primarily attributable to collections on expired positions with full repayment of the exposure for 2,836 thousand euros, return to performing status of exposures for 117 thousand euros and, for the remainder, derecognitions totalling 50 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 2020, 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 approximately 119,351 thousand euros, of which 15,104 thousand euros relating to legislative moratoria and 104,247 thousand euros to newly generated loans to small and medium-sized enterprises guaranteed by the Central Guarantee Fund. There were no loans classified as forborne due to difficulties caused by the pandemic.
The table also 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, amounting to 152,796 thousand euros (541 positions).
Of these, 535 positions are classified as performing with a value of 149,665 thousand euros, five are unlikely-to-pay with a value of 2,073 thousand euros and, lastly, one has been reclassified as past due with a value of 1,058 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	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Bad loans	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	-	-	-	-
B. Unlikely-to-pay loans	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	-	-	-	-
C. Non-performing past-due loans	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	-	-	-	-
D. Performing loans	**-**	**-**	**-**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	-	-	-	-
E. Other performing loans	**119,535**	**184**	**119,351**	**-**
a) Subject to forbearance measures in accordance with EBA GLs	15,161	57	15,104	-
b) Subject to other forbearance measures	-	-	-	-
c) Newly issued loans	104,374	127	104,247	-
Total (A + B + C + D + E)	**119,535**	**184**	**119,351**	**-**

A.1.9 Cash credit exposures with customers: changes in gross non-performing exposures

CAUSES/CATEGORIES	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES
A. Gross exposure at year-start	**50,343**	**4,566**	**2,142**
- *of which: exposures transferred but non written off*	-	-	-
B. Increases	**699**	**1,424**	**4,558**
B.1 New reclassifications from performing exposures	-	1,190	4,319
B.2 New reclassifications from acquired or originated impaired finan-cial assets	-	-	-
B.3 Transfers from other categories of non-performing exposures	91	64	-
B.4 Contractual changes without derecognitions	-	-	
B.5 Other increases	608	170	239
- *of which: business combinations*	-	-	-
C. Decreases	**19,366**	**1,912**	**3,137**
C.1 Reclassifications to performing exposures	-	5	117
C.2 Write-offs	877	11	50
C.3 Repayments received	3,195	1,762	2,836
C.4 Gains on disposals	15,294	-	-
C.5 Losses on disposals	-	-	-
C.6 Transfers to other categories of non-performing exposures	-	90	64
C.7 Contractual changes without derecognitions	-	-	-
C.8 Other decreases	-	44	70
D. Gross exposure at year-end	**31,676**	**4,078**	**3,563**
- *of which: exposures transferred but non written off*	-	-	-

A.1.9-bis 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	**3,045**	**41,468**
- *of which: exposures transferred but non written off*	-	-
B. Increases	**924**	**4,570**
B.1 New reclassifications from performing non-forborne exposures	115	2,902
B.2 New reclassifications from performing forborne exposures	775	X
B.3 New reclassifications from non-performing forborne exposures	X	478
B.4 Other increases	34	1,190
C. Decreases	**1,636**	**24,899**
C.1 Reclassifications to performing non-forborne exposures	X	5,436
C.2 Reclassifications to forborne performing exposures	491	X
C.3 Reclassifications to non-performing forborne exposures	X	775
C.4 Write-offs	-	-
C.5 Repayments received	1,145	18,653
C.6 Gains on disposals	-	-
C.7 Losses on disposals	-	-
C.8 Other decreases	-	35
D. Gross exposure at year-end	**2,333**	**21,139**
- *of which: exposures transferred but non written off*	-	-

Forborne exposures

Forborne exposures consisted mostly of performing positions, for a gross amount of 21,139 thousand euros, almost entirely secured by collateral or similar guarantees, whose decline compared to 2019 (41,468 thousand euros) was due to the reclas-sification 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 consists of non-performing forborne exposures of 2,333 thousand euros gross (accounting for 11% of total performing and non-performing forborne exposures), almost all of which were fully secured by pledges.

The non-performing cash forborne positions aggregate declined by 712 thousand euros overall (in gross terms), as a result of:
> increases arising from positions reclassified from performing categories (890 thousand euros) and higher draw-downs from positions already classified as non-performing forborne for 34 thousand euros;
> a decline due to collections amounting to 1,145 thousand euros referring to positions reclassified outside the non-performing forborne category due to full repayment of the exposure and closure of the relationships, in addition to positions transferred to performing forborne exposures for 491 thousand euros.

The main component of performing forborne positions is collections, amounting to 18,653 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 5,436 thousand euros, and positions transferred to the non-performing category for 775 thousand euros. All new reclassifications, amounting to 2,902 thousand euros, refer to performing positions to which a new line of credit was granted (new finance or restructuring of the existing debt position) as a forbearance measure, whereas 478 thousand euros refer to forborne positions reclassified as performing from the non-performing category due to the end of the cure period. The remaining 1,190 thousand euros refers to greater draw-downs on already forborne positions.
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	**22,032**	**-**	**945**	**156**	**424**	**-**
- *of which: exposures transferred but non written off*	-	-	-	-	-	-
B. Increases	**244**	**-**	**472**	**292**	**487**	**-**
B.1 Value adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other adjustments	149	-	460	292	457	-
B.3 Losses on disposals	4	-	2	-	30	-
B.4 Transfers from other categories of non-performing exposures	91	-	10	-	-	-
B.5 Contractual changes without derecognitions	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**9,504**	**-**	**206**	**58**	**173**	**-**
C.1 Reversal of adjustments	16	-	46	38	12	-
C.2 Reversal of collections	56	-	58	20	101	-
C.3 Gains on disposals	-	-	-	-	-	-
C.4 Write-offs	877	-	11	-	50	-
C.5 Transfers to other categories of non-performing exposures	-	-	91	-	10	-
C.6 Contractual changes without derecognitions	-	X	-	X	-	X
C.7 Other decreases	8,555	-	-	-	-	-
D. Total adjustment at year-end	**12,772**	**-**	**1,211**	**390**	**738**	**-**
- *of which: exposures transferred but non 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 1,263 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).

	31.12.2020		
OPERATING RECEIVABLES UNDER DISPUTE	GROSS	WRITE-DOWNS	NET
Receivables related to FA litigation	1,883	-623	1,260
Advances to FAs	79	-79	-
Write-downs of receivables from FAs	**1,962**	**-702**	**1,260**
Write-downs of operating receivables	358	-355	3
Write-downs of operating receivables	**358**	**-355**	**3**
Total write-downs	**2,320**	**-1,057**	**1,263**

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)

	EXTERNAL RATING CLASSES							
EXPOSURES	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	< B-	WITHOUT RATING	TOTAL
A. Financial assets at amortised cost	**263,824**	**182,103**	**5,635,841**	**123,107**	**4,993**	**-**	**2,838,620**	**9,048,488**
- Stage 1	263,824	182,103	5,628,163	123,107	4,993	-	2,682,035	8,884,225
- Stage 2	-	-	7,678	-	-	-	117,268	124,946
- Stage 3	-	-	-	-	-	-	39,317	39,317
B. Financial assets at fair value through other comprehensive income	**88,434**	**188,535**	**2,298,282**	**35,055**	**100,029**	**-**	**2,073**	**2,712,408**
- Stage 1	88,434	188,535	2,298,282	30,086	100,029	-	-	2,705,366
- Stage 2	-	-	-	4,969	-	-	2,073	7,042
- Stage 3	-	-	-	-	-	-	-	-
Total (A + B)	**352,258**	**370,638**	**7,934,123**	**158,162**	**105,022**	**-**	**2,840,693**	**11,760,896**
- *of which: acquired or originated impaired financial assets*								
C. Commitments to disburse funds and financial guarantees issued								
- Stage 1	-	-	1,345	-	-	-	74,425	75,770
- Stage 2	-	-	-	-	-	-	2,442	2,442
- Stage 3	-	-	-	-	-	-	-	-
Total C	**-**	**-**	**1,345**	**-**	**-**	**-**	**76,867**	**78,212**
Total (A + B + C)	**352,258**	**370,638**	**7,935,468**	**158,162**	**105,022**	**-**	**2,917,560**	**11,839,108**

Financial assets at amortised cost without rating include trade receivables and advances to Financial Advisors totalling 116,988 thousand euros.

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.2 Guaranteed cash and off-balance sheet credit exposures with customers

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.

			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:	**2,276,345**	**2,263,388**	**379,846**	**-**	**1,540,116**	**223,065**	**-**	**-**	**-**	**-**	**-**	**-**	**97,164**	**2**	**11,448**	**2,251,641**
1.1 Totally guaranteed	2,216,367	2,203,800	375,583	-	1,524,796	206,596	-	-	-	-	-	-	85,040	-	11,048	**2,203,063**
- *of which: non-performing*	*33,349*	*23,765*	*12,712*	-	*2,337*	*8,662*	-	-	-	-	-	-	-	-	*54*	*23,765*
1.2 Partially guaranteed	59,978	59,588	4,263	-	15,320	16,469	-	-	-	-	-	-	12,124	2	400	**48,578**
- *of which: non-performing*	*698*	*384*	-	-	*177*	*42*	-	-	-	-	-	-	-	-	*118*	*337*
2. Guaranteed off-balance sheet credit exposures:	**639,577**	**639,465**	**69**	**-**	**479,379**	**148,592**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**354**	**448**	**628,842**
2.1 Totally guaranteed	608,872	608,762	69	-	467,380	140,940	-	-	-	-	-	-	-	87	287	**608,763**
- *of which: non-performing*	*31*	*31*	-	-	*31*	-	-	-	-	-	-	-	-	-	-	*31*
2.2 Partially guaranteed	30,705	30,703	-	-	11,999	7,652	-	-	-	-	-	-	-	267	161	**20,079**
- *of which: non-performing*	*18*	*18*	-	-	-	-	-	-	-	-	-	-	-	-	*18*	*18*

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	**7,660,364**	**1,626**
A.1 Bad loans	-	-
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	-	-
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	-	2
- *of which: forborne exposures*	-	-
A.4 Performing exposures	7,660,364	1,624
- *of which: forborne exposures*	-	-
2. Financial companies	**827,812**	**1,262**
A.1 Bad loans	5,433	80
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	149	31
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	71	82
- *of which: forborne exposures*	-	-
A.4 Performing exposures	822,159	1,069
- *of which: forborne exposures*	-	-
3. Financial companies (of which insurance companies)	**52,890**	**-**
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	52,890	-
- *of which: forborne exposures*	-	-
4. Non-financial companies	**557,270**	**13,674**
A.1 Bad loans	11,463	11,858
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	2	26
- *of which: forborne exposures*	-	-
A.3 Non-performing past-due exposures	30	42
- *of which: forborne exposures*	-	-
A.4 Performing exposures	545,775	1,748
- *of which: forborne exposures*	*8,434*	*93*
5. Households	**1,800,897**	**4,232**
A.1 Bad loans	2,010	833
- *of which: forborne exposures*	-	-
A.2 Unlikely to pay	2,715	1,155
- *of which: forborne exposures*	*1,944*	*391*
A.3 Non-performing past-due exposures	2,725	612
- *of which: forborne exposures*	-	-
A.4 Performing exposures	1,793,447	1,632
- *of which: forborne exposures*	*12,570*	*42*
Total A - Cash exposures	**10,899,233**	**20,794**

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	**1,669**	**6**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	1,669	6
3. Financial companies (of which insurance companies)	**2,345**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	2,345	-
4. Non-financial companies	**27,989**	**91**
B.1 Non-performing exposures	31	-
B.2 Performing exposures	27,958	91
5. Households	**41,915**	**28**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	41,915	28
Total B - Off-balance sheet exposures	**73,918**	**125**

	NET EXPOSURE	TOTAL ADJUSTMENTS
Public administration bodies	7,660,364	1,626
Financial companies	829,481	1,268
Financial companies (of which insurance companies)	55,235	-
Non-financial companies	585,259	13,765
Households	1,842,812	4,260
Overall total (A + B) 31.12.2020	**10,973,151**	**20,919**
Overall total (A + B) 31.12.2019	**9,635,858**	**31,072**

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 AD-JUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash credit exposures										
A.1 Bad loans	18,905	12,090	-	681	-	-	-	-	-	-
A.2 Unlikely to pay	2,866	1,212	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	2,824	733	1	5	-	-	-	-	-	-
A.4 Other performing exposures	8,388,202	5,660	2,412,445	360	46,071	37	14,143	12	13,774	4
Total A	**8,412,797**	**19,695**	**2,412,446**	**1,046**	**46,071**	**37**	**14,143**	**12**	**13,774**	**4**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	31	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	73,506	124	381	-	-	-	-	-	-	-
Total B	**73,537**	**124**	**381**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2020	**8,486,334**	**19,819**	**2,412,827**	**1,046**	**46,071**	**37**	**14,143**	**12**	**13,774**	**4**
Total 31.12.2019	**7,939,997**	**21,069**	**1,630,682**	**9,957**	**48,397**	**35**	**12,345**	**9**	**4,442**	**3**

B.3 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 ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	536,901	439	280,471	102	35,110	14	7,555	3	5,036	1
Total A	**536,901**	**439**	**280,471**	**102**	**35,110**	**14**	**7,555**	**3**	**5,036**	**1**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,335	-	1,346	-	-	-	-	-	-	-
Total B	**1,335**	**-**	**1,346**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2020	**538,236**	**439**	**281,817**	**102**	**35,110**	**14**	**7,555**	**3**	**5,036**	**1**
Total 31.12.2019	**695,479**	**632**	**208,231**	**92**	**4,404**	**13**	**17,565**	**5**	**5,024**	**2**

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. 34, dated 22 September 2020) — 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 eligible capital base.
The EU Regulation CRR No. 575/2013 defines the "eligible capital" as the sum of Tier 1 capital and Tier 2 capital that is equal to or less than one third of Tier 1 capital.

