BANCA GENERALI

INTERIM REPORT

AT 31 MARCH 2020

INTERIM REPORT
at 31 March 2020

BOARD OF DIRECTORS
14 MAY 2020

This Interim 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.
Administration and Control Bodies

Board of Directors - 14 May 2020

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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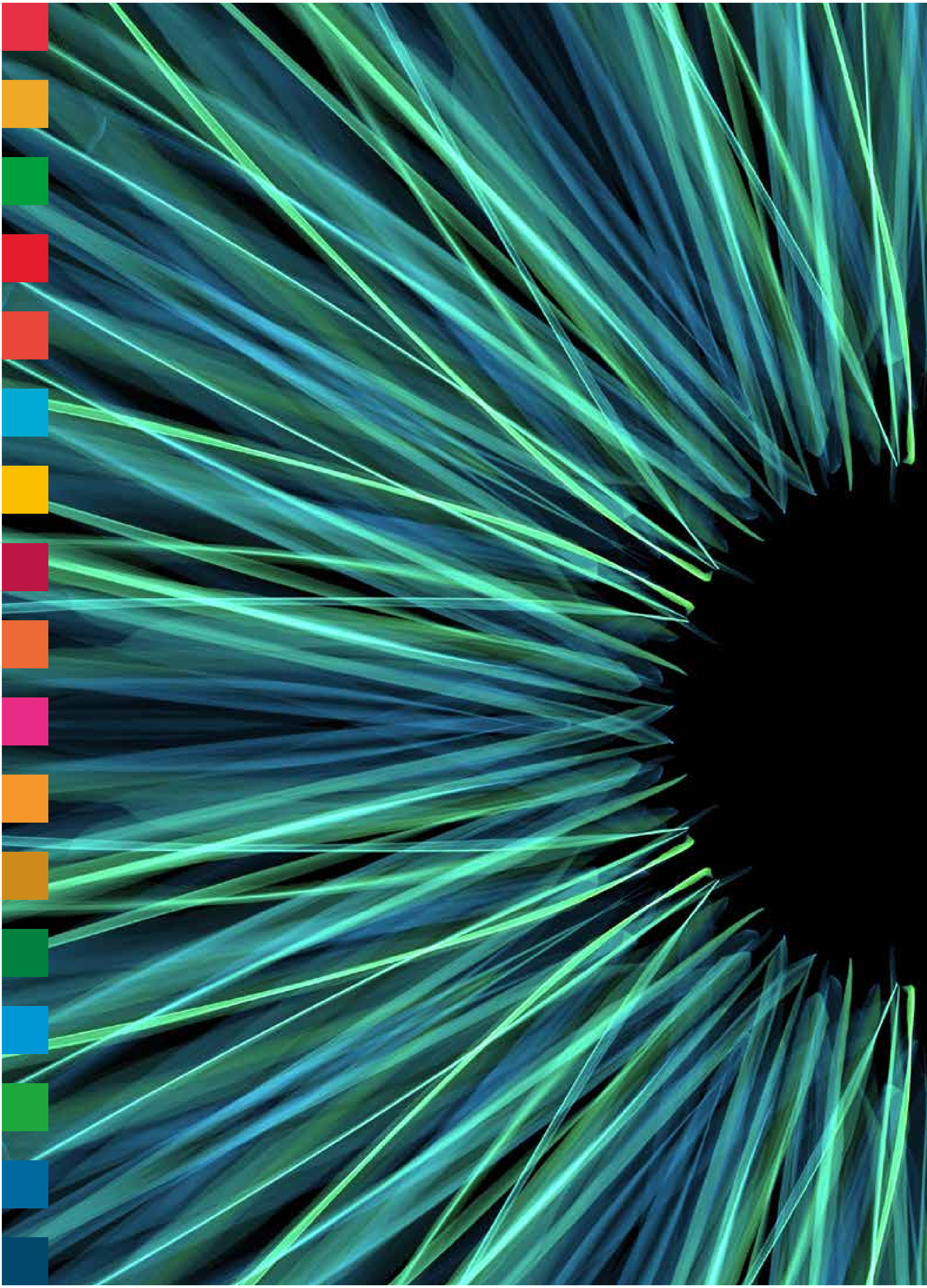
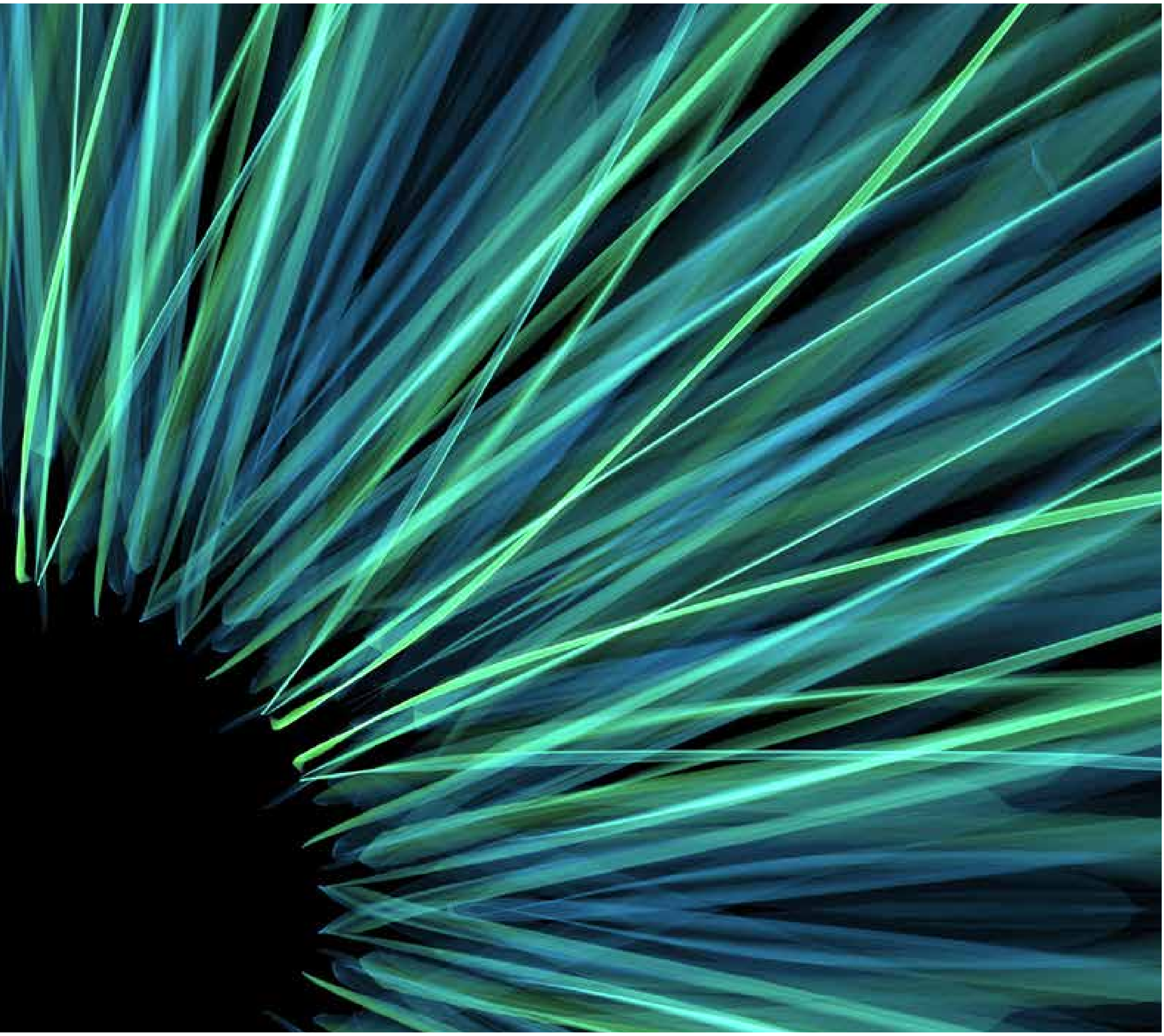




01

GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

Group Economic and Financial Highlights

CONSOLIDATED FIGURES

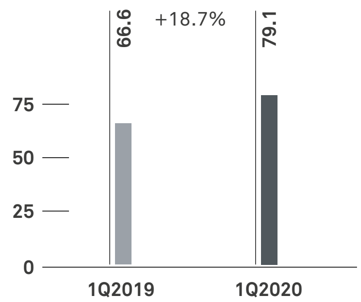
(€ MILLION)	31.03.2020	31.03.2019	CHANGE %
Net interest income	20.2	15.9	27.5
Net income (loss) from trading activities and dividends	4.0	4.0	-0.4
Net fees	144.5	113.7	27.1
Net banking income	**168.8**	**133.6**	**26.3**
Staff expenses	-25.7	-21.8	17.8
Other net general and administrative expenses	-39.9	-35.2	13.3
Amortisation and depreciation	-7.7	-6.8	13.9
Other operating income and expenses	16.1	13.7	17.6
Net operating expenses	**-57.1**	**-50.0**	**14.2**
Operating result	**111.6**	**83.5**	**33.6**
Provisions	-8.2	-6.1	34.5
Adjustments	-1.1	4.0	-126.6
Profit before taxation	**102.3**	**81.4**	**25.7**
Net profit	**79.1**	**66.6**	**18.7**

PERFORMANCE INDICATORS

	31.03.2020	31.03.2019	CHANGE %
Cost/Income ratio	29.3%	32.4%	-9.6
Operating Costs/Total Assets (AUM)	0.08%	0.08%	-2.0
EBTDA	119.4	90.3	32.1
ROE [(a)]	33.3%	34.5%	-3.7
ROA [(b)]	0.50%	0.45%	10.3
EPS – Earning per share (euros)	0.69	0.57	19.8

(a) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the reporting period and the end of the previous period.
(b) Ratio of net result to the average of Assoreti's annualised quarterly AUM.

NET PROFIT
(€ million)



NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.03.2020	31.03.2019	CHANGE %
Funds and Sicavs	159	257	-38.1
Financial wrappers	-118	-215	45.1
Insurance wrappers	212	28	657.1
Asset management	**253**	**70**	**261.4**
Insurance/Pension funds	-113	540	-120.9
Securities/Current accounts	1,354	801	69.0
Total	**1,494**	**1,411**	**5.9**

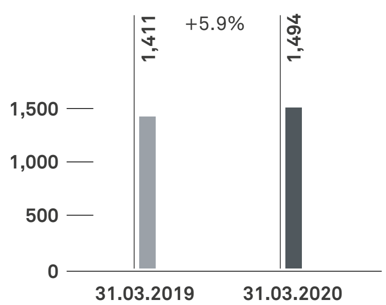
ASSETS UNDER MANAGEMENT & CUSTODY (AUM/C)

(€ BILLION) (ASSORETI DATA)	31.03.2020	31.12.2019	CHANGE %
Funds and Sicavs	14.4	16.5	-12.8
Financial wrappers	5.9	6.7	-11.2
Insurance wrappers	8.0	8.7	-8.1
Asset management	**28.2**	**31.8**	**-11.2**
Traditional life insurance policies	16.4	16.5	-0.9
AUC	18.6	18.5	0.8
Total	**63.3**	**66.8**	**-5.3**

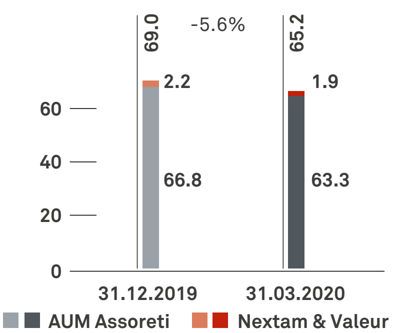
NET EQUITY

(€ MILLION)	31.03.2020	31.12.2019	CHANGE %
Net equity	982.8	917.7	7.1
Own funds	559.3	570.9	-2.0
Excess capital	130.7	150.9	-13.4
Total Capital Ratio	15.4%	16.1%	-4.0

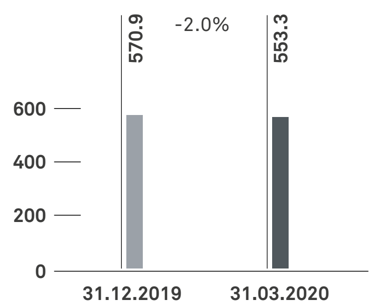
NET INFLOWS
(€ million)



ASSETS UNDER MANAGEMENT
(€ billion)



OWN FUNDS
(€ million)



02

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)	31.03.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	62,072	64,998	-2,926	-4.5%
Financial assets at fair value through other comprehensive income	3,117,048	2,778,836	338,212	12.2%
Financial assets at amortised cost:	8,558,941	8,206,525	352,416	4.3%
a) loans to banks (*)	1,005,579	1,130,690	-125,111	-11.1%
b) loans to customers	7,553,362	7,075,835	477,527	6.7%
Equity investments	2,024	2,061	-37	-1.8%
Property, equipment and intangible assets	291,560	298,354	-6,794	-2.3%
Tax receivables	54,407	51,168	3,239	6.3%
Other assets	420,815	363,634	57,181	15.7%
HFS assets	1,268	-	1,268	n.a.
Total assets	**12,508,135**	**11,765,576**	**742,559**	**6.3%**

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

NET EQUITY AND LIABILITIES

(€ THOUSAND)	31.03.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial liabilities at amortised cost:	11,145,226	10,503,986	641,240	6.1%
a) due to banks	119,156	94,807	24,349	25.7%
b) due to customers	11,026,070	10,409,179	616,891	5.9%
Financial liabilities held for trading and hedging	11,059	8,685	2,374	27.3%
Tax liabilities	31,492	13,618	17,874	131.3%
Other liabilities	159,176	147,097	12,079	8.2%
HFS liabilities	356	-	356	n.a.
Special purpose provisions	177,981	174,522	3,459	2.0%
Valuation reserves	-10,866	3,813	-14,679	-385.0%
Equity instruments	50,000	50,000	-	-
Reserves	727,414	454,465	272,949	60.1%
Share premium reserve	57,729	57,729	-	-
Share capital	116,852	116,852	-	-
Treasury shares (-)	-37,356	-37,356	-	-
Net equity attributable to minority interests	20	26	-6	-23.1%
Net profit (loss) for the period (+/-)	79,052	272,139	-193,087	-71.0%
Total net equity and liabilities	**12,508,135**	**11,765,576**	**742,559**	**6.3%**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Net interest income	20,240	15,874	4,366	27.5%
Net income (loss) from trading activities and dividends	3,978	3,995	-17	-0.4%
Net financial income	**24,218**	**19,869**	**4,349**	**21.9%**
Fee income	248,891	207,974	40,917	19.7%
Fee expense	-104,358	-94,261	-10,097	10.7%
Net fees	**144,533**	**113,713**	**30,820**	**27.1%**
Net banking income	**168,751**	**133,582**	**35,169**	**26.3%**
Staff expenses	-25,669	-21,790	-3,879	17.8%
Other general and administrative expenses	-39,871	-35,176	-4,695	13.3%
Net adjustments of property, equipment and intangible assets	-7,738	-6,792	-946	13.9%
Other operating expenses/income	16,139	13,722	2,417	17.6%
Net operating expenses	**-57,139**	**-50,036**	**-7,103**	**14.2%**
Operating result	**111,612**	**83,546**	**28,066**	**33.6%**
Net adjustments for non-performing loans	-1,060	3,989	-5,049	-126.6%
Net provisions for liabilities and contingencies	-8,234	-6,121	-2,113	34.5%
Gains (losses) from equity investments	-37	-59	22	-37.3%
Operating profit before taxation	**102,281**	**81,355**	**20,926**	**25.7%**
Income taxes for the period	-23,230	-14,731	-8,499	57.7%
Net profit attributable to minority interests	-1	-	-1	n.a.
Net profit	**79,052**	**66,624**	**12,428**	**18.7%**

STATEMENT OF COMPREHENSIVE INCOME

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Net profit	**79,051**	**66,624**	**12,427**	**18.7%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Financial assets at fair value through other comprehensive income	-14,625	5,838	-20,463	-350.5%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-52	-177	125	-70.6%
Total other income, net of income taxes	**-14,677**	**5,661**	**-20,338**	**-359.3%**
Comprehensive income	**64,374**	**72,285**	**-7,911**	**-10.9%**
Consolidated comprehensive income attributable to minority interests	-	-	-	n.a.
Comprehensive income attributable to the Group	**64,374**	**72,285**	**-7,911**	**-10.9%**

03

INTERIM REPORT
at 31.03.2020

BOARD OF DIRECTORS
14 MAY 2020

1. Summary of Operations for the First Three Months of 2020

The Banca Generali Group closed the first quarter of 2020 with a consolidated net profit of 79.1 million euros, up compared to both the first quarter of 2019 (+18.7%) and the fourth quarter of 2019 (+3.9%), despite the severe financial crisis that swept through the world economy following the outbreak of the coronavirus (Covid-19) pandemic emergency beginning in the second half of February.

Against this dramatic backdrop, Banca Generali's total net inflows in the first quarter of 2020 increased by 1.5 billion euros, outperforming both the first (+6%) and fourth quarters of 2019 (+10%), and achieving progress of 517 million euros even in March.
However, net inflows were affected by the extreme volatility on international financial markets, which experienced one of the worst episodes of recent decades during this period, and thus were concentrated mainly in current accounts or AUC solutions (1.35 billion euros YTD). Nearly all asset classes were negatively impacted by this exceptional scenario.
With regard to managed solutions, the Lux IM Sicav reported an excellent performance with net inflows positive for 540 million euros YTD.

In addition, **Assets under Advisory (BGPA)** amounted to over 4.6 billion euros, compared to 3.0 billion euros at the end of the first quarter of 2019, up 1.6 billion euros year-on-year.

Net banking income stood at 168.8 million euros (up 26.3% compared to the first quarter of 2019), thanks to the positive trend of net interest income and recurring fees (management, underwriting and banking fees). The result was also driven by the variable revenue components linked to the robust financial market growth in the first two months of 2020, before the outbreak of the Covid-19 emergency.

Net financial income amounted to 24.2 million euros, an increase of 21.9% driven by both the higher average loan volumes and more efficient treasury management.

Operating expenses were 57.1 million euros, increasing compared to the previous year (+14.2%).
The change was broadly attributable to the 4.1 million euro contribution of the acquisition of the Nextam Partners Group and Valeur and the costs incurred for the subsequent reorganisation and integration activities (M&As), amounting to 1.2 million euros. Net of these items, core expenses reported a 3.7% organic growth.

With reference to **capital**, Banca Generali confirmed the soundness of its regulatory aggregates, with a CET1 ratio of 14.1% and a Total Capital Ratio of 15.4%, far in excess of the specific requirements set for the Group by the Bank of Italy (CET1 ratio of 7.75% and a Total Capital Ratio of 11.84%, as the minimum required by the SREP – Supervisory Review and Evaluation Process).
However, 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 could currently amount to 9.34%, exceeding own funds by over 221 million euros.

The total value of **AUM** managed by the Group on behalf of customers — which is the figure used for communications to Assoreti — amounted to 63.3 billion euros at 31 March 2020, in addition to the contribution of 1.9 billion euros deriving from the consolidation of the newly acquired Nextam Partners and Valeur, for a total of **65.2 billion euros**.
In addition, managed assets also included 0.6 billion euros in AUC of the Generali Group companies and 3.1 billion euros in funds and Sicavs distributed directly by management firms, for an overall total of **68.9 billion euros**.

Covid-19 pandemic

A serious viral pulmonary syndrome designated "Covid-19", caused by a novel coronavirus of animal origin (SARS-CoV-2), began to spread from Wuhan, the capital city of China's Hubei Province, in early 2020. The Chinese authorities reported the spread of the new virus to the World Health Organization (WHO) on 31 December 2019, but the full extent of the virus' severity only began to become clear after 23 January 2020, when the Chinese authorities implemented drastic, far-reaching quarantine measures for the many population centres in the affected province.
On 30 January 2020, the WHO declared the coronavirus epidemic an international public health emergency with a very high risk in China and a high risk at the global level. Subsequently, on 11 March 2020, when worldwide infections had reached 118,000 cases in 114 countries and 4,291 deaths, a state of global pandemic was declared.

At present, the future course of the epidemic is very uncertain, as regards both the further spread of the disease to as yet unaffected regions and its duration. While in China the significant efforts by the central government made it possible to bring the disease to a halt, the pandemic has had a severe impact on the major European Union countries, and first and foremost on Italy in terms of the number of cases and fatality rate, as well as on the USA, where it still appears to be still out of control.
As at 6 May, there were more than 3.6 million confirmed cases worldwide and over 247,000 deaths, whereas in Italy there were nearly 215,000 cases with approximately 30,000 officially confirmed deaths and many others that have gone unreported.