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	31.12.2020	31.12.2019
a) Amount of the exposure	8,907,557	8,260,135
b) Weighted amount	466,213	304,074
c) Number	12	10

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 (1.4% 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					
	SENIOR		MEZZANINE		JUNIOR	
TYPE OF UNDERLYING ASSETS/EXPOSURES	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS	BOOK VALUE	ADJUSTMENTS/ REVERSALS
Prisma SPV S.r.l.	20,965	-139	-	-	-	-
GIM NL LUX 12.06.2018	20,135	-	-	-	-	-
Credimi Italianonsiferma Floater 20.07.2026	64,473	-403	-	-	-	-
German REG-S 3.75%	15,557	-	-	-	-	-
Eridano II SPV FRN 28.05.2035	7,606	-72	-	-	-	-

D. Information on structured entities (other than securitisation companies) not consolidated for accounting purposes

For further 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 (other than securitisation companies) - B.2.2 Other structured entities.

E. Transfer operations

E.1 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 at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	29,582	-	29,582	-	29,353	-	29,353
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	118,067	-	118,067	-	121,598	-	121,598
2. Loans	-	-	-	-	-	-	-
Total at 31.12.2020	**147,649**	**-**	**147,649**	**-**	**150,951**	**-**	**150,951**
Total at 31.12.2019	**115,479**	**-**	**115,479**	**-**	**116,218**	**-**	**116,218**

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 security or a portfolio of securities 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.

In 2020, the Covid-19 emergency caused severe volatility on both equity markets (which reached draw-down levels conceivable in black-swan scenarios) and bond markets, although the latter saw a less acute period of turbulence, concentrated in the second quarter of the year. The economic crisis triggered by the health emergency was contained thanks to the numerous purchasing programmes implemented by central banks, which together with national and supra-national support policies, contained the fall in bond market prices. 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 portfolio at 31 December 2020:

(€ thousand)	PORTFOLIO
Interest-rate risk sensitivity	-4.8

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	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	UNSPECI-FIED MATURI-TY	TOTAL
1. Cash assets	**45**	**1,999**	**-**	**-**	**2**	**-**	**-**	**-**	**2,046**
1.1 Debt securities									
- With early repayment option	-	-	-	-	-	-	-	-	-
- Other	45	1,999	-	-	2	-	-	-	2,046
1.2 Other assets	-	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**66,646**	**-**	**21,444**	**-**	**-**	**-**	**-**	**88,090**
3.1 With underlying securities	-	-	-	-	-	-	-	-	-
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	66,646	-	21,444	-	-	-	-	88,090
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	33,323		10,722	-	-	-	-	44,045
+ short positions	-	33,323		10,722	-	-	-	-	44,045

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.

TYPE OF TRANSACTION/INDEX	LISTED ITALY	LISTED USA	LISTED OTHER	NON-LISTED
A. Equity securities				
- long positions	-	-	2	-
- short positions	-	-	-	-
B. Equity security purchases/sales to be settled				
- long positions	-	-	-	111
- short positions	-	-	-	111
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 +88.3/-88.3 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 -4.8/+4.9 thousand euros, gross of the tax effect.

(€ THOUSAND)	HTS
FV equity delta (+10%)	88.3
FV equity delta (-10%)	-88.3
FV bonds delta (+1%)	-4.8
FV bonds delta (-1%)	+4.9

2.2 Interest rate and price risk – Banking book

Qualitative information

A. General aspect, management processes and interest rate 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.

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 (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	UNSPECI-FIED MATURITY	TOTAL
1. Cash assets	**2,494,980**	**2,847,683**	**2,913,743**	**750,780**	**1,650,077**	**1,001,205**	**103,789**	**-**	**11,762,257**
1.1 Debt securities									
- with early repayment option	-	52,794	10,067	22,541	80,626	61,107	15,492	-	242,627
- other	-	2,501,111	2,900,762	727,705	1,564,030	936,911	87,980	-	8,718,499
1.2 Loans to banks	127,406	132,477	-	-	-	-	-	-	259,883
1.3 Loans to customers									
- current accounts	1,299,431	11	203	28	9	-	-	-	1,299,682
- other loans	1,068,143	161,290	2,711	506	5,412	3,187	317	-	1,241,566
- with early repayment option	881,563	324	130	148	1,722	3,187	317	-	887,391
- other	186,580	160,966	2,581	358	3,690	-	-	-	354,175
2. Cash liabilities	**10,882,461**	**150,951**	**-**	**-**	**497,361**	**-**	**-**	**-**	**11,530,773**
2.1 Due to customers									
- current accounts	10,511,304	-	-	-	-	-	-	-	10,511,304
- other payables	276,403	144,937	-	-	-	-	-	-	421,340
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	276,403	144,937	-	-	-	-	-	-	421,340
2.2 Due to banks									
- current accounts	72,891	-	-	-	-	-	-	-	72,891
- other payables	21,863	6,014	-	-	497,361	-	-	-	525,238
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**210,000**	**2,361,000**	**271,000**	**302,000**	**434,000**	**90,000**	**-**	**3,668,000**
3.1 With underlying security									
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying security									
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	160,000	1,336,000	176,000	162,000	-	-	-	1,834,000
+ short positions	-	50,000	1,025,000	95,000	140,000	434,000	90,000	-	1,834,000
4. Other off-balance sheet transac-tions	**-**	**138**	**-**	**-**	**-**	**-**	**-**	**-**	**138**
+ long positions	-	69	-	-	-	-	-	-	69
+ short positions	-	69	-	-	-	-	-	-	69

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 at fair value through other comprehensive income, the portfolio of financial assets 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 -10.7/+10.5 million euros, gross of the tax effect.
The fair value delta component associated with the government bonds in the HTCS portfolio would amount to -8.3/+8.2 million euros as a result of the hypothesised shift in the rate curve, or about 77% 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%)	-10,751	-124,566	-17,411	-163,479
- *of which: government bonds*	*-8,304*	*-99,317*	-	*-115,925*
FV bonds delta (-1%)	10,576	114,150	-17,477	152,779
- *of which: government bonds*	*8,181*	*89,418*	-	*105,780*

(*) 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 +55.9 million euros, gross of the tax effect in case of increase of interest rates by 1%, and -38.6 million euros in case of decrease by the same amount.

(€ THOUSAND)	ASSETS	LIABILITIES	NET
Net interest income delta (+1%)	69,374	-13,399	55,975
Net interest income delta (-1%)	-50,460	11,875	-38,585

2.3 Exchange rate 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

	CURRENCY								
ITEMS	US DOL-LAR	JAPANESE YEN	SWISS FRANC	POUND STER-LING	ICELAND KRONA	CANADIAN DOLLAR	AUSTRALIAN DOLLAR	OTHER CURRENCIES	TOTAL CURRENCIES
A. Financial assets	**69,227**	**2,429**	**17,539**	**6,775**	**45**	**1,312**	**2,060**	**4,081**	**103,468**
A.1 Debt securities	20,485	-	5,631	1,122	45	-	-	-	27,283
A.2 Equity securities	4,961	-	-	-	-	-	-	-	4,961
A.3 Loans to banks	43,781	2,429	9,611	5,653	-	1,312	2,060	4,081	68,927
A.4 Loans to customers	-	-	2,297	-	-	-	-	-	2,297
A.5 Other financial assets	-	-	-	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**76,705**	**2,933**	**17,116**	**6,706**	**-**	**1,522**	**1,896**	**2,101**	**108,979**
C.1 Due to banks	53	27	39	86	-	12	-	105	322
C.2 Due to customers	76,652	2,906	17,077	6,620	-	1,510	1,896	1,996	108,657
C.3 Debt securities	-	-	-	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**			**-**	**-**
E. Financial derivatives	**231**	**-153**	**-35**	**242**	**-**	**13**	**6**	**25**	**329**
Options	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-
Other derivatives	231	-153	-35	242	-	13	6	25	329
- long positions	11,504	245	101	616	-	42	37	9,642	22,187
- short positions	11,273	398	136	374	-	29	31	9,617	21,858
Total assets	**80,731**	**2,674**	**17,640**	**7,391**	**45**	**1,354**	**2,097**	**13,723**	**125,655**
Total liabilities	**87,978**	**3,331**	**17,252**	**7,080**	**-**	**1,551**	**1,927**	**11,718**	**130,837**
Excess	**-7,247**	**-657**	**388**	**311**	**45**	**-197**	**170**	**2,005**	**-5,182**

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/-10 bps on equity instruments denominated in currencies other than the euro would have an effect on the fair value of approximately +451/-551 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 -599/+648 thousand euros, gross of the tax effect.

(€ THOUSAND)	ASSETS
FV equity delta (+10%)	451
FV equity delta (-10%)	-551
FV non-equity delta (+1%)	-599
FV non-equity delta (-1%)	648

By contrast, an interest rate movement of +100/-100 basis points would have an effect of -230/+245 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%)	-230
Net interest income delta (-1%)	+245

Section 3 – Derivatives and hedging policies

3.1 Trading derivatives

A. Financial derivatives

A.1 HFT financial derivatives: notional amounts at year-end

	31.12.2020				31.12.2019			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
TYPES OF DERIVATIVES/ UNDERLYING ASSETS	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	**-**	**-**	**31,676**	**-**	**-**	**-**	**54,358**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	31,676	-	-	-	54,358	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**31,676**	**-**	**-**	**-**	**54,358**	**-**
Average values	**-**	**-**	**43,017**	**-**	**-**	**-**	**33,932**	**-**

A.2 HFT financial derivatives: positive and negative gross fair value – breakdown by products

TYPE OF DERIVATIVES	31.12.2020				31.12.2019			
	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	-	-	1,561	-	-	-	1,218	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,561**	**-**	**-**	**-**	**1,218**	**-**
1. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	1,551	-	-	-	1,204	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,551**	**-**	**-**	**-**	**1,204**	**-**

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	15,838	-	15,838
- positive fair value	X	159	-	1,402
- negative fair value	X	1,396	-	155
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) 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	-	-	-	-
4) 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, 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	31,676	-	-	31,676
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total at 31.12.2020	**31,676**	**-**	**-**	**31,676**
Total at 31.12.2019	**54,358**	**-**	**-**	**54,358**

3.2 Hedging instruments

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: notional amounts at year-end

	31.12.2020				31.12.2019			
	OVER THE COUNTER				OVER THE COUNTER			
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES		
TYPE 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	**-**	**1,709,000**	**125,000**	**-**	**-**	**541,000**	**130,000**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	1,709,000	125,000	-	-	541,000	130,000	-
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	**-**	**1,709,000**	**125,000**	**-**	**-**	**541,000**	**130,000**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value - breakdown by products

	31.12.2020 - POSITIVE AND NEGATIVE FAIR VALUE				31.12.2019 - POSITIVE AND NEGATIVE FAIR VALUE				CHANGE IN VALUE USED TO MEASURE THE HEDGE INEFFECTIVENESS	
	OVER THE COUNTER				OVER THE COUNTER					
		WITHOUT CENTRAL COUNTERPARTIES				WITHOUT CENTRAL COUNTERPARTIES				
TIPOLOGIE DI DERIVATI	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	31.12.2020	31.12.2019
1. Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	2,486	-	-	-	3,668	1,059	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**2,486**	**-**	**-**	**-**	**3,668**	**1,059**	**-**	**-**	**-**
1. Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	61,523	6,330	-	-	7,480	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**61,523**	**6,330**	**-**	**-**	**7,480**	**-**	**-**	**-**	**-**

A.3 OTC financial derivatives: breakdown of notional values, positive and negative gross fair value by counterparties

ATTIVITÀ SOTTOSTANTI	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts other than netting arrangements				
1) Debt securities and interest rates	**-**	**-**	**125,000**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	6,330	-
- 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	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts within the scope of netting arrangements	**-**	**-**	**-**	**-**
1) Debt securities and interest rates	-	-	-	-
- notional value	-	1,589,000	120,000	-
- positive fair value	-	2,140	346	-
- negative fair value	-	60,575	948	-
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, UP TO 5 YEARS	OVER 5 YEARS	TOTAL
A.1 Financial derivatives on debt securities and interest rates	50,000	680,000	1,104,000	1,834,000
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	-	-	-	-
31.12.2020	**50,000**	**680,000**	**1,104,000**	**1,834,000**
31.12.2019	**-**	**245,000**	**426,000**	**671,000**

D. Hedged instruments

D.1 Fair value hedging

	SPECIFIC HEDGES: CARRYING AMOUNT	SPECIFIC HEDGES - NET POSITIONS: CARRYING AMOUNT OF ASSETS AND 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 INEFFEC-TIVENESS	GENERIC HEDGES: CARRYING AMOUNT
A. Assets						
1. Financial assets at fair value through other comprehensive income – hedging of:						
1.1 Debt securities and interest-rates	296,065	-	39,906	-	-	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 at amortised cost – hedging of:						
1.1 Debt securities and interest-rates	1,619,696	-	-1,138	-	-	X
1.2 Equity securities and stock indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
31.12.2020	**1,915,761**	**-**	**38,768**	**-**	**-**	**-**
31.12.2019	**676,923**	**-**	**-477**	**-**	**-**	**-**
B. Liabilities						
1. Financial liabilities at amortised cost – hedging of:						
1.1 Debt securities and interest-rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
31.12.2020	**-**	**-**	**-**	**-**	**-**	**-**
31.12.2019	**-**	**-**	**-**	**-**	**-**	**-**

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	-	1,589,000	245,000	-
- positive fair value	-	2,140	346	-
- negative fair value	-	60,575	7,278	-
2) Equity securities and stock indices	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	-	-	-
- notional value	-	15,838	-	15,838
- positive fair value	-	159	-	1,402
- negative fair value	-	1,396	-	155
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 2020 amounted to 443%, far in excess of the current mandatory minimum level, thanks to high quality liquid assets ("HQLAs") of approximately 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 223% as at 31 December 2020, due to long-term stable funding in excess of the on-balance sheet assets requiring such long-term stable funding.