In Italy, the virus has spread rapidly since the first case of local transmission was identified in the Municipality of Codogno, on 21 February 2020. In an initial phase, this elicited numerous measures by the government aimed at introducing strict containment measures, first in the municipalities affected by the initial outbreak (red zones), and then partially extended to the regions and provinces of Northern Italy most severely affected and the entire country (Prime Minister's Decrees of 25 February 2020, 1 March 2020 and 4 March 2020).
Finally, a series of government measures beginning on 8 March 2020 imposed severe limits, throughout Italian national territory, on personal movement, public and private events of all kinds and non-essential commercial and industrial businesses (Prime Minister's Decrees of 8 March 2020, 9 March 2020 and 11 March 2020).
At present, the lockdown policy seems to have enabled the epidemic to be effectively contained in most of the country, and 4 May marked the beginning of "Phase 2", intended to steer Italy towards a gradual return to normalcy (Prime Minister's Decree of 26 April 2020).

The crisis has had particularly dire effects not only on the Chinese economy, but also on various sectors of the economy at the global level (tourism and transport — above all air transport) and has since expanded to all sectors of the economy subject to the lockdowns ordered in most of the affected countries.
The scope of the pandemic at the global level will drive a significant decline in global economic activity in 2020 in all subsequently affected countries.
In particular, according to the International Monetary Fund, 2020 will be characterised by a global recession, with a 3% decline in GDP, followed by an uncertain recovery in 2021 (+5.8%). The European Commission's spring forecasts are more pessimistic, calling for an abrupt decline in GDP in 2020 of 7.7% within the Eurozone and of 9.5% in Italy, followed by a recovery in 2021, the pace of which will depend on the ability to respond to the pandemic and the robustness of the economic system.

In addition, the crisis triggered a severe global bear stock market, with losses of over 40% from the highs reached up to mid-February, followed by a partial recovery due to the economic and liquidity support measures for businesses and individuals implemented or planned by individual national governments, central banks and, in particular, the European Union, which immediately announced the suspension of the Stability Pact.
The pre-existing weakness of the Italian economy fuelled new tensions on the government bond market with a spike in spreads, promptly contained by the ECB's actions within the framework of its new emergency quantitative easing plan designated PEPP (Pandemic Emergency Purchase Programme) of 750 billion euros, without any restrictions in terms of the allocation keys.

Banca Generali's response

Since the first sings of the seriousness of the pandemic in January, the Generali Group, and with it Banca Generali, have adopted a series of broad, effective initiatives designed to con-

tain the spread of the epidemic within their sites, immediately suspending all employee travel, enhancing hygiene and sanitation measures within their offices and extending eligibility for smart-working.
Only strictly essential personnel are currently being allowed to enter the Group's headquarters, in accordance with enhanced health and hygiene measures (body temperature measurement and extensive use of PPE), whereas **90% of employees are working remotely**.

The **Financial Advisors network** has been able to continue to work with clients without interruptions, thanks in part to the digital tools made available in recent years by the Bank (Digital Collaboration) and the additional initiatives put into place to simplify the transmission and approval of orders by clients.

From an **operational standpoint**, the Group's technological infrastructure and digital banking operating procedures have made it possible to keep 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 and insurance to be essential services.

At a time of such great adversity for Italy in the health, economic and social spheres, Banca Generali has undertaken a **range of solidarity initiatives** to support people who daily struggle to halt the Covid-19 epidemic and the country's SMEs.
The Bank's Board of Directors approved an extraordinary allocation of 1 million euros to be made available to the healthcare structures that are at the forefront of combating the Coronavirus emergency through the purchase of four ambulances equipped with all resuscitation facilities, already delivered to the Red Cross, and the support to a major non-profit organisation active in acquiring face masks and medical supplies. These efforts are complemented by the fund-raising being carried out among the Bank's employees and Financial Advisors, with the Bank matching every euro with one of its own.

At the level of **economic initiatives**, the Bank launched the "*Italianonsiferma*" issue, for a total of 100 million euros, organised by Credimi with Generali as the anchor investor. The goal of the project is to mobilise private investors in supporting Italian SMEs.

It was also decided to extend eligibility to benefit from the deferrals provided for in the "Cure Italy" Decree-Law to all customers and until 31 December 2020.
In addition, further account credit facilities have been made available, along with appropriate flexibility regarding the financial instruments accepted as collateral for loans.
As at 30 April 2020, **488** deferral applications had been received, for a total exposure of 104 million euros, largely granted outside the framework of the emergency provisions.
New finance products with special terms designed for access to mortgage loans covered by a guarantee from the SME fund were also rapidly implemented in support of the needs of entrepreneurs, artisans and retailers.

2. Macroeconomic Context

The first quarter of 2020 was characterised by a sharp contraction of the global economy, which in contrast to the events of 2008 was triggered not by the financial system, but by the spread of a viral disease ("Covid-19") that originated in China and then spread from East to West, bringing illness and deaths to thousands of individuals. The first news of the virus and its effects began to emerge from China in January, when the Chinese government decided to quarantine the city of Wuhan, and then extended the restrictions to the entire Hubei Province in the following days. Unfortunately, however, the epidemic was not stopped in the East, and the first cases began to occur in the West as well. The most severely affected European countries was Italy, which in March was forced by the increasingly widespread contagion to shut down all businesses not absolutely essential to the ongoing availability of public services and activities. In the following days, similar restrictions were also adopted by other European countries and, finally, after the World Health Organization classified Covid-19 a global pandemic, by the United States as well.

Economic growth estimates have slowed sharply as a result of the health emergency. According to the consensus amongst major investment firms, US GDP growth estimates for the current year were revised downwards from +2.3% to -3% and those for Europe from +1.2% to -6% year on year. Earnings growth estimates would then also be revised dramatically downwards, although it is still too early to quantify the impact of lockdowns on corporate profits.

Central banks mounted a concerted, coordinated response to the ailing macro and microeconomic data, and in several cases to the paralysis of various local economies. The first to take action in chronological terms was the Chinese Central Bank, which at the end of February granted the deferral or renewal of loans to businesses, in addition to announcing a reduction of the reserve requirement ratio for banks and the benchmark interest rate in order to inject liquidity into the system in support of the economy. In the West, monetary policy decisions were implemented in March as a reaction to the rapid spread of the virus. In particular, the European Central Bank and Federal Reserve significantly increased the degree of **expansion of their existing monetary policy**. Initially, the ECB's Chairman had opted, as a stimulus measure for the European economy, for an open market purchasing programme of 120 billion euros, without any change to the current interest rate levels. This decision, which market players found to be inadequate, resulted in the following days in a further scaling up of the purchasing programme (the Pandemic Emergency Purchase Programme) to 750 billion euros, to remain in effect until the end of the year. The programme calls for continuing purchases of assets already eligible under quantitative easing, with the addition of Greek government bonds.
In the United States, after cutting interest rates by 50 bps to 0.25%, the Federal Reserve undertook additional exceptional, unlimited intervention to relieve the markets and seek to stem the ongoing financial and economic crisis.
The **European Union** is set to invoke the general escape clause to allow the Stability Pact to be suspended to respond to the consequences of the coronavirus for the economy. Nonetheless, in the coming weeks some political divisions within the European Parliament will need to be put to rest in order to unlock all the aid required by the Member States to confront the economic crisis triggered by the virus. In fact, asset purchases will be accompanied by additional aggressive measures both in support of credit markets and aimed at supporting direct lending to businesses. In particular, the Federal Reserve's new "whatever it takes" consists in a pledge to purchase all necessary securities, Treasury bonds and mortgage-backed securities, for an unlimited period. A measure that was not considered even during the great crisis of 2008.

Monetary policy has also been complemented by **fiscal policy** efforts in response to the virus. The German government has announced its largest business aid plan of the post-War period with "unlimited" loans of at least 550 billion euros. The **European Union** is poised to invoke the general escape clause for the first time, allowing the Stability Pact to be suspended to respond to the consequences of the coronavirus on the economy. Similarly, the United States approved the largest fiscal stimulus plan in US history for approximately 2 trillion dollars, the equivalent of one-tenth of US GDP. The initiative provides aid transversally across the middle and lower classes, subsidised loans at special terms for small and large enterprises and bail-out funds for the industries most directly affected.

Stock exchanges suffered from the effects of the spread of the virus on the real economy at the level of both demand for, and supply of, goods and services. The main equity indices fell to lows around mid-March. The Eurostoxx 50 index declined by approximately 40%, whereas the S&P500 and the emerging markets index recorded losses in euro on the order of 30%. The main equity indices (S&P500 in euro and Eurostoxx 50) went on to close the quarter down 18%

and 25%, respectively. Paradoxically, the country where it all began, China, was also the first to report data indicating an improvement in its healthcare situation, and thus had the smallest year-to-date losses on its stock exchange, at approximately 8%. Sales extended to all sectors of the economy without distinction. The best performers in the bear market were defensive sectors such as pharmaceuticals, utilities and consumer staples, whereas the weakest were those of a cyclical nature such as financial, industrial and consumer discretionary sectors. In particular, the performance of the energy and banking sectors was below the average, with the former affected in particular by the oil price war. The latter was particularly impacted by the decline in interest rates.

As a consequence of monetary policy decisions and the period of strong risk-aversion on international markets, Bund and U.S. Treasury yields reached historical lows of -0.85% and 0.54%, respectively. In contrast, spreads between European Monetary Union countries widened. In particular, the BTP-Bund spread reached approximately 280 bps in March, after which it narrowed to 180 bps as a result of the more accommodating policies adopted by the European Central Bank, to then end the quarter at 198 bps. During the period, spreads on corporate bonds also widened to a degree that was similar to, and in some cases even greater than, the 2008 crisis. Spreads spiked by nearly 700 bps on global high-yield bonds and by approximately 200 bps on investment-grade bonds. Financial and emerging market bonds were also penalised.

On currency markets, the dollar appreciated by approximately 2% against the euro. The euro-dollar exchange rate was nonetheless extremely volatile due to the series of events and decisions by governments and central banks. The strength of the dollar and the more general "risk-off" phase on the markets also drove emerging countries to underperform their developed country counterparts. During the period, the euro depreciated from 1.1234 dollars to the euro to approximately 1.0956, whereas the yen strengthened from 121.94 to 118.90.

The general commodities index declined sharply in the first quarter. The abrupt worsening of global growth expectations due to the global health emergency was accompanied by the failure of the attempt to agree to oil production cuts within OPEC-Plus as a result of Russia's refusal. The price of WTI thus declined from 61 dollars to 20 dollars a barrel. Agricultural commodities were also weak, albeit to a lesser degree, whereas gold benefited, despite violent fluctuations, from its traditional status as a safe haven asset.

3. Banca Generali's competitive positioning

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

3.1 The asset management market

The Italian asset management industry closed the first three months of 2020 with negative net inflows of -14.5 billion euros, due to significant outflows from equity, flexible and bond funds.