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.

Within the framework of the Covid-19 emergency, the liquidity risk monitoring framework was enhanced and the Bank's corporate bodies were provided specific brief bulletins on the ongoing situation, such as:
- evidence relating to the performance of the ongoing liquidity risk profile, with particular regard to the performance of direct inflows;
- assessment of the main risks associated with the transactions approved by the Bank post-Covid-19, such as the commercial initiatives associated with the Cure Italy and Liquidity decrees and TLTRO funding operations;
- the results of stress tests leading up to the ICAAP and ILAAP on the basis of the macroeconomic scenarios generated in response to the Covid-19 emergency, which made it possible to test the adequacy of the liquidity profile.

Quantitative information

1. Breakdown of financial assets and liabilities by time to contractual maturity

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH 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	UNSPECIFIED MATURITY	TOTAL
A. Cash assets											
A.1 Government securities	138	5,002	409,005	15,035	280,627	937,925	721,200	3,648,152	1,642,406	-	7,659,490
A.2 Other debt securities	-	39	17,707	37,098	62,703	45,320	37,458	748,771	349,324	-	1,298,420
A.3 UCITS units	21,245	-	-	-	-	-	-	-	-	-	21,245
A.4 Loans											
- to banks	127,497	24,448	-	283	-	-	-	-	-	107,771	259,999
- to customers	1,492,994	160,910	5,932	52	62,987	42,950	61,529	418,993	303,511	-	2,549,858
Total	**1,641,874**	**190,399**	**432,644**	**52,468**	**406,317**	**1,026,195**	**820,187**	**4,815,916**	**2,295,241**	**107,771**	**11,789,012**
B. Cash liabilities											
B.1 Deposits and current accounts											
- from banks	77,034	-	-	-	-	-	-	497,361	-	-	574,395
- from customers	10,511,304	-	-	-	-	-	-	-	-	-	10,511,304
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	326,469	144,937	-	-	6,014	-	-	-	-	-	477,420
Total	**10,914,807**	**144,937**	**-**	**-**	**6,014**	**-**	**-**	**497,361**	**-**	**-**	**11,563,119**
C. Off-balance sheet transactions											
C.1 Financial derivatives with capital swap											
- long positions	-	12,370	-	1,628	19,325	-	10,722	-	-	-	44,045
- short positions	-	12,370	-	1,628	19,325	-	10,722	-	-	-	44,045
C.2 Financial derivatives without capital swap											
- long positions	-	-	-	101	367	3,696	4,567	-	-	-	8,731
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable											
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds											
- long positions	84,456	-	-	-	80	3	154	1,307	295	-	86,295
- short positions	86,295	-	-	-	-	-	-	-	-	-	86,295
C.5 Financial guarantees issued	11,066	-	-	50	895	7,030	1,726	12,948	5,394	-	39,109
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	**181,817**	**24,740**	**-**	**3,407**	**39,992**	**10,729**	**27,891**	**14,255**	**5,689**	**-**	**308,520**

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 and IT Management 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 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 2020 is broken down below by event type:

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 MALFUNCTIONS	ET 07 - PROCESS EXECUTION, DELIVERY AND MANAGEMENT	TOTAL
Asset Management	-	-	-	-	-	-	15	**15**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	322	-	-	-	**322**
Corporate Items	-	35	80	349	-	47	217	**728**
Payment and Settlement	-	71	-	10	-	-	7	**88**
Retail Banking	914	36	-	108	-	-	291	**1,348**
Retail Brokerage	1,130	-	-	51	-	-	410	**1,591**
Trading and Sales	-	-	-	-	-	-	-	**-**
Total	**2,044**	**142**	**80**	**839**	**-**	**47**	**940**	

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 MALFUNCTIONS	ET 07 - PROCESS EXECUTION, DELIVERY AND MANAGEMENT	TOTAL
Asset Management	-	-	-	-	-	-	1	**1**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	5	-	-	-	**5**
Corporate Items	-	8	3	2	-	10	5	**28**
Payment and Settlement	-	2	-	2	-	-	1	**5**
Retail Banking	10	1	-	1	-	-	12	**24**
Retail Brokerage	4	-	-	-	-	-	34	**38**
Trading and Sales	-	-	-	-	-	-	-	**-**
Total	**14**	**11**	**3**	**10**	**-**	**10**	**53**	

The event type recording the most impact is “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.

The second 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.

A significant impact was also reported by losses due to event type “ ET 04 – Customers, products and business practices” arising from breaches of professional obligations towards customers by the Bank or its Financial Advisors either involuntarily or due to negligence, or due to the nature or configuration of the service/product provided.

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 IT risk.

Residual losses include the event type “Employment and workplace safety” due to actions not in compliance with the law or agreements relating to employment and occupational health and safety, and the event type “Interruption of operations and IT system malfunctions”, whereas there were no losses due to damage to or destruction of property and equipment as a result of 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 the EU 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.

Capital adequacy compliance is also ensured by observance of the ECB recommendation of 27 March 2020, subsequently adopted by the Bank of Italy.
The Recommendation was created to ensure profits were allocated to reinforcing capital and put the financial system in the best position to absorb the losses that will materialise as a result of the health emergency and to be able to continue to support the economy.

The Bank of Italy thus recommended that all banks and banking groups under its supervision, at least until 1 October 2020:
i) i) not pay dividends, including the distribution of reserves, and not take on any irrevocable commitments regarding the payment of dividends for financial years 2019 and 2020;
ii) ii) refrain from carrying out share buy-backs aimed at remunerating shareholders.

On 28 July 2020, given the persistent situation of economic uncertainty, the Bank of Italy updated its indications, extending their scope of application and duration. In particular, it was recommended that less significant banks and investment firms subject to the CRR/CRD IV regulations, at least until 1 January 2021:
i) refrain from distributing dividends and from making any irrevocable commitment to pay out dividends;
ii) refrain from making share buybacks aimed at remunerating shareholders;
iii) adopt an extremely prudent approach, also with reference to variable remuneration policies.

Finally, on 16 December 2020, in view of the persistent situation of economic uncertainty, the Bank of Italy recommended that less significant Italian banks, at least 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.

In the absence of a substantial worsening in the macroeconomic situation, starting on 30 September 2021 the Bank of Italy will revert to assessing dividend distribution and remuneration policies based on the ordinary supervisory review and evaluation process for individual banks.

B. Quantitative information

At 31 December 2020, net equity, including net profit for the year, amounted to 1,071.6 million euros compared to 791.6 million euros at the end of the previous year.

(€ THOUSAND)	31.12.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	57,062	57,729	-667	-1.2%
3. Reserves	599,493	352,015	247,478	70.3%
4. (Treasury shares)	-45,185	-37,356	-7,829	21.0%
5. Valuation reserves	4,158	3,999	159	4.0%
6. Equity instruments	50,000	50,000	-	-
8. Net profit (loss) for the year	289,207	248,358	40,849	16.4%
Total net equity	**1,071,587**	**791,597**	**279,990**	**35.4%**

The increase in net equity for 2020, which amounted to 280 million euros, was chiefly attributable to the reallocation to an equity reserve of the dividend for financial year 2019 (216.2 million euros) authorised by the Shareholders' Meeting on 23 April 2020, in accordance with the ensuing Recommendation issued by the ECB, and extended by the Bank of Italy to less significant directly supervised institutions.

In addition to the evolution of the above-mentioned dividend for financial year 2019, the change in net equity for 2020 was influenced by the buy-back of treasury shares, the overall positive performance of fair value valuation reserves for the portfolio of financial assets 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, 190,903 treasury shares, with a value of 4,859 thousand euros, were allotted to employees and Financial Advisors falling within the category of Key Personnel and to network managers.

On 23 April 2020, the General Shareholders' Meeting authorised the buy-back of a maximum of 491,000 treasury shares in service of remuneration plans for Key Personnel for 2020, the fourth cycle of the Loyalty Programme for 2020 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 16 July 2020, was launched on 3 August 2020 and completed in September 2020.

At 31 December 2020, the Parent Company, Banca Generali, thus held 1,767,676 treasury shares, with a value of 45,185 thousand euros.

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a slight net increase of 0.7 million euros, owing to the good performance of financial markets following the measures taken by international central banks to mitigate the financial effects of the pandemic emergency.

(€ THOUSAND)	31.12.2020	31.12.2019
Net equity at year-start	**791,597**	**632,610**
Merger of Nextam SGR and Nextam S.p.A.	-803	-
Dividend paid	-	-144,900
Dividend on AT1 equity instruments	-1,631	-
Purchase of treasury shares	-12,688	-17,644
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	5,554	7,018
Matured IFRS 2 reserves on the AG Group's IFRS 2-related plans	192	651
Change in OCI valuation reserves	159	15,504
Issue of AT1 subordinated loan	-	50,000
Net profit for the year	289,207	248,358
Net equity at year-end	**1,071,587**	**791,597**
Change	**279,990**	**158,987**

B.1 Breakdown of net equity

ITEMS/VALUES (€ THOUSAND)	31.12.2020	31.12.2019	CHANGE
1. Share capital	116,852	116,852	-
2. Share premium reserve	57,062	57,729	-667
3. Reserves	599,493	352,015	247,478
- retained earnings	574,138	328,214	245,924
a) legal reserve	23,370	23,370	-
d) other	550,768	304,844	245,924
- other	25,355	23,801	1,554
4. Equity instruments	50,000	50,000	-
5. (Treasury shares)	-45,185	-37,356	-7,829
6. Valuation reserves	4,158	3,999	159
- Equity securities designated at fair value through other comprehensive income	-510	-300	-210
- Financial assets (other than equity securities) at fair value through other comprehensive income	7,030	6,170	860
- Actuarial gains (losses) from defined benefit plans	-2,362	-1,871	-491
7. Net profit (loss) for the year	289,207	248,358	40,849
Total net equity	**1,071,587**	**791,597**	**279,990**

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 increased compared to the end of the previous year, primarily due to the positive increase in debt securities reserves.

The aggregate had an overall positive balance of 6.5 million euros, up by 0.7 million euros compared to year-end 2019.
This increase was influenced by the portfolio of Italian government bonds, for which net reserves amounted to 5.0 million euros compared to 3.9 million euros at year-end 2019.

	31.12.2020		31.12.2019	
ASSETS/VALUES (€ THOUSAND)	RESERVES RESERVE	NEGATIVE RESERVE	RESERVES RESERVE	NEGATIVE RESERVE
1. Debt securities	7,305	-275	6,852	-682
2. Equity securities	-	-510	-	-300
3. UCITS units	-	-	-	-
Total at 31.12.2020	**7,305**	**-785**	**6,852**	**-982**

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 increase of 0.7 million euros in 2020, as a result of the following factors:
> an increase in net valuation capital gains totalling 2.4 million euros, net of 0.6 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 (-1.3 million euros);
> the negative net tax effect associated with the above changes and mainly resulting from net increases in DTLs (-0.4 million euros).

(€ THOUSAND)	31.12.2020				
	DEBT SECURITIES				
	CORPORATE	GOVERNMENT	EQUITY SECURITIES	UCITS UNITS	TOTAL
1. Amount at year-start	**2,233**	**3,937**	**-300**	**-**	**5,870**
2. Increases	**1,552**	**3,759**	**7**	**-**	**5,318**
2.1 Fair value increases	1,288	3,182	-	-	4,470
2.2 Adjustments for credit risk	-	-	X	-	-
2.3 Transfer to Profit and Loss Account of negative reserves: due to disposal	60	437	X	-	497
2.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
2.5 Other changes	204	140	7	-	351
3. Decreases	**1,753**	**2,698**	**217**	**-**	**4,668**
3.1 Fair value decreases	550	758	217	-	1,525
3.2 Reversals for credit risk	154	434	-	-	588
3.3 Transfer to Profit and Loss Account of positive reserves: due to disposal	940	864	X	-	1,804
3.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
3.5 Other changes	109	642	-	-	751
4. Amount at year-end	**2,032**	**4,998**	**-510**	**-**	**6,520**

B.4 Valuation reserves relating to defined benefit plans: year changes

(€ THOUSAND)	31.12.2020		
	RESERVES	DTAS	NET RESERVE
1. Amount at year-start	**-2,580**	**709**	**-1,871**
2. Increases	-	-	-
Decreases of actuarial losses	-	-	-
Other increases	-	-	-
of which:			
- *business combinations*	-	-	-
3. Decreases	-639	148	-491
Increases of actuarial losses	-500	137	-363
Other decreases	-139	11	-128
of which:			
- *business combinations*	*-139*	*11*	*-128*
4. Amount at year-end	**-3,219**	**857**	**-2,362**

Section 2 – Own funds and banking capital ratios

In accordance with Circular No. 262 of 22 December 2005, 6th update of 30 November 2018, 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

On **1 July 2020**, the merger into Banca Generali of the subsidiaries Nextam Partners S.p.A. ("NP SPA") and Nextam Partners SGR ("NP SGR"), acquired in the previous year, was finalised[11].
The transaction took effect for accounting and tax purposes retroactively from **1 January 2020** and the Financial Statements of Banca Generali at 31 December 2020 include the operations of the two companies that were merged in the first half of 2020, including the contribution by Nextam Partners SGR of the business unit responsible for managing Italian UCITS (the "UCITS Unit") to the independent asset management company 8a+ Investimenti SGR ("8 a+ SGR") on 30 June 2020.

The contribution of the UCITS Unit and subsequent merger transactions are two closely related phases within the framework of the broader reorganisation of the **Nextam Partners Group**, acquired in the previous year.

In particular, the contribution of the UCITS Unit was a preliminary step to the full reorganisation and was intended to achieve the twofold objectives of:

- preventing Banca Generali from being assigned assets and legal relationships relating to the provision of collective management service following the merger of NP SGR;
- integrating the businesses of NP SGR and 8a+ SGR and forming a partnership with the latter to develop operational and industrial synergies in the asset management sector.

1.1 The merger of Nextam Partners S.p.A. and Nextam Partners SGR

As already specified, the merger of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR is a fundamental step in the reorganisation of the Nextam Partners Group and was intended to achieve the following objectives:

a) simplifying the Banca Generali Group's corporate structure, while maximising the cost synergies;
b) concentrating the portfolio management activity — the core business of NP SGR — within the Bank's Asset Management Division, with the ensuing qualitative and quantitative improvement in the level of the service offered.

Following the merger, NP SGR's employees (22 staff), in addition to the 3 partners already integrated into Banca Generali upon acquisition, were immediately and fully reallocated to the Bank's workforce, so as to meet the new needs created by the Bank's growth. In addition, cost synergies were obtained as a result of the discontinuation of a series of activities relating to the functioning of the merged company (IT costs, legal and corporate expenses, etc.).

The integration of Nextam Partners SGR's managers in the Asset Management Division and the migration of the merged company's management lines into Banca Generali's financial wrappers (BG Solution and BG Solution Top Client) have led to a further improvement of the level of service offered, due to the acquisition of specific stock- and bond-picking expertise and to the significant expansion of the investment universe available to Nextam Partners' former customers thanks to the wide product range offered by Banca Generali.

The merger took place in simplified form pursuant to Article 2505 of the Italian Civil Code, inasmuch as the merged companies were fully owned — directly (NP S.p.A.) or indirectly (NP SGR) — by the merging company, and therefore it was not necessary to increase Banca Generali's share capital.
Following the merger, Banca Generali assumed the assets and liabilities of the merged companies as of the effective date of the merger (1 July 2020), with retroactive accounting and fiscal effects as of 1 January 2020.

The business combination between entities under common control, beyond the scope of IFRS 3, was undertaken on a continuous values basis, according to the carrying amounts of the merged company's assets and liabilities at the consolidated level, which also included the goodwill recognised upon the acquisition of the Nextam Group, the fair value of the trademark and the customer relationship intangibles relating to NP SGR only, net of the associated deferred tax assets (DTAs).

[11] For further information regarding the acquisition of the Nextam Partners Group, see Part G of the Notes and Comments to the Consolidated Financial Statements at 31 December 2019.

In Banca Generali's financial statements, the merger difference was calculated as the imbalance between the carrying amounts of the direct and indirect equity investments in the merged companies and the acquired net equity of these latter companies, increased by the carrying amounts recognised as at 31 December 2019 at the consolidated level for goodwill and intangibles relating to the trademark and customer relationships, net of the associated DTAs. It bears remarking, in this regard, that the transaction results in the emergence of a "negative merger difference" or "merger deficit" since the carrying amounts of the equity investments exceeded that of net equity of the acquirees, plus goodwill and other intangibles (net of DTAs) recognised at the consolidated level as at 31 December 2019.
The resulting difference was therefore accounted for as a reduction in net equity of the merging company by recognising a negative consolidation reserve amounting to 0.8 million euros.

(€ THOUSAND)	NP S.P.A.	NP SGR	TOTAL
Cost of equity investment in merged companies	24,095	11,307	35,402
Net equity of merged companies (net of OCI reserves)	**11,952**	**3,494**	**15,446**
Consolidated goodwill	-	-	12,202
Nextam trademark	-	-	330
Intangible assets Customer relationships	-	-	9,545
of which:			
- *subsequently contributed business unit*	-	-	*869*
Associated DTLs	-	-	-2,923
Total intangibles following PPA (net of DTLs)	**-**	**-**	**19,154**
Merger deficit (negative reserve)	**-**	**-**	**803**
Differences in net equity of pre-merger companies	-	-	563
Amortisation of intangible assets and liabilities after the acquisition (net of DTLs)	-	-	180
Losses of merged companies after the acquisition	-	-	59
Merger deficit (negative reserve)	**-**	**-**	**803**

BG balance sheet before and after the merger at 1 January 2020

ASSETS (€ THOUSAND)	01.01.2020 BG	01.01.2020 NP S.P.A.	01.01.2020 NP SGR	01.01.2020 ELIMINATION OF EQUITY INVESTMENTS	01.01.2020 INTRACOMPANY TRANSACTIONS	01.01.2020 BG PRO-FORMA
Financial assets at fair value through profit or loss	64,997	-	-	-	-	64,997
Financial assets at fair value through other comprehensive income	2,778,836	-	-	-	-	2,778,836
Financial assets at amortised cost	8,134,941	100	4,595	-	-3,026	8,136,610
Loans to banks	1,119,687	-	2,112	-	-1,199	1,120,600
Loans to customers	7,015,254	100	2,483	-	-1,827	7,016,010
Hedging derivatives	4,727	-	-	-	-	4,727
Equity investments	37,463	12,968	-	-35,402	-	15,030
Property and equipment	159,309	-	1,564	-	-	160,873
Intangible assets – goodwill	66,065	-	-	12,201	-	78,266
Intangible assets	33,634	-	119	9,875	-	43,628
Tax assets	49,299	194	413	-	-	49,906
Other assets	355,783	79	1,796	-	-355	357,303
Total assets	**11,685,054**	**13,342**	**8,487**	**-13,326**	**-3,381**	**11,690,176**

NET EQUITY AND LIABILITIES (€ THOUSAND)	01.01.2020 BG	01.01.2020 NP S.P.A.	01.01.2020 NP SGR	01.01.2020 ELIMINATION OF EQUITY INVESTMENTS	01.01.2020 INTRACOMPANY TRANSACTIONS	01.01.2020 BG PRO FORMA
Due to banks	94,767	40	1,423	-	-1,560	94,670
Due to customers	10,470,417	1,308	1,802	-	-1,466	10,472,062
Financial liabilities held for trading and hedging	8,685	-	-	-	-	8,685
Tax liabilities	9,569	-	36	2,923	-	12,528
Other liabilities	140,179	41	1,490	-	-355	141,355
Special purpose provisions	169,841	-	371	-	-	170,212
Valuation reserves	3,999	-	-129	-	-	3,870
Equity instruments	50,000	-	-	-	-	50,000
Reserves	352,015	3,248	-255	-2,993	-	352,015
Consolidation reserve	-	-	-	-803	-	-803
Share premium reserve	57,729	9,200	2,701	-11,902	-	57,729
Share capital	116,852	473	1,102	-1,575	-	116,852
Treasury shares (-)	-37,356	-965	-	965	-	-37,356
Net profit (loss) for the year (+/-)	248,358	-4	-55	59	-	248,358
Total net equity and liabilities	**11,685,054**	**13,342**	**8,487**	**-13,326**	**-3,381**	**11,690,176**

1.2 The contribution of the UCITS Unit

The transaction entailed the substantial transfer to 8a+ Investimenti SGR of all assets of NP SGR attributable to the provision of collective asset management service and was intended to form a partnership between the Banca Generali Group and 8a+ SGR, instrumental to the development of operational and industrial synergies in the asset management sector.

In particular, the business unit contributed comprised:
> the management mandates of NP SGR relating to the Italian open-ended (reserved) AIF "Nextam Partners Hedge" and the two Italian open-ended UCITS "Nextam Partners Bilanciato" (Balanced) and "Nextam Partners Obbligazionario Misto" (Mixed Bond), with total assets under management of **93.3 million euros** at the end of 2019;
> the related distribution agreements, including that in force with Banca Generali;
> contracts for the supply of goods and services and all legal relationships associated with such contractual positions, including an agreement for placing the funds contributed and an advisory contract entered into with Banca Generali;
> cash and equivalents.

In return for the contribution, 8a+ SGR will undertook a reserved capital increase, without options, through the issue of new shares accounting for 19.5% of the company's post-transaction capital.
Following the transaction, Banca Generali became the owner of a significant equity interest in 8a+ SGR amounting to 912 thousand euros, which was recognised in the portfolio of Financial assets at fair value through other comprehensive income (without transfer to Profit or Loss Account).
All relations between Banca Generali and 8a+ SGR are governed by shareholders' agreements that do not constitute a situation of significant influence over the receiving company.

The composition of the business unit is shown below; it included 869 thousand euros attributable to the residual portion of an intangible asset recognised during the PPA for the Nextam Group and relating to customer relationships pertaining to the UCITS.

(€ THOUSAND)	30.06.2020
Equity interest in 8a+ SGR	912
Intangible assets (client relationships)	869
Deferred taxes (DTLs on intangible assets)	-257
Loans to banks	294
Loans to customers	82
Due to customers	-76
Total business unit	**912**

The business unit contributed net fees on an annual basis amounting to 0.8 million euros in 2019 and to 0.4 million euros in the first half of 2020, with a marginal ratio to the net banking income of the Wealth Management CGU of reference.

The exchange ratio between the new shares issued and the economic value of the unit contributed with respect to the economic value of the receiving company were determined, with support from a major consulting company, by applying the Excess of Capital variant of the Dividend Discount Model (DDM) with effect from the financial position situations of 8a+ and the UCITS unit and their projected financial performance during the 2020-2022 period. The control method used was an analysis based on market multiples, and in particular the goodwill/AUM ratio for a panel of listed companies with comparable businesses.

Within the framework of the investment agreement entered into with 8a+ SGR, Banca Generali will continue to act as distributor of the funds and advisor on investment policies.
In addition, within the framework of the partnership with 8a+ SGR, Banca Generali will act as advisor and distribute to its customers the new non-reserved, closed-ended alternative investment fund (AIF) 8a+ Real Innovation, intended for investments in the real estate and private equity sector, in support of innovative SMEs, and a new ELTIF (European Long Term Investment Fund) product currently being launched.

Section 2 – Transactions after the close of the period

No business combination transactions were undertaken after 31 December 2020 and until the date of approval of Banca Generali's Financial Statements by the Board of Directors.

Section 3 – Retrospective Adjustments

No retrospective adjustments to business combinations carried out by the Banking Group in previous years were undertaken in 2020 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 2020, the Banca Generali's goodwill totalled 78.3 million euros, with an increase of 12.2 million euros compared to the previous year due to the aforementioned merger of the Nextam Group companies.

(€ THOUSAND)	31.12.2020	31.12.2019
Prime Consult SIM and INA SIM	2,991	2,991
Banca del Gottardo Italia	31,352	31,352
Ramo aziendale Credit Suisse Italy	27,432	27,432
BG Fiduciaria	4,290	4,290
Nextam Partners Group	12,201	-
Total	**78,266**	**66,065**

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 is allocated to cash-generating units (CGUs), which may be no larger than the operating segment identified for management reporting, pursuant to IFRS 8.

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

Banca Generali's Board of Directors approved the "Related Party Transaction Procedure", effective as of 1 January 2011, in compliance with Article 2391-*bis* of the Italian Civil Code, and Article 4 of the Regulation adopted with Consob Resolution No. 17221 of 12 March 2010, as subsequently amended.

On 12 December 2011, the Bank of Italy also updated the Prudential Supervisory Instructions for Banks (Bank of Italy Circular No. 263/2006), issuing new Provisions regulating risk-taking and conflicts of interest on the part of banks and banking groups, towards Associated Undertakings (Title V, Chapter 5).

The Procedure was last updated to bring it in line with Article 150 of TUF and the provisions introduced by the Bank of Italy on 2 July 2013 with the 15th amendment to Circular No. 263 of 27 December 2006 concerning "New Prudential Supervisory Provisions for Banks" on Transactions of Greater Importance.