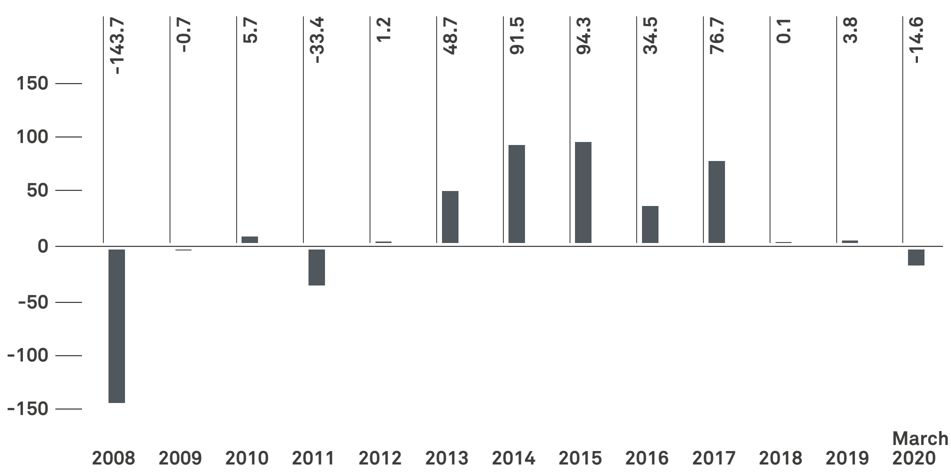
Assets under management amounted to 1,087 billion euros (net of assets invested in collective management solutions), of which 966 billion euros, or 89%, was invested in Italian and foreign funds and 121 billion euros in retail portfolio management solutions. Long-term funds accounted for almost all open-ended funds (95.9% in March 2020). Within this category, bond funds remained the main type (39.9% of the total with assets of 385.4 billion euros), with a decrease of -7.1 billion euros in the first three months of the year, followed by flexible funds at 22.8% with total assets of 220.2 billion euros, down by approximately -7.5 billion euros. Equity funds reported 202.3 billion euros (20.9%), with a decline of -6.7 billion euros YTD, whereas balanced funds recorded assets of 116.1 billion euros (12.0%) and a YTD increase of +0.3 billion euros. Lastly, Hedge funds (0.3%) recorded outflows of -0.2 billion euros YTD.
Money-market funds, with 39.6 billion euros invested, make up a residual share of open-ended funds (4.1% in March 2020), with total YTD net inflows of 6.5 billion euros.

EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

	NET INFLOWS		ASSETS	
(€ MILLION)	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Italian funds	-2,358	-2,906	221,365	245,554
Foreign funds	-12,271	1,218	744,931	759,298
Total open-ended funds	**-14,629**	**-1,688**	**966,297**	**1,004,852**
GP Retail	**175**	**644**	**120,821**	**127,180**
Total	**-14,454**	**-1,044**	**1,087,118**	**1,132,032**

Source: Assogestioni data.

THE UCITS MARKET IN ITALY (€ billion)



Source: dati Assogestioni.

3.2 The Assoreti Market

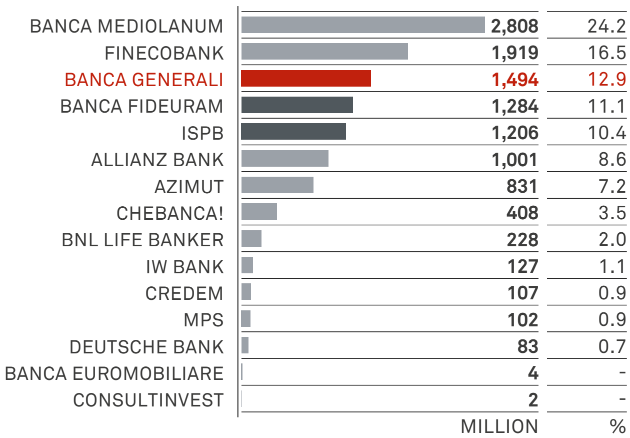
Net inflows amounted to 11.6 billion euros in the first three months of 2020, marking an increase of 3.6 billion euros (+45%) compared to the same period of the previous year. Net inflows of assets under management products stood at -1.89 billion euros (-1.88 billion euros for the same period of the previous year), mutual funds and Sicavs at -2.4 billion euros, and discretionary mandates at +0.5 billion euros. Net inflows from insurance products declined by 33.6% compared to March 2019, nearing +2 billion euros (multi-line and unit-linked policies represented the main component, accounting for approximately 85% of overall net inflows from insurance products). AUC solutions rose sharply, exceeding 11.5 billion euros, and therefore increasing by approximately 6.5 billion euros compared to the same period of the previous year, with growth of nearly 130%. Net inflows into money-market products (9.1 billion euros) accounted for approximately 79% of total AUC net inflows and nearly 79% of all year-to-date net inflows. Net inflows generated by securities amounted to approximately +2.6 billion euros.

EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

	ASSORETI MARKET		
(€ MILLION)	MARCH 2020	MARCH 2019	CHANGE
Asset management	-1,896	-11	-1,886
Insurance products	1,973	2,972	-999
AUC	11,528	5,017	6,511
Total	**11,605**	**7,979**	**3,626**

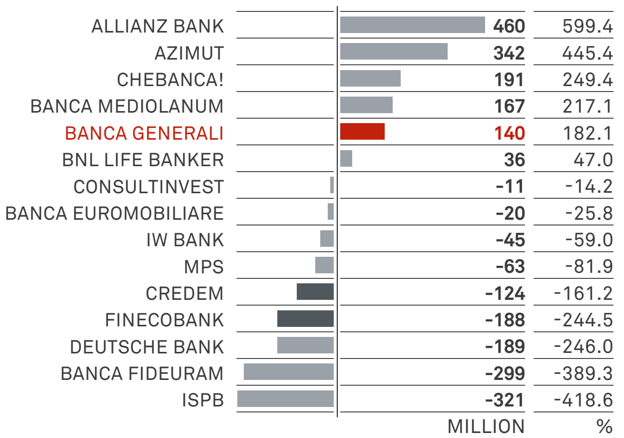
Source: Assoreti data.

TOTAL NET INFLOWS – ASSORETI – 11.6 BILLION EUROS – AND MARKET SHARE % (March 2020, € million)



Source: Assoreti

NET INFLOWS FROM AUM AND INSURANCE PRODUCTS – ASSORETI – 0.1 BILLION EUROS – AND MARKET SHARE % (February 2020, € million)



Source: Assoreti

3.3 Banca Generali

In 2020, Banca Generali's net inflows amounted to 1.49 billion euros.
The net inflows mix was impacted by the extreme volatility of international financial markets, which are currently facing one of the worst periods of the last decades.
Nearly all asset classes were negatively impacted by this exceptional scenario. As a direct consequence, there was a shift mainly towards current accounts and AUC solutions, which totalled 1.35 billion euros YTD (+69% compared to 2019; 746 million euros in March alone).

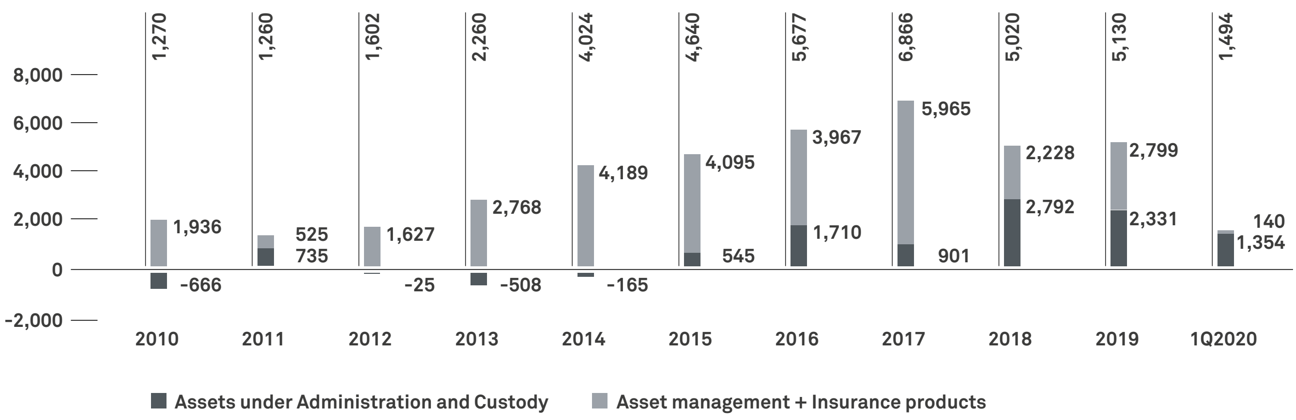
Net inflows generated by managed and insurance solutions decreased to 140 million euros overall, accounting for 9% of total net inflows.
In particular, during the quarter, net inflows of managed products amounted to 41 million euros, whereas net inflows of insurance products totalled 99 million euros (down compared to 568 million euros in Q1 2019). BG Stile Libero and LUX Life Protection (28 million euros in Q1 2019) reported 212 million euro net inflows overall.
Net inflows from wrapper products — included in net inflows from managed and insurance solutions — amounted to +94 million euros, of which -118 million euros referring to discretionary mandates and +212 million euros to BG Stile Libero and LUX Life Protection.
Demand for funds and Sicavs (+159 million euros) became the main component of net inflows from managed products, albeit declining compared to Q1 2019 (+257 million euros).
Total Assets under Advisory amounted to 4.6 billion euros at 31 March 2020 (3.0 billion euros at the end of March 2019).
The increase in volatility further strengthened the relationships between Banca Generali's Financial Advisors and households, based on increasingly thorough planning that takes careful account of the many variables impacting the markets. Banca Generali's innovative new investment instruments and the new Sicav Lux IM can best rise to these new challenges, ensuring new opportunities for investment diversification and protection.
With regard to life new business, the Bank contributed 544 million euros in the reporting quarter, with a decline of -422 million euros compared to the previous year.

NET INFLOWS OF BANCA GENERALI

	BG GROUP		CHANGES VS 31.03.2019	
(€ MILLION)	31.03.2020	31.03.2019	AMOUNT	%
BG Group Funds and Sicavs	159	257	-98	-38%
Financial wrappers	-118	-215	97	-45%
Insurance wrappers	212	28	184	657%
Total assets under management	**253**	**70**	**183**	**261%**
Total traditional life insurance policies	**-113**	**540**	**-653**	**-121%**
Total AUC	**1,354**	**801**	**553**	**69%**
Total net inflows placed by the network	**1,494**	**1,411**	**83**	**5.9%**

The following chart shows how Banca Generali has consistently succeeded in attracting increasing levels of net inflows in recent years, focusing on managed solutions. In the first quarter of 2020, due to the severe market volatility, net inflows from managed products accounted only for 9% of total net inflows.