The new Procedure for Related Party and Connected Party Transaction and Transactions of Greater Importance, in force as from 1 July 2014 and most recently updated on 15 May 2017, is intended to implement Consob and Bank of Italy regulations, by adopting, at group level, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

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 (Managers with Strategic Responsibilities), 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 Assicurazioni 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[12], namely the General Manager and the two Deputy General Managers[13];
- 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 Transactions** — falling short of the threshold defining Highly Significant RP Transactions; they must be approved by the relevant corporate officers as established 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 in such regard. 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.

12 Banking Group's Remuneration and Incentive Policies approved by the General Shareholders' Meeting on 23 April 2020.
13 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, paragraph 3, 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 **33.8 million** euros, reduced to **16.9 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.

	2020					
(€ THOUSAND)	DIRECTORS	AUDITORS	OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES	TOTAL	2019	CHANGE
Short-term benefits (current remuneration and social security charges) (1)	793	241	1,928	2,962	3,038	-76
Post-employment benefits (2)	-	-	259	259	249	10
Other long-term benefits (3)	-	-	289	289	191	98
Share-based payments (4)	-	-	1,271	1,271	1,621	-350
Total	**793**	**241**	**3,488**	**4,781**	**5,099**	**-318**
Total at 31.12.2019	**744**	**243**	**4,112**	**5,099**		

(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 Incentive Policy.
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 1.1 million euros;
> the share-based payments envisaged in the Remuneration Policy for 0.2 million euros.

The last LTI Plan activated by the parent company Assicurazioni Generali and referring to the three-year period 2017-2019 is no longer generating effects.
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 Managers (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 2020, 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 2020, the Banking Group did not undertake any transaction qualifying as "highly significant".

Intra-group highly significant transactions within the Banking Group

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 2020, 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 2020 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 2019.

The developments of ordinary transactions with related parties during 2020 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	31.12.2020	31.12.2019	WEIGHT %
Financial assets at fair value through profit or loss:	-	883	-	883	1,141	1.8%
c) other financial assets mandatorily measured at fair value	-	883	-	883	1,141	2.0%
Financial assets at fair value through other comprehensive income	-	246	-	246	246	-
Financial assets at amortised cost:	26,808	36,375	1,632	64,815	49,583	0.7%
b) loans to customers	26,808	36,375	1,632	64,815	49,583	0.8%
Equity investments	14,825	-	2,002	16,827	37,463	100.0%
Tax assets (AG tax consolidation)	-	-	-	-	2,903	-
Property, equipment and intangible assets	-	66,421	-	66,421	73,480	24.5%
Other assets	47	191	-	238	383	-
Total assets	**41,680**	**104,116**	**3,634**	**149,430**	**165,199**	**1.1%**
Financial liabilities at amortised cost:	70,406	330,101	2,672	403,179	507,240	3.5%
b) due to customers	70,406	330,101	2,672	403,179	507,240	3.7%
Other liabilities	649	5,847	-	6,496	5,925	3.7%
Tax liabilities (AG tax consolidation)	-	5,287	-	5,287	-	24.2%
Equity instruments	-	50,000	-	50,000	50,000	100.0%
Total liabilities	**71,055**	**391,235**	**2,672**	**464,962**	**563,165**	**3.6%**
Guarantees issued	**-**	**2,300**	**-**	**2,300**	**2,649**	**3.3%**

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 104.1 million euros, compared to 101.5 million euros recognised at the end of 2019, equal to 0.8% of Banca Generali's total balance sheet assets.
This exposure includes 66.4 million euros referring to the net value of the ROU recognised under property and equipment pursuant to IFRS 16 and relating primarily to the lease payments for the Milan and Trieste administrative offices and the commercial network offices.
By contrast, the total debt position reached 391.2 million euros, accounting for 3.0% of liabilities, down by 93.1 million euros (-19.2%) 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 68.7 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 2020, the item **Equity investments** changed as follows:
> the merger of Nextam Partners SGR and Nextam Partners S.p.A. into Banca Generali, finalised on 1 July 2020 and with retroactive effects for accounting and tax purposes from 1 January 2020;
> BG Valeur S.A.'s capital increase on 30 November 2020 for CHF 2.7 million, the relevant share of which was subscribed by Banca Generali S.p.A. (90.1%).

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 share of interest that the Bank acquired in 2015 in IOCA Entertainment Ltd, a company under the UK law, and that had already been impaired in the previous year, was almost fully written off at the end of 2020 in light of the absence of concrete future economic prospects.

Exposures to Generali Group companies recognised as **loans to customers** amounted to 36.4 million euros and refer to the following transactions:

			31.12.2020		31.12.2019	
COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT	REVENUES	AMOUNT	REVENUES
Genertellife	Subsidiary of the AG Group	Operating loans	31,911	-	21,133	-
Other companies of the Generali Group	Subsidiary of the AG Group	Operating loans	3,520	-	2,501	-
Other companies of the Generali Group	Subsidiary of the AG Group	Medium/Short-term loans	933	19	-	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	11	1,178	44	1,470
Total			36,375	1,197	23,678	1,470

Operating loans 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 330.1 million euros and included amounts due to the parent company Assicurazioni Generali S.p.A. for 25.2 million euros, and amounts due to Generali Italia S.p.A. for 97.5 million euros, of which 38.5 million euros relating to lease liabilities arising from the lease contracts for the administrative offices and the commercial network offices.

Amounts due to the Parent Company and classified as **tax liabilities** consisted of Banca Generali S.p.A.'s net tax debt resulting from the balance between tax prepayments, withholdings and tax credits and the estimated IRES tax 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 in force 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 2020, the first two instalments were paid for a total amount of 2,250 thousand euros.

Finally, a total of 2.3 million euros in personal guarantees was issued for Generali Group companies, of which 1.3 million euros on behalf of Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 31 December 2020, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 234.5 million euros, or 70.8% 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	2020	2019	WEIGHT % 2020
Interest income	205	1,197	-	1,402	1,598	1.5%
Interest expense	-	-1,583	-	-1,583	-2,953	26.4%
Net interest income	**205**	**-386**	**-**	**-181**	**-1,355**	**-0.2%**
Fee income	99,373	255,710	1,629	356,712	338,964	57.5%
Fee expense	-25	-	-125	-150	-104	-
Net fees	**99,348**	**255,710**	**1,504**	**356,562**	**338,860**	**n.a.**
Dividends	-	31	-	31	56	1.3%
Operating income	**99,553**	**255,355**	**1,504**	**356,412**	**337,561**	**99.2%**
Staff expenses	681	309	-	990	928	-1.1%
General and administrative expenses	-971	-13,837	-	-14,808	-14,874	8.6%
Net adjustments/reversals of property and equipment	-	-7,379	-	-7,379	-6,810	23.4%
Other net operating income	171	23	1	195	153	0.3%
Net operating expenses	**-119**	**-20,884**	**1**	**-21,002**	**-20,603**	**9.6%**
Operating result	**99,434**	**234,471**	**1,505**	**335,410**	**316,958**	**n.a.**
Dividends and income from equity investments	238,320	-	-	238,320	212,613	n.a.
Operating profit	**337,754**	**234,471**	**1,505**	**573,730**	**529,571**	**n.a.**
Net profit (loss) for the year	**337,754**	**234,471**	**1,505**	**573,730**	**529,571**	**n.a.**

Overall **net interest income** accrued in dealings with members of the Insurance Group was negative at 0.4 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 1.6 million euros, equal to 26.4% 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 255.7 million euros, equal to 41.2% 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	2020	SUBSIDIARIES OF THE BANKING GROUP	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	2019	ABSOLUTE CHANGE	%
Fees for the placement of UCITS	99,353	1,667	-	101,020	93,291	1,753	-	95,044	5,976	6.3%
Fees for distribution of insurance products	-	246,708	-	246,708	-	236,855	-	236,855	9,853	4.2%
Distribution of discretionary mandates	20	926	-	946	25	771	-	796	150	18.8%
Advisory fees	-	6,183	-	6,183	-	5,941	-	5,941	242	4.1%
Other banking fees	-	226	1,629	1,855	-	192	136	328	1,527	n.a.
Total fee income	**99,373**	**255,710**	**1,629**	**356,712**	**93,316**	**245,512**	**136**	**338,964**	**17,748**	**5.2%**

The most significant component consists of fees for the **distribution of insurance products** paid back by **Genertellife**, reaching 246.7 million euros, up by 4.2% compared to 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 2020 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 6.2 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).

(€ THOUSAND)	BANKING GROUP	GENERALI GROUP	2020	BANKING GROUP	GENERALI GROUP	2019	CHANGE ABSOLUTE	CHANGE %
Sicav underwriting fees	5,816	16	5,832	4,817	22	4,839	993	20.5%
Trading fees on funds and Sicavs	3,755	1,146	4,901	4,166	1,008	5,174	-273	-5.3%
Total	**9,571**	**1,162**	**10,733**	**8,983**	**1,030**	**10,013**	**720**	**7.2%**

With regard to fee income arising from associates subject to significant influence, worthy of note is the fee income relating to BG Saxo services and linked to the marketing to Bank's customers of the trading and order collection services rendered by BG Saxo SIM S.p.A.

Net operating expenses recognised by the Bank in relation to transactions with related parties of the Generali Group amounted to 20.9 million euros, equal to 9.5% of the aggregate total and refer to outsourced insurance, leasing, administrative and IT services.

(€ THOUSAND)	BANKING GROUP	GENERALI GROUP	2020	BANKING GROUP	GENERALI GROUP	2019	CHANGE ABSOLUTE	CHANGE %
Insurance services	-	2,709	2,709	-	2,395	2,395	314	13.1%
Property services	-	995	995	-	1,158	1,158	-163	-14.1%
Administration, IT and logistics services	800	10,110	10,910	1,276	9,892	11,168	-258	-2.3%
Staff services	-681	-309	-990	-748	-180	-928	-62	6.7%
Depreciation of ROUs (IFRS 16)	-	7,379	7,379	-	6,810	6,810	569	8.4%
Total administrative expenses	**119**	**20,884**	**21,003**	**528**	**20,075**	**20,603**	**400**	**1.9%**

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 chiefly refer 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 7.4 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
Exposure 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)	KEY MANAGERS
Loans to customers	4,234
Amounts due to customers	7,092
Other liabilities	63
General and administrative expenses	-193
Guarantees issued	45

Transactions with the Banking Group's companies
Within the Banking Group, the exposure to subsidiaries amounted to 41.7 million euros, of which 14.8 million euros refers to the Parent Company's equity investments and 26.8 million euros to operating receivables associated with financial product distribution activity.

Net inflows from Group companies amounted to 70.4 million euros and consist 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 337.8 million euros and primarily consist of:
> negative interest expense applied to the deposits of the Luxembourg-based subsidiary BGFML (201 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 (99.4 million euros);
> dividends distributed by the Luxembourg-based subsidiary BGFML (238.3 million euros).

With respect to the aggregate of operating expenses, the services rendered by the Parent Company to the companies the Banking Group are highly limited and refer essentially to the secondment 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.

2019 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 2019. 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)	2019
Net profit	**1,514.6**
Aggregate dividend	1,513.0
Increase	*7.08%*
Total net premiums	2,634.2
Total gross premiums	3,666.8
Total gross premiums from direct business	718.4
Increase on equivalent terms (a)	
Total gross premiums from indirect business	2,948.4
Increase on equivalent terms (a)	
Acquisition and administration costs	527.7
Expense ratio (b)	*20.00%*
Life business	
Life net premiums	1,277.1
Life gross premiums	1,684.5
Increase on equivalent terms (a)	
Life gross premiums from direct business	222.2
Increase on equivalent terms (a)	
Life gross premiums from indirect business	1,462.4
Increase on equivalent terms (a)	
Life acquisition and administration costs	212.9
Expense ratio (b)	*16.60%*
Non-life business	
Non-life net premiums	1,357.2
Non-life gross premiums	1,982.2
Increase on equivalent terms (a)	
Non-life gross premiums from direct business	496.2
Increase on equivalent terms (a)	
Non-life gross premiums from indirect business	1,486.0
Increase on equivalent terms (a)	
Non-life acquisition and administration costs	314.8
Expense ratio (b)	*23.20%*
Loss ratio (c)	*74.20%*
Combined ratio (d)	*97.40%*
Current financial result	**2,809.2**
Technical provisions	7,088.0
Life segment technical provisions	5,147.0
Non-life segment technical provisions	1,941.0
Investments	40,474.8
Capital and reserves	13,564.3

(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 2020, 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 Incentive 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 fourth annual cycle (2020-2026), 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 Incentive Policy — adopted in compliance with the Supervisory Provisions[14] 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[15].

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[16], 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.

[14] Bank of Italy Circular No. 285/2013, "Supervisory Provisions for Banks", Part I, Title IV, Chapter 2, Remuneration and Incentive Policies and Procedures.
[15] During the retention period, voting and dividend rights are unrestricted; however, plans referring to years prior to 2019 did not envisage any dividend rights.
[16] 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)[17].

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[18].