BANCA GENERALI'S NET INFLOWS EVOLUTION 2010-Q1 2020 (€ million)



Supported by the net inflows registered in the first quarter of 2020, assets under management also posted positive, rising numbers. At 31 March 2020, Banca Generali's AUM amounted to 63.3

billion euros, with managed solutions remaining the main component of its asset mix (45% of AUM were invested in managed products, compared with 47% in the same period of 2019). The traditional life insurance policy component stood at approximately 26% of total (in line with the first quarter of 2019).AUC solutions accounted for 29% of total assets, compared to 26% at the end of the first quarter of 2019.
Overall, Banca Generali's AUM grew by 3.6% compared to the first quarter of 2019.
Observing the table summarising Banca Generali's AUM updated through March 2020, with a breakdown by macro-aggregates relating to the Assoreti market, i.e., the Financial Advisors business, assets under management may be seen to have declined slightly (-2%), traditional life insurance policies to have risen slightly (+3%) and the AUC component to have increased sharply, up 16% year-on-year due to volatile equity market conditions during the reporting period.

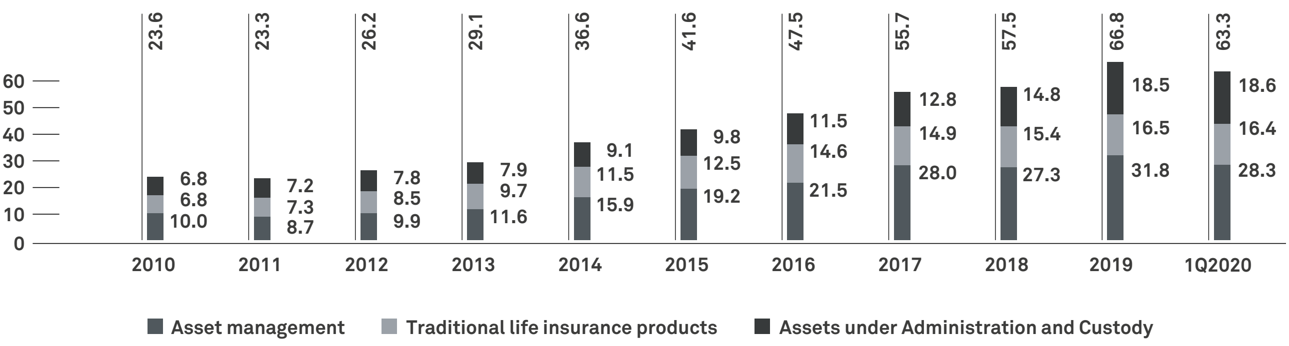
BANCA GENERALI'S AUM

	BG GROUP		CHANGES VS 31.03.2019	
(€ MILLION)	31.03.2020	31.03.2019	AMOUNT	%
BG Group Funds and Sicavs	14,361	14,365	-5	-
Financial wrappers	5,912	6,518	-606	-9%
Insurance wrappers	7,997	8,102	-105	-1%
Total assets under management	**28,270**	**28,985**	**-716**	**-2%**
Total traditional life insurance policies	**16,358**	**15,949**	**408**	**3%**
Total AUC	**18,636**	**16,116**	**2,520**	**16%**
Total AUM placed by the network	**63,264**	**61,051**	**2,213**	**3.6%**

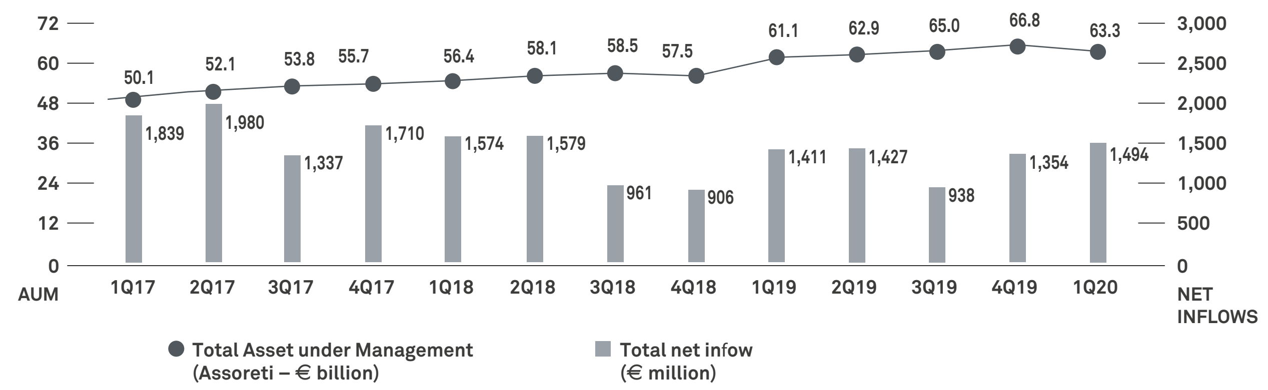
Banca Generali's total assets evolution 2010-Q1 2020

The following tables illustrate the quarterly evolution of Banca Generali's net inflows and AUM, and provide a breakdown of net inflows by macro-components.

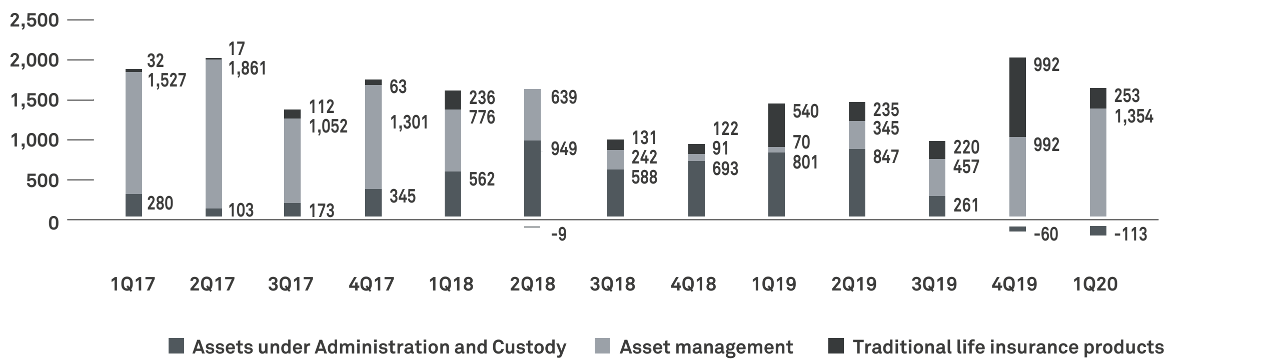
ASSET UNDER MANAGEMENT (€ billion)



EVOLUTION OF AUM AND NET INFLOWS (€ billion)



BREAKDOWN OF QUARTERLY NET INFLOWS (€ billion)



4. Operating Result

The Group's net profit at the end of the first quarter of 2020 was 79.1 million euros, up nearly 19% compared to the same period of the previous year[1].

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Net interest income	20,240	15,874	4,366	27.5%
Net income (loss) from trading activities and dividends	3,978	3,995	-17	-0.4%
Net financial income	**24,218**	**19,869**	**4,349**	**21.9%**
Fee income	248,891	207,974	40,917	19.7%
Fee expense	-104,358	-94,261	-10,097	10.7%
Net fees	**144,533**	**113,713**	**30,820**	**27.1%**
Net banking income	**168,751**	**133,582**	**35,169**	**26.3%**
Staff expenses	-25,669	-21,790	-3,879	17.8%
Other general and administrative expenses	-39,871	-35,176	-4,695	13.3%
Net adjustments of property, equipment and intangible assets	-7,738	-6,792	-946	13.9%
Other operating expenses/income	16,139	13,722	2,417	17.6%
Net operating expenses	**-57,139**	**-50,036**	**-7,103**	**14.2%**
Operating result	**111,612**	**83,546**	**28,066**	**33.6%**
Net adjustments for non-performing loans	-1,060	3,989	-5,049	-126.6%
Net provisions for liabilities and contingencies	-8,234	-6,121	-2,113	34.5%
Gains (losses) from investments and equity investments	-37	-59	22	-37.3%
Operating profit before taxation	**102,281**	**81,355**	**20,926**	**25.7%**
Income taxes for the period	-23,230	-14,731	-8,499	57.7%
Net profit attributable to minority interests	-1	-	-1	n.a.
Net profit	**79,052**	**66,624**	**12,428**	**18.7%**

Reclassified net banking income[2] amounted to 168.8 million euros, with an increase of 35.2 million euros (+26.3%) compared to the first quarter of 2019, determined by the following factors:

> the **growth of net interest income** (+27.5%), driven by both growth in average loan volumes and more efficient treasury management;

> the growth of **recurring fees** and commissions (+12.3%), fuelled by both **management fees** (+7.1%) and the strong boost provided by **banking and entry fees** (+65.1%), which benefited from the considerable development of certificate placement activity and the greater revenues on advisory services, respectively;

> the contribution by **performance fees**, which increased by 18.2 million euros, tied to the robust financial market growth in the first two months of 2020, before the outbreak of the Covid-19 emergency.

The growth indicated is largely the result of the organic development of the Banking Group's business. The effect of the new acquisitions on this item amounted to 3.0 million euros, slightly more than 1.9% of consolidated net banking income.

1 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. on 15 October 2019. The contribution of these acquisitions is therefore not reflected in the consolidated Profit and Loss Account for the comparison period; however, it does not materially impact the Banking Group's operating aggregates. An analysis of the most significant impacts on the various items of the Profit and Loss Account is nonetheless provided below.

2 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 3.0 million euros for 2020 and 3.2 million euros for 2019.

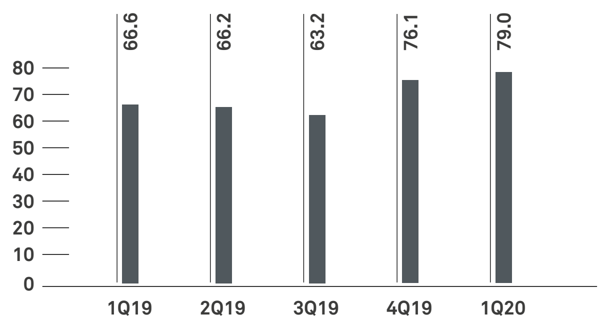
Operating expenses were 57.1 million euros, increasing compared to the previous year (+14.2%). The change was broadly attributable to the 4.1 million euro contribution of the acquisition of Nextam and Valeur and the related M&A activities, amounting to 1.2 million euros. Net of these items, core expenses reported a 3.7% organic growth.

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to 29.3%, whereas the adjusted cost/income ratio[3] stood at 37.3%, thus confirming the Bank's excellent operating efficiency.

Provisions and net adjustments amounted to 9.3 million euros, up by 7.2 million euros on the same period in 2019, mainly due to the lower collective reversals recognised on the securities portfolio and the greater net provisions for risks and charges.

Operating profit before taxation was 102.3 million euros, up 20.9 million euros compared to the same period of 2019 (+25.7%). The tax burden for the reporting period increased sharply to an overall tax rate of 22.7%, due both to the strong impact of infragroup dividends distributed in the first quarter of 2020 and to the increased weight of the tax burden generated abroad.

QUARTERLY NET PROFIT (€ million)



[3] Cost/income ratio net of performance fees, charges in support of the banking system (3.1 million euros) and costs incurred for the acquisitions performed (3.3 million euros).

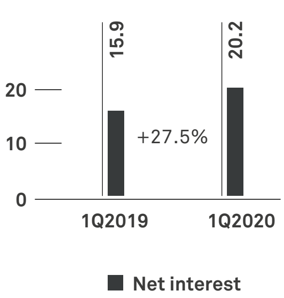
QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	1Q2020	4Q2019	3Q2019	2Q2019	1Q2019
Net interest income	20,240	20,149	20,284	17,708	15,874
Net income (loss) from trading activities and dividends	3,978	4,866	3,261	2,051	3,995
Net financial income	**24,218**	**25,015**	**23,545**	**19,759**	**19,869**
Fee income	248,891	247,901	208,644	216,495	207,974
Fee expense	-104,358	-103,304	-96,505	-97,134	-94,261
Net fees	**144,533**	**144,597**	**112,139**	**119,361**	**113,713**
Net banking income	**168,751**	**169,612**	**135,684**	**139,120**	**133,582**
Staff expenses	-25,669	-29,600	-22,608	-23,221	-21,790
Other general and administrative expenses	-39,871	-52,381	-38,878	-36,246	-35,176
Net adjustments of property, equipment and intangible assets	-7,738	-8,803	-7,360	-7,000	-6,792
Other operating expenses/income	16,139	25,334	14,009	15,641	13,722
Net operating expenses	**-57,139**	**-65,450**	**-54,837**	**-50,826**	**-50,036**
Operating result	**111,612**	**104,162**	**80,847**	**88,294**	**83,546**
Net adjustments for non-performing loans	-1,060	-3,119	-1,125	-5,132	3,989
Net provisions	-8,234	-11,308	-3,637	-3,215	-6,121
Gains (losses) from investments and equity investments	-37	-1,628	-154	-26	-59
Operating profit before taxation	**102,281**	**88,107**	**75,931**	**79,921**	**81,355**
Income taxes for the period	-23,230	-12,015	-12,701	-13,745	-14,731
Net profit attributable to minority interests	-1	-17	-	-	-
Net profit	**79,052**	**76,109**	**63,230**	**66,176**	**66,624**

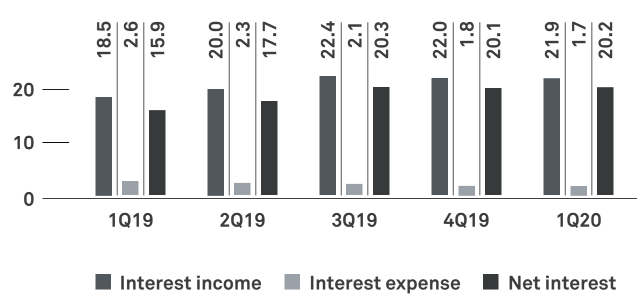
4.1 Net interest income

Net interest income amounted to 20.2 million euros, up 4.4 million euros compared to the same period of 2019 (+27.5%).

NET INTEREST
(€ million)



QUARTERLY NET INTEREST
(€ million)



Interest income rose by 3.4 million euros on 2019 (+18.5%), mostly attributable to the Bank's investment portfolio (+3.0 million euros), primarily owing to the increase in the average positions in this portfolio (+36%), partially offset by a decline in the portfolio's profitability. The average yield of the bond portfolio was 80 bps (-8 bps on the same period of the previous year).

The weighted average yield of the HTC portfolio alone stood instead at 1.1% at year-end.

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

Interest expense declined by 0.9 million euros (-36.3%), mainly owing to the lesser charges due to the early repayment, at the end of 2019, of the subordinated Tier 2 loan (-0.4 million euros) and the reduction in negative interest on demand deposits with the ECB (-0.4 million euros).

			CHANGE	
(€ THOUSAND)	31.03.2020	31.03.2019	AMOUNT	%
Financial assets at fair value through profit or loss	16	45	-29	-64.4%
Financial assets at fair value through other comprehensive income (*)	274	1,023	-749	-73.2%
Financial assets at amortised cost (*)	15,309	11,492	3,817	33.2%
Total financial assets	**15,599**	**12,560**	**3,039**	**24.2%**
Loans to banks	111	197	-86	-43.7%
Loans to customers	5,155	5,292	-137	-2.6%
Other assets	1,027	420	607	144.5%
Total interest income	**21,892**	**18,469**	**3,423**	**18.5%**
Due to banks	217	136	81	59.6%
Due to customers	270	494	-224	-45.3%
Repurchase agreements - customers	-	43	-43	n.a.
Subordinated loan	-	413	-413	n.a.
IFRS 16-related financial liabilities	887	850	37	4.4%
Other liabilities	278	659	-381	-57.8%
Total interest expense	**1,652**	**2,595**	**-943**	**-36.3%**
Net interest income	**20,240**	**15,874**	**4,366**	**27.5%**

(*) Including hedging differentials.

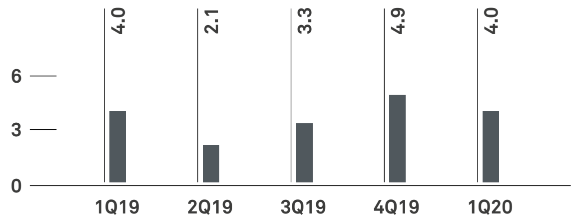
The negative interest income paid to counterparties on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 0.3 million euros and 1.0 million euros, respectively.
The expenses incurred primarily related to balances held with the Central Bank, whereas the income accrued related chiefly to account deposit net inflows from institutional and non-institutional clients, for specific agreements and for particularly high deposit amounts (0.9 million euros), and to funding repurchase agreements with banks.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.03.2019	AMOUNT	%
Banks	108	2	106	n.a.
Customers	919	418	501	119.9%
Total income for negative interest expense	**1,027**	**420**	**607**	**144.5%**
Banks	243	648	-405	-62.5%
Customers	35	11	24	218.2%
Total expense for negative interest income	**278**	**659**	**-381**	**-57.8%**
Negative net interest income and expense	**749**	**-239**	**988**	**-413.4%**

4.2 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.

NET RESULT OF FINANCIAL OPERATIONS (€ million)



At the end of the first quarter of 2020, the item yielded a positive contribution of 4.0 million euros, essentially in line with the previous year.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.03.2019	AMOUNT	%
Dividends and income on UCITS	**40**	**275**	**-235**	**-85.5%**
Trading of financial assets and equity derivatives	-48	2	-50	n.a.
Trading of financial assets and derivatives on debt securities and interest rates	-192	376	-568	-151.1%
Trading of UCITS units	-3	-	-3	n.a.
Securities transactions	-243	378	-621	-164.3%
Currency and currency derivative transactions	1,951	1,330	621	46.7%
Net income (loss) from trading activities	**1,708**	**1,708**	**-**	**-**
Equity securities and UCITS	-1,975	1,182	-3,157	-267.1%
Debt securities	-34	33	-67	-203.0%
Financial Advisors' policies	50	141	-91	-64.5%
Net income (loss) on assets mandatorily measured at fair value through profit and loss	**-1,959**	**1,356**	**-3,315**	**-244.5%**
Net income (loss) from hedging	**378**	**-**	**378**	**n.a.**
Debt securities	3,811	656	3,155	480.9%
Gains (losses) from disposal on HTC and HTCS debt securities	**3,811**	**656**	**3,155**	**480.9%**
Net result of financial operations	**3,978**	**3,995**	**-17**	**-0.4%**

Net income from **trading activities** amounted to 1.7 million euros, thanks to the contribution of monetary operations.
Outside the trading book, net income on **assets mandatorily measured at fair value** through profit or loss decreased by -3.3 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 portfolio contributed instead 3.8 million euros, up sharply compared to 0.7 million euros for the previous year.

(€ THOUSAND)	TRANSFER OF RESERVES	GAINS	LOSSES	CAPITAL GAINS	CAPITAL LOSSES	31.03.2020	31.03.2019	CHANGE
Debt securities at fair value through other comprehensive income	238	189	-2,272	X	X	-1,845	651	-2,496
Debt securities at amortised cost	X	5,656	-	X	X	5,656	5	5,651
Financial assets mandatorily measured at fair value:	X	64	-12	45	-2,056	-1,959	1,356	-3,315
Debt securities and FITD contribution	X	-	-	-	-34	-34	33	-67
UCITS units	X	2	-	45	-1,648	-1,601	1,065	-2,666
Equity securities	X	-	-	-	-374	-374	116	-490
Financial Advisors' policies	X	62	-12	-	-	50	142	-92
Total	**238**	**5,909**	**-2,284**	**45**	**-2,056**	**1,852**	**2,012**	**-160**

4.3 Fee income

Fee income amounted to 248.9 million euros, up by 19.7% on the first quarter of 2019 due to both the robust growth of recurring fees (+13.2%) and the non-recurring component, tied 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.
In addition, recurring fees declined only modestly on the fourth quarter of 2019 (-0.70%), thus indicating a certain resilience to the financial crisis unleashed by the Covid-19 emergency.
The new acquisitions contributed 3.8 million euros, or 1.6% of the total.

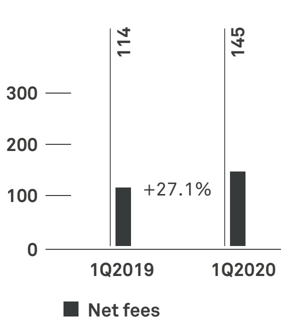
			CHANGE	
(€ THOUSAND)	31.03.2020	31.03.2019	AMOUNT	%
Underwriting fees	11,920	4,834	7,086	146.6%
Management fees	165,793	154,776	11,017	7.1%
Performance fees	53,412	35,215	18,197	51.7%
Fees for other services	17,766	13,149	4,617	35.1%
Total	**248,891**	**207,974**	**40,917**	**19.7%**

In particular, it should be noted that the result at the level of performance fees was mostly attributable to the new Sicav **Lux IM**, which accounts for nearly 90% of the total of this aggregate, that is subject to an accrual mechanism in which fees are paid pro-rata over several periods solely in the presence of actual increases in value (High-Water Mark) with reference to a time horizon of 12 months.