1.2 Information on the share-based payment plans in connection to the Remuneration Policies

At 31 December 2020, there were three active cycles of share-based plans in connection to the Remuneration Policies relating to 2018, 2019 and 2020, in addition to a modest number of non-standardised recruitment plans that call for a greater deferral on a long-term horizon.

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.

In that cycle, the shares to be assigned to Key Personnel totalled **138,375**, of which **42,903** were awarded to Network Managers, **80,254** referred to ordinary incentives and entry bonuses paid to Financial Advisors falling within Key Personnel on the basis of the fee volume accrued, **13,205** to employees, and **1,417** referred to the subsidiary BGFML, for a total fair value amounting to approximately **3.2 million** euros.

[17] 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.
[18] They include, in particular, the bonuses paid in shares to Key Personnel and some managers of the subsidiary BGFML.

In 2019, 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 granted 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 **216,133**, of which **80,897** were awarded to Network Managers, **106,082** referred 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 approximately **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 respect of the assessment of the achievement by Key Personnel of the objectives set for 2020, it was estimated that the portion of variable remuneration subject to share-based payment amounted to approximately **116 thousand** shares, for a total plan fair value of **2.3 million euros**.

Other plans

In 2017, a settlement agreement was also reached with a former Area Manager which, based on the current Remuneration Policy, provided for the granting of a portion of the indemnity, estimated in the amount of **17,591** Banca Generali shares and a total fair value of an additional **0.4** million euros. In 2020, the assignment of shares envisaged in the plan was suspended.

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.
The shares to be assigned under these plans currently amount to **30,350**, including **7,402** shares already assigned, for a total fair value of approximately **0.7 million euros**.

In the reporting year, on the basis of the achievement of the performance objectives set out in the 2017, 2018 and 2019 Remuneration Policy, **190,903** treasury shares were granted to company managers and network managers, of which **27,772** assigned to employees or former employees, and **164,202** to area managers and Financial Advisors[19].
In particular, the shares assigned for 2017 and 2018 related, respectively, to the first and second tranches deferred by one year (20%), whereas the shares assigned for 2019 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).

[19] Including former area managers.

(THOUSANDS OF SHARES)	DATE OF SHARE-HOLDERS' MEETING	BANK OF ITALY'S AUTHORI-SATION	ASSIGNMENT PRICE	WEIGHTED AVERAGE FV	TOTAL SHARES ACCRUED/ ACCRUING	SHARES VESTED	SHARES ASSIGNED IN 2020	SHARES TO BE ASSIGNED	PLAN'S FAIR VALUE (€ MILLION)
Year 2016 (*)	21.04.2016	06.06.2016	25.28	23.20	17.9	4.7	2.1	11.1	0.4
Year 2017	20.04.2017	03.07.2017	23.73	22.53	156.2	150.0	28.2	3.8	3.5
Year 2018	12.04.2018	11.06.2018	28.57	23.54	141.7	141.7	29.1	28.5	3.3
Year 2019	18.04.2019	21.06.2019	20.25	21.73	216.1	17.1	130.9	85.2	4.7
Year 2020 (*)	23.04.2020	16.07.2020	29.71	19.88	128.4	71.0	0.6	127.8	2.6
Total					**660.4**	**384.5**	**190.9**	**256.4**	**14.5**

(*) Including long-term recruitment plans.

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 three plans amounted to about 970 thousand (873 thousand net of the estimated turnover), for a total value of 11.2 million euros, of which 2.6 million euros 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	187	2.5	0.8
2018-2026 Plan	164	148	2.4	0.7
2019-2026 Plan	338	305	3.9	0.8
2020-2026 Plan	259	233	2.5	0.3
Total	**970**	**873**	**11.2**	**2.6**

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 incentive 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[20]:
> 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[21] 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)[22].

[20] 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).
[21] 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.
[22] In particular, the maximum performance level is associated with a percentage of 175%.

The following sections show 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
LTI 2018	80% -20%			1. tROE, 2. EVA	1. Operating ROE, 2. rTSR
LTI 2019	80% -20%	Total Capital Ratio (TCR), Liquidity Coverage Ratio (LCR) (*)	Regulatory solvency ratio	1. tROE, 2. Recurring net profit, 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

(*) In detail, 2020 access gates are: TCR >=13% and LCR >=130%.

a) tROE (tangible – Return on equity): the ratio of net profit and average net equity, net of net profit for the year of the OCI component and intangible assets.
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 * 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.

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

Overall, the total number of shares, either assigned or in the process of accruing, for the three plans amounted to about 332 thousand, for a total value of 5.2 million euros, of which 3.6 million euros already recognised through profit or loss (2.1 million euros for 2019).

(THOUSANDS OF SHARES)	MAXIMUM NO. OF SHARES (THOUSANDS OF SHARES)	PLAN'S FAIR VALUE	IFRS 2 RESERVE
		(€ MILLION)	
2018-2020 Plan	90	1.8	1.8
2019-2021 Plan	151	2.3	1.5
2020-2022 Plan	90	1.2	0.3
Total	**332**	**5.2**	**3.6**

Quantitative information

The value of treasury shares assigned during the year was 4.9 million euros, against IFRS 2 reserves totalling 4.2 million euros, with a negative net effect on the share premium reserve of about 0.7 million euros.
New provisions have also been made to the reserve totalling 5.6 million euros.

At 31 December 2020, total IFRS 2 reserves allocated therefore amounted to 10.4 million euros, of which:
> 4.2 million euros in relation to the Remuneration Policies;
> 2.6 million euros in relation to the Loyalty Programme;
> 3.6 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 related to lease debts in Part C, Section 1 – Interests – Items 10 and 20, Table 1.1 Breakdown of interest income and similar revenues;
> Other costs associated with rights of use acquired through leases in Part C, Section 10 – General and administrative expenses – Item 160, Table 10.5 Breakdown of other general and administrative expenses;
> Depreciation 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, 5 March 2021

The Board of Directors

Independent Auditors' Report on the Financial Statements

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20131 Milano

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of Banca Generali S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Banca Generali S.p.A. (the Company), which comprise the balance sheet as at December 31, 2020, the profit and loss account, the statement of other comprehensive income, statement of changes in net equity, the cash flow statement for the year then ended and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree NO. 38/05 as well 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	**Audit responses**
VALUATION OF GOODWILL	
Notes: Part A) Accounting policies; Part B) Information on the balance sheet Assets - Section 9; Part G) Business combinations of entities or branches - Section 3. The Bank recorded among intangible assets in the financial statements at December 31 2020 goodwill for Euro 78,3 million. This goodwill, as required by IAS 36 "*Impairment of assets*", are not depreciated but tested for impairment ("*Impairment test*"), at least annually, by means of comparison of the carrying value with recoverable amounts of each CGU represented by the value in use. The impairment test performed by the Bank confirmed the recoverability of goodwill registered in the financial statements. We focused on this area due to the significance of its amount and the significant judgement and complexity of the evaluation process; the recoverable amount of goodwill is based on the realisation of the assumptions of the plan, discount rates and expected future growth rates and other subjective assumptions.	Our main audit procedures performed, also with the support of our specialists, in response to the key audit matter regarding the valuation of goodwill, included the following: ▪ We challenged the reasonableness of the key underlying assumptions of the plan; ▪ We assessed and challenged the adequacy of the impairment model adopted; ▪ We assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, discount rates, long term growth rates; ▪ We verified the clerical accuracy of the impairment model adopted; ▪ We performed sensitivity analysis of the control model of impairment when key assumptions change; ▪ We verified the disclosures provided.

Key audit matters	**Audit responses**
VALUATION OF THE PROVISIONS REGARDING THE INDEMNITY OF THE NETWORK AND LEGAL DISPUTES	
Notes: Part A) Accounting policies; Part B) Information on the balance sheet Liabilities - Section 10. Provisions for liabilities and contingencies at December 31, 2020 show a balance equal to Euro 183,4 million. In the section, Provisions for termination indemnity of Financial Advisors are equal to Euro 121,4 million, Provisions for network incentives are equal to Euro 27,5 million, Provisions for legal disputes are equal to Euro 12,9 million and Provisions for staff expenses are equal to Euro 15,6 million. We focused on these items due to the significance of their amount, the complexity of the algorithms of actuarial statistical calculation adopted and significant judgement in the evaluation process, based on various assumptions and factors.	Our main audit procedures performed in response to the key audit matter regarding the valuation of the provisions regarding the indemnity to the network and legal disputes included the following: ▪ We analysed the methodology used by the Company to estimate the provisions; ▪ We performed test of details on the completeness and accuracy of data used to determine the provisions for risks and charges; ▪ We performed an actuarial review, also with the support of external specialists, of the approach and assumptions adopted for the evaluations at December 31, specifically regarding the termination indemnity of Financial Advisors; ▪ We obtained an external confirmation from legal experts of the Company on their evaluation about the existing disputes' development and the chance of losing; ▪ We verified the disclosures provided.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree NO. 38/05, as well as the regulation issued to implement article 9 of Legislative Decree NO. 38/05 and article 43 of Legislative Decree NO. 136/15 and, within the terms provided by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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 Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, 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 have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated 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 financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of Banca Generali S.p.A. on April 23, 2015 to perform the audits of the financial statements of each fiscal year starting from December 31, 2015 to December 31, 2023.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10 and of article 123-bis of Legislative Decree n. 58/98

The directors of Banca Generali S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Banca Generali S.p.A. as at December 31, 2020, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Banca Generali S.p.A. as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Banca Generali S.p.A. as at December 31, 2020 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 29, 2021

BDO Italia S.p.A.

Rosanna Vicari
Partner
(signed in the original)

Board of Statutory Auditors' Report

pursuant to Article 153 of Legislative Decree 58/98 and Article 2429 Paragraphs 2 and 3, of the Italian Civil Code

Shareholders,

We have reviewed the Annual Integrated Report for the year ended 31 December 2020, which consists of:
> the Draft Separate and Consolidated Financial Statements of "Banca Generali S.p.A." for the year ended 31 December 2020, including the Notes and Comments and detailed accounting statements;
> the consolidated Report on Operations, integrated with non-financial information;
> documents prepared by Directors and duly forwarded to the Board of Statutory Auditors.

During the year, the oversight activity was conducted by the Board of Statutory Auditors, in compliance with the law and, specifically, of Article 149 of Legislative Decree No. 58/1998, and in accordance with the code of conduct recommended by the Roll of Certified Public Accountants and Commercial Experts, taking also account of Consob and Bank of Italy provisions included in the Corporate Governance Code, as well as in accordance with Article 19 of Legislative Decree No. 39/10.

The Board of Statutory Auditors herewith reports to the General Shareholders' Meeting that in the course of the year ended 31 December 2020 it carried out the following activities:
> it participated in 15 meetings of the Board of Directors, verifying that the resolutions adopted and implemented were in compliance with the law and the Articles of Association and ensuring that they were neither imprudent nor gave rise to conflicts of interest not adequately addressed and managed;
> it participated in 17 meetings of the Internal Audit and Risk Committee;
> it participated in 10 meetings of the Remuneration Committee;
> it participated in 9 meetings of the Nomination, Governance and Sustainability Committee;
> it participated in 7 meetings of the Supervisory Board, in light of the Board of Directors' Resolution passed on 12 April 2018 which entrusted the Supervisory Board's functions to the Board of Statutory Auditors;
> it participated in 20 regular meetings held to conduct its audits;
> it participated in 3 induction meetings;
> it requested and obtained from the Chief Executive Officer and General Manager and the Manager in charge of preparing the company's financial reports or other Company Managers information concerning the Highly Significant Transactions carried out by the Company, and acknowledged that such transactions were not considered clearly imprudent or risky, in potential conflict of interest, in contrast with resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets;
> it exchanged information with the Chairmen of the Boards of Statutory Auditors of the subsidiary Generfid S.p.A. and of Nextam Partners S.p.A., Nextam Partners SGR S.p.A. and Nextam Partners SIM S.p.A., with the control body of the Luxembourg-based subsidiary BG Fund Management Luxembourg S.A., with the control body of the Swiss-based subsidiary BG Valeur S.A., as well as the Board of Statutory Auditors of the Parent Company, Assicurazioni Generali S.p.A., including in light of Consob's 2021 warning notices on Covid-19;
> it verified the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2, of Legislative Decree No. 58/98, as well as the supervisory instructions issued by the Bank of Italy, and deemed that they were adequate;
> it issued legal opinions, including those relating to the main subjects listed below:
  – remuneration and incentivisation policies;
  – ICAAP and ILAAP process;
> it verified that its members possessed the independence requisites, as well as its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. Moreover, it verified that the independent auditors possessed the independence requisites and found that the procedures adopted by the Board of Directors to ascertain its own internal independence compliance were adequate;
> It monitored the periodical self-assessment process of the Board of Directors and Board Committees, with the following outcome:
  – the Board was found to be adequate in terms of number of members and to be balanced in composition between Independent and Non-independent directors, taking account of the size of the Board and its Committees, and in view of the management of possible conflicts of interest;
  – the current remuneration systems were found to be adequate and consistent with the Corporate Governance Committee's recommendation regarding the remuneration of executive directors and remuneration policies were found to be adequate to the pursuit of the objective of the sustainability of the enterprise's activity in the medium-to-long term;
> it systematically monitored the functioning of the Internal Control and Risk Management System, stating its observations on the interim and annual reports concerning the activities performed and the programmes to be implemented by different control functions. It also checked the implementation status of the activity plans and ensuing results. The system envisages line checks, risk management and compliance checks, controls against money laundering, and inter-

nal audit activity. Business operations and information flows amongst the various parties involved, including the Board of Statutory Auditors, were efficiently coordinated during the year. In the year under review, Internal Audit assessed that the internal control and risk management systems were efficiently implemented, and put forward certain recommendations and suggestions aimed at improving risk management and control, without highlighting any significant shortcomings. The Head of the Internal Audit function reports directly to the Board of Directors, while second-tier control functions (the Compliance and Anti Money Laundering Department and the Risk and Capital Adequacy Department) were assigned to report directly to the Chief Executive Officer, while continuing to report "functionally" to the Board of Directors, to which they have direct access and with which they communicate without restrictions or intermediation. Overall, the Internal Control System was deemed adequate as a whole to the current governance system;
> information useful to discharging its supervisory duties was obtained through participation in sessions of the Internal Audit and Risk Committee, Remuneration Committee and Nomination, Governance and Sustainability Committee. The Board of Statutory Auditors received the various periodic reports in the course of the regular functioning of the above-mentioned Board Committees and deemed them to be adequate and consistent;
> it monitored complaints by investors, without discovering any shortcomings in internal procedures or the Company's organisational layout;
> it verified the general compliance of the Bank with the requirements for correspondence with and notices to the Supervisory Bodies, as well as compliance with industry regulations and the Articles of Associations;
> it assessed and verified the adequacy of the organisational structure with reference to issues falling within the remit of the Board of Statutory Auditors;
> it evaluated and verified the appropriateness of the administrative and accounting system, as well as its reliability in accurately representing operations through the information received by the Manager in charge of preparing the company's financial reports, the Independent Auditors and the Head of Internal Audit, and information directly obtained from the heads of the respective functions, as well as data arising from examination of company records. With reference to the application of law 262/2005 and the provisions of letter a), paragraph 1, Article 19 of Legislative Decree 39/10, the Board of Statutory Auditors also monitored the processes and activities carried out by the Bank, within the framework of the Financial Accounting Risk Governance activity, aimed at continuously assessing the adequacy of administrative and accounting procedures and the ensuing financial reports;
> it checked that the Bank adopted regulations, processes and structures suitable for monitoring and overseeing banking-related risks (market risks, credit risks, liquidity risks, exchange rate risks, operating risks, compliance and money laundering risks), as described in the Report on Operations and Notes and Comments;
> it evaluated the appropriateness of the internal capital adequacy assessment process (ICAAP);
> it evaluated the appropriateness of the internal liquidity adequacy assessment process (ILAAP);
> it verified, in concert with the Independent Auditors, that the foreign subsidiaries and Italian subsidiaries adopted a suitable administrative and accounting system such as to regularly report to the Company's management and Independent Auditors the economic and financial data required to draw up the Consolidated Financial Statements.

We hereby acknowledge that the Company discharged its obligations relating to the prevention of money laundering, with particular regard to Legislative Decree No. 231/2007, as further amended and extended, and the provisions of the Bank of Italy and the company's Financial Information Unit, including staff training, through the Anti-Money Laundering Service, within the Compliance and Anti Money Laundering Department.

In addition, the Company complied with data protection obligations, adopting the privacy principles laid down in the GDPR (General Data Protection Regulation) and designating an internal Group Data Protection Officer.

In addition, we acknowledge that during the year the Supervisory Board, whose functions are carried out by the Board of Statutory Auditors effective 1 April 2014, monitored the operation and compliance of the Organisational and Management Model, and verified that it has been properly updated and is suitable for preventing over time the commission of the crimes mentioned in the legislation. The work performed showed no irregularities that could be related to the crimes contemplated under the provisions of Legislative Decree No. 231/01.

We acknowledge that the company adopted, inter alia, the following main codes, policies and procedures, which were duly updated during the year, where needed:
> Internal dealing, setting up the Internal Dealing Register;
> Insider information, with the introduction of the Insider Register;
> Related party and connected party transactions and transactions of greater importance;
> Transactions with parties that have powers of management, administration and control over the bank;
> Internal policies governing control mechanisms for risk assets and conflicts of interest involving connected parties;
> Order execution and transmission policy;
> Conflict of interest policy;
> Internal rules;
> Contingency funding plan;
> Single risk management policy;
> Risk Appetite Framework;
> Fair value policy;
> Group policy on service outsourcing;
> Equity investment management policy;

- Policy of enhancement of third-party financial instruments;
- Inducement policy;
- Policy for the classification of customers;
- Investment portfolio management process;
- Compliance policy;
- Compliance rules;
- Internal Audit policy;
- Internal Audit regulations;
- Internal control system policy;
- Internal code of conduct;
- Policy for managing customer complaints;
- IT security policy;
- Succession policy;
- Commercial policy;
- Policy for the management of credit risk mitigation (CRM) techniques;
- Manager in Charge of the Internal Control System Policy;
- Internal Fraud Policy;
- Strategic Guidance Policy on Information and Communications Technology (ICT);
- Whistleblowing procedure;
- Non-Audit Services Procedure
- Policy on provisioning for risks due to the management of litigation;
- Policy on the internal transfer rate system;
- Lending rules;
- Finance rules;
- Rules on escalation limits and process
- Group rules;
- Data Protection Policy;
- Dividend Policy;
- IFRS 9 Policy;
- Transfer Pricing Policy.

The Company has also adopted the new edition of the Corporate Governance Code for Listed Companies. The Company has not appointed a lead independent director for the reasons described in the Corporate Governance and Ownership Structure Report.

We acknowledge that in 2020, the Bank operated in strict compliance with the "Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance", which lays down specific operating rules governing fact-finding procedures, decision-making powers, record-keeping and disclosure obligations; these transactions and relevant information are given in the Directors' Report on Operations and Notes and Comments.

We also acknowledge that in 2020 the Company's intra-group transactions were of a financial and commercial nature, and regarded the supply of services, as described in the Directors' Report on Operations and Notes and Comments.

We acknowledge that Banca Generali complies with the Assicurazioni Generali S.p.A.'s tax consolidation scheme.

We acknowledge that the Company is subject to management and coordination by "Assicurazioni Generali S.p.A." and that all related statutory obligations have been duly discharged.

We acknowledge that the Directors' Report on Operations and Notes and Comments contain the information regarding the possession of own shares and parent company shares, in respect of which the respective restricted reserves were set aside.

The Bank complies with applicable capital requirements (Common Equity Tier 1, Tier 1, Total Capital Ratio) set forth in the supervisory provisions; detailed information on capital regulatory requirements and capital ratios is given in the Directors' Report on Operations. The Pillar 3 disclosure, prepared in accordance with Part VIII of Regulation (EU) No. 575/2013 (CRR), describes the prudential regulatory provisions for banks concerning capital requirements.

We acknowledge that the Company drew up the Remuneration Report on the Banking Group's remuneration and incentivisation policies, as well as the report on their implementation.

We acknowledge that Part I) of the Notes and Comments provide information on the share-based payment plans.

During the reporting year, there were no atypical and/or unusual transactions to be reported, nor were such transactions undertaken with parties other than related parties such as intra-group entities or third parties. "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/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.

No “Highly significant” transactions were undertaken with related parties in 2020. In addition, as thoroughly described in the Directors’ Report on Operations, some related party transactions qualifying as “moderately significant” transactions were carried out, besides ordinary or recurring transactions effected at arm’s length, the effects of which are analysed in the dedicated section of Notes and Comments.

With reference to corporate social responsibility, the Directors’ Report on Operations provides a summary of the 2020 results achieved in the various areas of the Banking Group’s social responsibility, restated according to the GAV (Global Added Value) method.

With regard to the consolidated non-financial report, in accordance with the guidance provided by Assonime, the Board of Statutory Auditors provided high-level oversight of non-financial reporting systems and processes within the framework of its monitoring of sound management practices.

Within the framework of the activities performed by the Board of Statutory Auditors in its capacity as Internal Control and Audit Committee — it bears remarking that all members of the Board of Statutory Auditors are proficient in accounting and/or auditing, as well as in financial services and the banking sector, and are also independent of the entity at which they serve in a control function — during the sessions of the Board of Directors held in 2020 the Board of Statutory Auditors provided information on the findings of the statutory audit and the periodic meetings held with the independent auditors, including in light of Consob’s 2021 warning notices on Covid-19.

Pursuant to Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors also informed the Board of Directors of the findings of the statutory audit and submitted the additional report pursuant to Article 11 of Regulation (EU) No 537/2014 issued by the independent auditors today, in addition to constantly monitoring the financial reporting process and the effectiveness of the internal control and risk management systems.

By resolution of the Shareholders’ Meeting of 23 April 2015, the auditing firm BDO Italia S.p.A. was granted the assignment to audit the half-yearly report, the separate and consolidated annual financial statements. This assignment will be terminated by mutual agreement to allow the appointment of KMPG S.p.A., the audit firm in charge of auditing services for the Group to which Banca Generali belongs. The Board of Statutory Auditors reviewed the plan of audit activities in 2020 and periodically exchanged information with the Independent Auditors, who never reported any facts, circumstances or irregularities that would need to be disclosed to the Board of Statutory Auditors. In 2020, the Independent Auditors verified regular bookkeeping practices and correct assessment of operations in the accounting entries, and that the Financial Statements for the year ended 31 December 2020 reflected the accounting books and records. The Independent Auditors issued today clean reports on the separate and consolidated Financial Statements for the year ended 31 December 2020. The Independent Auditors also issued their report on the Consolidated Non-Financial Report pursuant to Article 3, paragraph 10, of Legislative Decree No. 254/2016 and Article 5 of Consob Regulation No. 20267.

The Independent Auditors have also issued the statement confirming their independence and the absence of the causes of incompatibility contemplated in Articles 10 and 17 of Legislative Decree No. 39/2010.

During the year, the independent auditors were paid a total of 204,000 euros for statutory auditing.

The following additional assignments were also granted to the independent auditors, BDO Italia S.p.A.:

- the assignment to conduct a limited examination of the consolidated non-financial report of Banca Generali S.p.A. and its subsidiaries in respect of the year ended 31 December 2020 for the purposes of the issuance of the attestation required by Decree No. 254/2016, for a total of 38,000 euros;
- the assignment to conduct a gap analysis of the Group’s non-financial information in respect of the requirements of Legislative Decree No. 254/2016 and the International <IR> (Integrated Reporting) Framework, in order to permit the Banca Generali Group to develop an adequate 2020 Annual Integrated Report, for a total of 39,000 euros;
- the assignment to conduct a limited, voluntary audit of the third-quarter financial statements to determine interim profit for the purposes of calculating Common Equity Tier 1 capital (regulatory capital) pursuant to Article 26, paragraph 2, of Regulation (EU) No 575/2013 and Bank of Italy Circular No. 285 of 17 December 2013, for a total of 10,000 euros;
- the assignment to audit the half-yearly reporting package of Banca Generali S.p.A. at 30 June 2020, prepared for the purposes of consolidation by the Parent Company, Assicurazioni Generali S.p.A., for a total of 11,000 euros;
- the assignment to audit the reporting package of Banca Generali S.p.A. at 31 December 2020, prepared for the purposes of consolidation by Assicurazioni Generali S.p.A., for a total of 16,000 euros;
- assignment to provide support in defining a methodological approach instrumental to implementing a non-financial KPI monitoring system, for a total of 50,000 euros;
- the assignment to produce the certification required by Article 26(2) of Regulation (EU) No 575/2013 of 26 June 2013 in order to support the application to include separate and consolidated profit for the year ended 31 December 2020 in Common Equity Tier 1 capital, for a total of 15,000 euros;
- assignment to conduct a gap analysis on the organisational processes and solutions adopted by the Bank to prepare the

descriptive document pursuant to the Regulation implementing Articles 4-undecies and 6, paragraph 1 (b and c-bis), of Legislative Decree No. 58/98 relating to the depositing and sub-depositing of brokerage client assets, for a total amount of 22,000 euros;

> assignment to issue the annual report required under Article 23, paragraph 7, of the Regulation implementing Articles 4-undecies and 6, paragraph 1 (b and c-bis), of Legislative Decree No. 58/98 relating to the depositing and sub-depositing of brokerage client assets, referring to financial year 2019 for a total of 18,000 euros and to financial year 2020 for a total amount of 14,000;
> assignment to provide support in assessing the maturity level of the integration of the sustainability criteria into the Bank's risk management policies as required by the recent European legislation, for a total amount of 55,000 euros, of which 16,500 euros with regard to 2020 and 38,500 euros with regard to 2021.

The Manager in charge of preparing the company's financial reports and the Chief Executive Officer and General Manager issued the statement and attestation of compliance required under applicable regulations in the field of accounting and financial statements disclosure.

The Board of Statutory Auditors nonetheless controlled the general criteria used in preparing the financial statements, as well as their compliance with the law and specific regulations regarding the preparation of financial statements of banking institutions.

The Financial Statements were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and related IFRIC interpretations. Moreover, they were based on "Instructions for the preparation of company's financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups" issued by the Bank of Italy. The Notes and Comments explain the accounting criteria adopted and provide the necessary information as required by current laws, including information on credit risk, market risk, liquidity risk and operating risk. The Directors' Report on Operations provides information on operations, highlighting developments underway and the potential outlook, and the banking Group's development and reorganisation process in the reporting year. In their Report, Directors illustrate the main risks and uncertainties to which the Company is exposed.