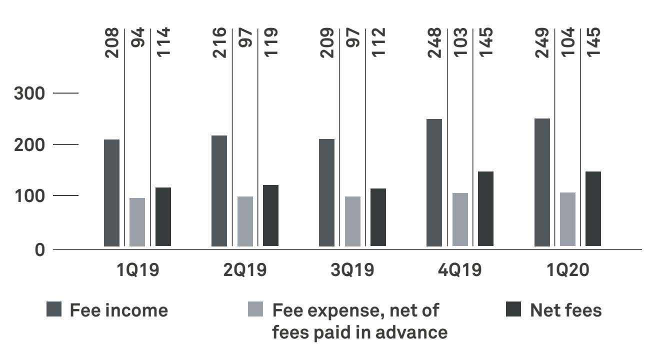
Management fees rose sharply on the same period of the previous year (+7.1%) and continued to reflect the effects of the sharp market correction in late 2018, showing only limited consequences of the new market crisis unleashed by the pandemic, the effects of which began to be felt only in late February 2020, with a modest contraction of 2.2% on the values reached in the fourth quarter of 2019.

The increase in fees was also borne out by the significant growth in **underwriting fees** (+146.6%) and **fees for other banking and financial services** (+35.1%) that benefited, respectively, from the exceptional performance of certificate placement (+5.2 million euros; 258%) and higher revenues arising from advanced advisory services (+2.8 million euros in the reporting period; of which 2.3 million euros referring to new acquisitions).
In this regard, it should be noted that **Assets under Advisory** grew significantly at the end of the first quarter of 2020, bringing the total value of AUM to 4.6 billion euros (3.0 billion euros at the end of the first quarter of 2019), with a 1.6 billion euro improvement year-on-year.

NET FEES
(€ million)



QUARTERLY NET FEES
(€ million)



Fee income from the solicitation of investment and asset management of households reached 231.1 million euros and, net of the aforementioned recurring component, increased markedly by 11.3% compared to the first quarter of 2019 and decreasing slightly by 1.6% on the fourth quarter of 2019.

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
1. Collective portfolio management	115,787	92,981	22,806	24.5%
3. Portfolio management under mandate by third parties	77	-	77	n.a.
3. Individual portfolio management	18,969	19,129	-160	-0.8%
Fees for portfolio management	**134,833**	**112,110**	**22,723**	**20.3%**
1. Placement of UCITS	27,185	23,748	3,437	14.5%
2. Placement of securities and certificates	7,803	2,144	5,659	263.9%
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	198	209	-11	-5.3%
4. Distribution of insurance products	60,645	56,510	4,135	7.3%
5. Distribution of other third-party financial services	461	104	357	343.3%
Fees for the placement and distribution of financial services	**96,292**	**82,715**	**13,577**	**16.4%**
Asset management fee income	**231,125**	**194,825**	**36,300**	**18.6%**

Fee income from **distribution of insurance products** continued to report constant progress (+7.3% compared to 2019), thanks to the steady increase in average AUM in this segment (+5.1%).

With regard to the **Sicavs** promoted by the Banking Group, management fees — net of the effect of non-recurring performance components — grew by 8% compared to the first quarter of 2019 and remained essentially stable on the fourth quarter of 2019, thanks to the increase in the new sub-funds of the Sicav Lux IM, whose AUM totalled 9.8 billion euros (of which 3.6 billion placed to retail customers).

Fees for the **placement of UCITS** amounted to 27.2 million euros, with an increase of 14.5% on the first quarter of 2019 that shows the constant demand by customers for à-la-carte funds and Sicavs.
Worth of mention are also the excellent results of the placement of **Certificates**, which generated fees for over 7.3 million euros compared to 2.0 million euros reported in 2019.

Fee income for other services amounted to 17.8 million euros, due to the aforementioned rise in Assets under Advisory.

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Fees for trading and custody	7,945	6,070	1,875	30.9%
Investment advisory fees	7,631	4,862	2,769	57.0%
- *of which on AG Group's unit-linked policies*	*1,518*	*1,399*	*119*	*8.5%*
Fees for collection and payment services	947	999	-52	-5.2%
Fee income and account-keeping expenses	437	448	-11	-2.5%
Fees for other services	806	770	36	4.7%
Total fee income for other services	**17,766**	**13,149**	**4,617**	**35.1%**

4.4 Fee expense

Fee expense, including fee provisions[4], amounted to 104.4 million euros, with a limited impact generated by new acquisitions (0.5%).
The +10.7% increase for the period 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 53.4%, slightly up compared to the same period of the previous year (54.6%).

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Fees for off-premises offer	**92,862**	**84,651**	**8,211**	**9.7%**
Other fees	**11,496**	**9,610**	**1,886**	**19.6%**
Fees for portfolio management	8,104	6,846	1,258	18.4%
Fees for dealing in securities and custody	1,655	1,367	288	21.1%
Fees for collection and payment services	995	979	16	1.6%
Fees for other services	742	418	324	77.5%
Total fee expense	**104,358**	**94,261**	**10,097**	**10.7%**

Fee expense for off-premises offer paid to the Financial Advisors network amounted to 92.9 million euros, up 8.7 million euros compared to the first quarter of 2019 (+9.7%), attributable to the increase in ordinary payout (certificates and advisory) and, to a lower extent, to incentive fees.

Fees for portfolio management amounted to 8.1 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.

Fee expense for other services, of both a banking and financial nature, totalled 3.4 million euros, increasing compared to the same period of 2019 as a result of higher fees for the new Robo4advisory services and fees for collection services.

4.5 Operating expenses

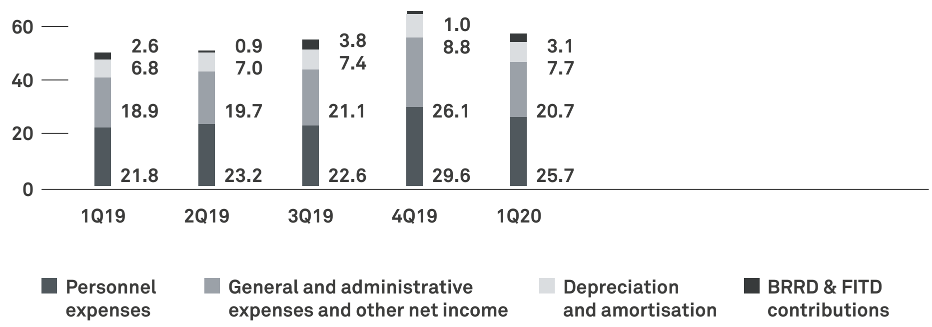
Operating expenses amounted to 57.1 million euros, increasing by 14.2% compared to the previous year.
The change was broadly attributable to the 4.1 million euro contribution of the acquisition of the Nextam Partners Group and Valeur and the costs incurred for the subsequent reorganisation and integration activities (M&As), amounting to 1.2 million euros. Net of these items, core

[4] 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 3.0 million euros for 2020 and 3.2 million euros for 2019

expenses reported a 3.7% organic growth, mainly tied to the acceleration of the three-year plan's strategic projects and the launch of the BG Training & innovation Hub.

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Staff expenses	25,669	21,790	3,879	17.8%
General and administrative expenses (net of duty recovery) and other net income	20,678	18,868	1,810	9.6%
BRRD and FITD contributions	3,054	2,586	468	18.1%
Net adjustments of property, equipment and intangible assets	7,738	6,792	946	13.9%
Operating expenses	**57,139**	**50,036**	**7,103**	**14.2%**

BREAKDOWN OF OPERATING EXPENSES (€ million)



Staff expenses, including full-time employees, interim staff and directors, reached 25.7 million euros, up 3.9 million euros compared to the previous year (+17.8%), due to higher costs associated with the consolidation of the Nextam Group and Valeur, which contributed 3.0 million euros, of which 0.9 million euros related to the variable component accrued in the period.

Net of the aforementioned item, the aggregate grew slightly by 4%, mainly due to the ordinary component of remuneration and the increase in the average workforce.

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
1) Employees	**25,109**	**21,418**	**3,691**	**17.2%**
Ordinary remuneration	19,380	16,750	2,630	15.7%
Variable remuneration and incentives	4,041	3,344	697	20.8%
Other employee benefits	1,688	1,324	364	27.5%
2) Other staff	**97**	**16**	**81**	**506.3%**
3) Directors and Auditors	**463**	**356**	**107**	**30.1%**
Total	**25,669**	**21,790**	**3,879**	**17.8%**

The Group had an employee headcount of 979 at period-end, up sharply by 71 on the previous year, mainly as a result of the arrival of the 63 new employees from the Nextam Group and Valeur. Accordingly, average headcount also increased, up by 74 compared to 2019.

	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %	WEIGHTED AVERAGE 2020	WEIGHTED AVERAGE 2019	CHANGE AMOUNT
Managers	68	53	15	28.3%	68	53	16
Executives	302	270	32	11.9%	303	271	32
- *3rd and 4th level executives*	*177*	*154*	*23*	*14.9%*	*177*	*154*	*24*
- *1st and 2nd level executives*	*125*	*116*	*9*	*7.8%*	*126*	*118*	*9*
Other employees	609	585	24	4.1%	564	538	26
Total	**979**	**908**	**71**	**7.8%**	**935**	**861**	**74**

Other general and administrative expenses and other net income amounted to 20.7 million euros, with a 1.8 million euro increase compared to the previous year (+9.6%).
This effect was partially driven by greater expenses arising from the consolidation of the Nextam Partners Group and Valeur (0.7 million euros) and the aforementioned M&A activities. Net of these items, core expenses reported a 1.7% organic growth.

In accordance with international accounting standards (IFRIC 21), and the Bank of Italy's technical standards, as at 31 March 2020 the **charges relating to the Resolution and Depositor Protection Funds** amounting to 3.1 million euros included the ordinary contributions due to the Single Resolution Fund only, but not the ordinary contributions to the Interbank Deposit Protection Fund (FITD), which come due in the third quarter of the year.

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Adjustments/reversals to property and equipment	429	369	60	16.3%
Adjustments/reversals of rights-of-use acquired through leases	4,801	4,352	449	10.3%
Adjustments/reversals to intangible assets	2,508	2,071	437	21.1%
Total	**7,738**	**6,792**	**946**	**13.9%**

4.6 Net provisions

Net provisions not relating to fees amounted to 8.2 million euros, up by 2.1 million euros on the same period of the previous year, mainly due to the sums accrued to cover contractual commitments to the sales network (1.1 million euros), inclusive of the 2020-2026 fourth cycle of the Framework Loyalty Programme for the Financial Advisor Network and provisions for other risks and charges (1.4 million euros).