The Chief Financial Officer illustrated to the Board of Statutory Auditors the accounting treatment applied to goodwill and the impairment process performed on intangible assets, and agreed on the related recognition.

In carrying out our supervisory activity, as described above, no other significant facts emerged that need to be reported to relevant Supervisory Bodies or that are worthy of mention in this report.

The Board of Statutory Auditors acknowledges that the Consolidated Financial Statements of the Banca Generali Group were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and IFRIC interpretations. Moreover, they were based on "Instructions for the preparation of company's financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups" issued by the Bank of Italy. Following the merger of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR S.p.A. into Banca Generali S.p.A., the scope of consolidation has changed with respect to the previous year and now includes the parent company, Banca Generali S.p.A., and the subsidiaries BG Fund Management Luxembourg S.A., Generfid S.p.A., BG Valeur S.A., Nextam Partners SIM S.p.A. and Nextam Partners Limited (in liquidation). The performances of the subsidiaries are discussed in the Directors' Report on Operations.

We acknowledge that no complaints were received pursuant to Article 2408 of the Italian Civil Code.

We acknowledge that during the year no complaints were received.

Lastly, the Board of Statutory Auditors has no proposal to submit to the General Shareholders' Meeting pursuant to Article 153, paragraph 2, of TUF.

We inform you that we deem that the 2020 Financial Statements, as presented to you by the Board of Directors, may be approved by you and we express a favourable opinion regarding the allocation of the profits, as proposed by the Board of Directors.

We thank you for the trust you placed in us. We also remind you that, upon approval of these Financial Statements, our term of office will expire and we therefore ask you to pass all relevant resolutions on this regard.

Milan, 29 March 2021

The Board of Statutory Auditors

Massimo Cremona – Chairman
Mario Anaclerio – Acting Auditor
Flavia Daunia Minutillo – Acting Auditor

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07

ATTESTATION

pursuant to Article 154-*bis*, paragraph 5, of Legislative Decree 58/1998

"We have once again proved that nothing can stop culture or keep it from spreading. I would like to thank Banca Generali for this first, important milestone."

Andrea Erri

Managing Director, La Fenice Opera House Foundation

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Attestation

pursuant to Article 154-*bis*, paragraph 5, of Legislative Decree. 154

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 2020:
   - 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 2020 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 2020:

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, 05 March 2021

Gian Maria Mossa Chief Executive Officer BANCA GENERALI S.p.A.	Tommaso Di Russo Manager in Charge of the Company's Financial Reports BANCA GENERALI S.p.A

08

ANNEXES

"Spearheading efforts to support art and culture: initiatives of excellence that drew thousands of people to the important exhibitions and collections on display in Italian cities."

Michele Seghizzi
Head of Communications, Banca Generali

Annex 1

Disclosure on the compensation for auditing pursuant to article 149-duodecies of Consob regulation No. 11971

The following table shows a breakdown of the fees paid by the Banca Generali Group companies to the independent auditors BDO 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.

(€ THOUSAND)	BDO ITALIA S.P.A.	BDO LUX S.A.	BDO SWISS S.A.
Parent Company	**376**	**-**	**-**
Audit	177	-	-
Attestation services	48	-	-
Other services	151	-	-
Subsidiaries	**24**	**82**	**26**
Audit	24	82	26
Attestation services	-	-	-
Other services	-	-	-
Total	**400**	**82**	**26**

Note
1. Amounts net of VAT, out-of-pocket expenses and Consob contribution.

With regard to the parent company Banca Generali, the amount of 226 thousand euros reported in the table refers for 85 thousand euros to the audits carried out in relation with 2019 Financial Statements and the related attestation services, for 141 thousand euros for the activities carried out until 31 December 2020, consisting in periodic accounting audits, the audits of the 2020 Half-yearly Report and the 2020 Financial Statements, the attestation of compliance of the Interim Report at 30 September 2020 pursuant to Article 26(2) of Regulation (EU) No. 575/2013 (excluding VAT, out-of pocket expenses and Consob contributions).

The sum of 151 thousand euros included in “Other services” relates to BDO Italia’s engagement to provide support with monitoring non-financial KPIs and project initiatives relating to legislative and organisational updates.

For the subsidiaries, the auditing and bookkeeping fees for BDO Italia S.p.A. for 2020 amounted to 24 thousand euros (excluding VAT and out-of-pocket expenses) for Generfid and to CHF 26 thousand euros for BG Valeur S.A.

The fees approved by the General Shareholders’ Meeting of Banca Generali on 23 April 2020 for auditing of the financial statements and bookkeeping services amounted to 251 thousand euros (net of the VAT, out-of-pocket expenses and Consob contribution), in addition to 15 thousand euros for attestation services in compliance with Article 26, paragraph 2, of Regulation (EU) No. 575/2013. In 2020, the Board of Directors also approved fees of 38 thousand euros for attesting the compliance of the Consolidated Non-Financial Statement and of 184 thousand euros for other services relating to support for the monitoring of non-financial KPIs, the gap analysis on the Consolidated Non-Financial Statement and ESGs, as well as legislation relating to the depositing and sub-depositing of brokerage client assets.

The fees approved by the General Shareholders’ Meeting of Generfid S.p.A. on 2 April 2019 for the auditing of the financial statements and bookkeeping services for 2020 amounted to 20 thousand euros (excluding VAT and out-of-pocket expenses).

The fees approved by the Board of Directors of BG Fund Management Luxembourg S.A. on 5 May 2020 for auditing of the financial statements and bookkeeping services for 2020 amounted to 82.5 thousand euros (excluding VAT and out-of-pocket expenses).

The fees approved by the General Shareholders’ Meeting of BG Valeur S.A. on 15 October 2019 for the auditing of the financial statements and bookkeeping services for 2020 have been estimated in the range of CHF 39 thousand to CHF 42 thousand (excluding VAT and out-of-pocket expenses).

Annex 2

Reconciliation between official and reclassified statements

Reconciliation between reclassified consolidated balance sheet and consolidated balance sheet.

RECLASSIFIED CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	31.12.2020	31.12.2019
Financial assets at fair value through profit or loss		**48,455**	**64,998**
	Item 20. Financial assets at fair value through profit or loss	*48,455*	*64,998*
Financial assets at fair value through other comprehensive income		**2,730,098**	**2,778,836**
	Item 30. Financial assets at fair value through other comprehensive income	2,730,098	2,778,836
Financial assets at amortised cost		**9,657,380**	**8,206,525**
a) Loans to banks		1,236,556	1,130,690
	Item 40. a) Financial assets at amortised cost – loans to banks	687,576	627,247
	Item 10 (partial) Sight deposits with central banks	548,980	503,443
b) Loans to customers		8,420,824	7,075,835
	Item 40 b) Financial assets at amortised cost – loans to customers	8,420,824	7,075,835
Equity investments		**1,717**	**2,061**
	Item 70. Equity investments	1,717	2,061
Property, equipment and intangible assets		**288,598**	**298,354**
	Item 90. Property and equipment	152,676	164,219
	Item 100. Intangible assets	135,922	134,135
Tax assets		**49,846**	**51,168**
	Item 110. Tax assets	49,846	51,168
Other assets		**400,895**	**363,634**
	Item 10. Cash and cash equivalents	574,108	525,400
	Item 10 (partial) Sight deposits with central banks	-548,980	-503,443
	Item 50. Hedging derivatives	2,486	4,727
	Item 60. Adjustment of financial assets subject to macro-hedging (+\-)	-	-
	Item 130. Other assets	373,281	336,950
HFS assets		**-**	**-**
	Item 120. Non-current assets available for sale and disposal groups	-	-
Total assets	**Total assets**	**13,176,989**	**11,765,576**

RECLASSIFIED CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES AND NET EQUITY	CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES AND NET EQUITY	31.12.2020	31.12.2019
Financial liabilities at amortised cost		**11,506,596**	**10,503,986**
a) Due to banks		**598,129**	**94,807**
	Item 10 a) Financial liabilities at amortised cost – due to banks	*598,129*	*94,807*
b) Due to customers		**10,908,467**	**10,409,179**
	Item 10 b) Financial liabilities at amortised cost – due to customers	10,908,467	10,409,179
Financial liabilities held for trading and hedging		69,404	8,685
	Item 20. HFT financial liabilities	1,551	1,204
	Item 40. Hedging derivatives	67,853	7,481
Tax liabilities		**42,516**	**13,618**
	Item 60. Tax liabilities	42,516	13,618
Other liabilities		181,697	147,097
	Item 80. Other liabilities	181,697	147,097
Special purpose provisions		192,272	174,522
	Item 90. Provisions for termination indemnity	4,936	5,153
	Item 100. Provisions for liabilities and contingencies	187,336	169,369
Valuation reserves		4,139	3,813
	Item 120. Valuation reserves	4,139	3,813
Equity instruments		50,000	50,000
	Item 140. Equity instruments	50,000	50,000
Reserves		726,471	454,465
	Item 150. Reserves	726,471	454,465
Share premium reserve		57,062	57,729
	Item 160. Share premium reserve	57,062	57,729
Share capital		116,852	116,852
	Item 170. Share capital	116,852	116,852
Treasury shares (-)		-45,185	-37,356
	Item 180. Treasury shares (-)	-45,185	-37,356
Net equity attributable to minority interests		246	26
	Item 190. Net equity attributable to minority interests (+/-)	246	26
Net profit (loss) for the year (+/-)		274,919	272,139
	Item 200. Net profit (loss) for the year	274,919	272,139
Total liabilities and net equity	**Total liabilities and net equity**	13,176,989	11,765,576

Reconciliation between reclassified consolidated profit and loss account and consolidated profit and loss account

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	31.12.2020	31.12.2019
Net interest		**89,644**	**74,015**
	Item 30. Net interest income	*89,644*	*74,015*
Net income (loss) from trading activities and dividends		**19,939**	**14,173**
Item 70. Dividends and similar income		2,328	2,891
Item 80. Net income (loss) from trading activities		6,045	5,606
Item 90. Net income (loss) from hedging		-906	18
Item 100. Gain (loss) on disposal or repurchase of financial assets at fair value through other comprehensive income		15,293	5,839
Item 110. Net result on other financial assets and liabilities at fair value through profit and loss		-2,821	-181
Net financial income		**109,583**	**88,188**
Recurring fee income		782,352	733,630
	Item 40. Fee income	924,117	881,014
	- Item 40. (partial) Variable fee income	-141,765	-147,384
Fee expense		-416,087	-391,204
	Item 50. Fee expense	-401,306	-377,875
	- Item 200. (partial) provisions	-14,781	-13,329
Recurring fees		**366,265**	**342,426**
Variable fee income		141,765	147,384
	Item 40. (partial) Variable fee income	141,765	147,384
Net fees		**508,030**	**489,810**
Net banking income		**617,613**	**577,998**
Staff expenses		-104,272	-97,219
	Item 190 a) Staff expenses (363)	-104,272	-97,219
Other general and administrative expenses		-94,595	-91,301
	Item 190 b) Other general and administrative expenses	-176,237	-162,681
	- Item 190. b) (partial) Charges related to the banking system	11,282	8,222
	- Item 230 (partial) Recovery of indirect and direct taxes	70,360	63,158
Net adjustments of property, equipment and intangible assets		-32,958	-29,955
	Item 210. Net adjustments/reversals of property and equipment	-21,511	-20,145
	Item 220. Net adjustments/reversals of intangible assets	-11,447	-9,810
Other operating expenses/income		4,605	5,548
	Item 230. Other operating expenses/income	74,965	68,706
	- Item 230 (partial) Recovery of indirect and direct taxes	-70,360	-63,158
Net operating expenses		**-227,220**	**-212,927**
Operating result		**390,393**	**365,071**
Net adjustments for non-performing loans		-662	-5,387
	Item 130. Net adjustments/reversals due to credit risk	-662	-5,387
Net provisions		-30,828	-24,281
	Item 200. Net provisions for liabilities and contingencies:	-45,609	-37,610
	- Item 200 (partial) provisions	14,781	13,329
Contributions and charges related to the banking system		-11,282	-8,222
	Item 190. b) (partial) Charges related to the banking system	-11,282	-8,222
Gains (losses) from equity investments		-331	-1,867
	Item 250. Gains (losses) from equity investments	-341	-1,605
	Item 280. Gains (losses) on disposal of investments	10	-262
Operating profit before taxation		**347,290**	**325,314**
Income taxes for the year on current operations		-72,396	-53,192
	Item 300. Income taxes for the year on current operations	-72,396	-53,192
Net profit for the year		**274,894**	**272,122**
Net profit (loss) attributable to minority interests		-25	-17
	Item 340. Net profit (loss) attributable to minority interests	-25	-17
Net profit (loss) attributable to the Parent Company		**274,919**	**272,139**

Banca Generali S.p.A.

Registered office
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Share capital
Authorised 119.378.836 euros
Subscribed and paid 116.851.637 euros

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of companies 00833240328
VAT No. 01333550323

Bank which is a member of the Interbank
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BANCA GENERALI

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