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Provision for staff liabilities and contingencies	736	946	-210	-22.2%
Provisions for legal disputes	11	135	-124	-91.9%
Provision for contractual indemnities to the sales network	5,897	4,790	1,107	23.1%
Other provisions for liabilities and contingencies	1,601	250	1,351	540.4%
Guarantees and commitments	-11	-	-11	n.a.
Total	**8,234**	**6,121**	**2,113**	**34.5%**

4.7 Adjustments

Net adjustments for non-performing loans amounted to 1.1 million euros, up by 5.0 million euros on the first quarter of 2019, owing mainly to the lesser impact of collective reversals on the portfolio of debt securities.

It should be noted that the first quarter of 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 (3.5 million euros), due to the gradual easing of tensions on the Italian government bond market.
However, the first quarter of 2020 did not see a symmetrical increase in provisions, but constant reversals, despite the high market volatility, owing in part to the greater diversification of the portfolio and the reduction of the component with the greatest exposure to credit risk.

The increase in adjustments was thus due to the greater amounts recognised to cover the portfolio of non-performing loans to customers (+0.4 million euros) and collective adjustments to performing loans (+0.6 million euros), due to a modest downgrading of client ratings.

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS ADJUSTMENTS	31.03.2020	31.03.2019	CHANGE
Specific adjustments/reversals	**-633**	**105**	**-528**	**371**	**-899**
Equity securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Non-performing loans of the banking book	-554	102	-452	420	-872
Operating loans to customers	-79	3	-76	-49	-27
Portfolio adjustments/reversals	**-640**	**108**	**-532**	**3,618**	**-4,150**
Debt securities	-	108	108	3,618	-3,510
Performing loans to customers and banks	-640	-	-640	-	-640
Total	**-1,273**	**213**	**-1,060**	**3,989**	**-5,049**

4.8 Income taxes

Income taxes for the period on a current and deferred basis were estimated at 23.2 million euros, up 8.5 million euros compared to estimated taxes at the end of the first quarter of 2019.
The estimated total tax rate was 22.7%, up compared to the same period of the previous year, due to both to the strong impact of infragroup dividends distributed in the first quarter of 2020 and to the increase in the tax rate incurred abroad.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.03.2019	AMOUNT	%
Current taxes for the period	-24,433	-13,424	-11,009	82.0%
Prior years' taxes	78	14	64	457.1%
Changes of prepaid taxation (+/-)	1,109	-1,200	2,309	-192.4%
Changes of deferred taxation (+/-)	16	-121	137	-113.2%
Total	**-23,230**	**-14,731**	**-8,499**	**57.7%**

4.9 Earnings per Share

The first quarter of 2020 closed with basic net earnings per share of 0.69 euros.

	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Net profit for the period (€ thousand)	79,052	66,624	12,428	18.7%
Earnings attributable to ordinary shares (€ thousand)	79,052	66,624	12,428	18.7%
Average number of outstanding shares (thousand)	115,384	116,482	-1,098	-0.9%
EPS – Earning per share (euros)	**0.69**	**0.57**	**0.11**	**19.8%**

4.10 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 the first quarter of 2020, the latter component provided a negative overall contribution of 14.7 million euros, against a net positive change of 5.7 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 capital losses totalling 21.9 million euros;
> the reduction of pre-existing net negative reserves due to re-absorption through profit or loss upon realisation (0.2 million euros);
> the positive net tax effect associated with the above changes and resulting from increases in DTAs and re-absorption of DTLs (+6.9 million euros).

(€ THOUSAND)	31.03.2020	31.03.2019	CHANGE AMOUNT	CHANGE %
Net profit	**79,051**	**66,624**	**12,427**	**18.7%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Financial assets at fair value through other comprehensive income	-14,625	5,838	-20,463	-350.5%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-52	-177	125	-70.6%
Total other income, net of income taxes	**-14,677**	**5,661**	**-20,338**	**-359.3%**
Comprehensive income	**64,374**	**72,285**	**-7,911**	**-10.9%**
Comprehensive income attributable to the Group	**64,374**	**72,285**	**-7,911**	**-10.9%**

5. Balance sheet and net equity aggregates

At the end of the first quarter of 2020, total consolidated assets amounted to 12.5 billion euros, increasing by nearly 0.7 billion euros (+6.3%) compared to the end of 2019.
This result reflected the 0.6 million euro increase in total net inflows, driven by the sharp recovery of the expansion of customer account deposits that brought the aggregate's total to over 11 billion euros.
Core loans thus totalled 11.7 billion euros, up 6.2%.

ASSETS (€ THOUSAND)	31.03.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	62,072	64,998	-2,926	-4.5%
Financial assets at fair value through other comprehensive income	3,117,048	2,778,836	338,212	12.2%
Financial assets at amortised cost:	8,558,941	8,206,525	352,416	4.3%
a) loans to banks (*)	1,005,579	1,130,690	-125,111	-11.1%
b) loans to customers	7,553,362	7,075,835	477,527	6.7%
Equity investments	2,024	2,061	-37	-1.8%
Property, equipment and intangible assets	291,560	298,354	-6,794	-2.3%
Tax receivables	54,407	51,168	3,239	6.3%
Other assets	420,815	363,634	57,181	15.7%
HFS assets	1,268	-	1,268	n.a.
Total assets	**12,508,135**	**11,765,576**	**742,559**	**6.3%**

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.03.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial liabilities at amortised cost:	11,145,226	10,503,986	641,240	6.1%
a) due to banks	119,156	94,807	24,349	25.7%
b) due to customers	11,026,070	10,409,179	616,891	5.9%
Financial liabilities held for trading and hedging	11,059	8,685	2,374	27.3%
Tax liabilities	31,492	13,618	17,874	131.3%
Other liabilities	159,176	147,097	12,079	8.2%
HFS liabilities	356	-	356	n.a.
Special purpose provisions	177,981	174,522	3,459	2.0%
Valuation reserves	-10,866	3,813	-14,679	-385.0%
Equity instruments	50,000	50,000	-	-
Reserves	727,414	454,465	272,949	60.1%
Share premium reserve	57,729	57,729	-	-
Share capital	116,852	116,852	-	-
Treasury shares (-)	-37,356	-37,356	-	-
Net equity attributable to minority interests	20	26	-6	-23.1%
Net profit (loss) for the period (+/-)	79,052	272,139	-193,087	-71.0%
Total net equity and liabilities	**12,508,135**	**11,765,576**	**742,559**	**6.3%**

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	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	62,072	64,998	75,912	78,309	103,924	90,640
Financial assets at fair value through other comprehensive income	3,117,048	2,778,836	3,221,993	2,435,849	2,224,602	1,987,315
Financial assets at amortised cost:	8,558,941	8,206,525	7,782,394	7,652,682	7,057,490	7,166,172
a) loans to banks	1,005,579	1,130,690	1,329,225	1,138,080	849,522	1,434,533
b) loans to customers	7,553,362	7,075,835	6,453,169	6,514,602	6,207,968	5,731,639
Equity investments	2,024	2,061	1,587	1,610	1,629	1,661
Property, equipment and intangible assets	291,560	298,354	272,476	232,368	235,350	240,662
Tax receivables	54,407	51,168	44,806	44,019	48,842	52,799
Other assets	420,815	363,634	392,787	418,060	356,542	332,564
HFS assets	1,268	-	-	-	-	-
Total assets	**12,508,135**	**11,765,576**	**11,791,955**	**10,862,897**	**10,028,379**	**9,871,813**

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	01.01.2019
Financial liabilities at amortised cost:	11,145,226	10,503,986	10,568,557	9,767,443	8,879,340	8,811,515
a) due to banks	119,156	94,807	94,205	100,087	100,287	128,725
b) due to customers	11,026,070	10,409,179	10,474,352	9,667,356	8,779,053	8,682,790
Financial liabilities held for trading and hedging	11,059	8,685	15,484	3,490	506	384
Tax liabilities	31,492	13,618	20,106	27,826	22,586	18,018
Other liabilities	159,176	147,097	238,696	175,500	154,919	142,176
HFS liabilities	356	-	-	-	-	-
Special purpose provisions	177,981	174,522	157,634	153,924	162,741	164,845
Valuation reserves	-10,866	3,813	6,766	-1,698	-5,974	-11,636
Equity instruments	50,000	50,000	-	-	-	-
Reserves	727,414	454,465	451,610	449,846	595,619	414,368
Share premium reserve	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
Treasury shares (-)	-37,356	-37,356	-37,371	-20,677	-22,653	-22,724
Net equity attributable to minority interests	20	26	-	-	-	-
Net profit (loss) for the period (+/-)	79,052	272,139	196,030	132,800	66,624	180,126
Total net equity and liabilities	**12,508,135**	**11,765,576**	**11,791,955**	**10,862,897**	**10,028,379**	**9,871,813**

5.1 Direct inflows from customers

Total direct inflows from customers amounted to 11.0 billion euros, up by nearly 617 million euros (+5.9%) compared to 31 December 2019, chiefly attributable to the inflows from retail customers.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.12.2019	AMOUNT	%
1. Current accounts and demand deposits	10,725,572	9,982,548	743,024	7.4%
2. Term deposits	-	-	-	n.a.
3. Financing	730	116,218	-115,488	-99.4%
Repurchase agreements	-	116,218	-116,218	-100.0%
Other (collateral margins)	730	-	730	n.a.
4. Other debts	299,768	310,413	-10,645	-3.4%
IFRS 16-related lease liabilities	155,507	158,064	-2,557	-1.6%
Operating debts to sales network	117,365	110,455	6,910	6.3%
Other debts (money orders, amounts at the disposal of customers)	26,896	41,894	-14,998	-35.8%
Total due to customers	**11,026,070**	**10,409,179**	**616,891**	**5.9%**

The growth in inflows from customers (external to the Insurance Group) continued to be driven by demand current account deposits, which reported a net increase of 859 million euros to 10.5 million euros.

By contrast, captive inflows from the companies within the Assicurazioni Generali Group decreased by 27.3% to 312.5 million euros at the end of the quarter, thus accounting for 2.8% of total inflows.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.12.2019	AMOUNT	%
Inflows from Parent Company	30,292	27,499	2,793	10.2%
Inflows from other subsidiaries of the Generali Group	209,205	327,856	-118,651	-36.2%
IFRS 16 - related lease financial liabilities	73,049	74,499	-1,450	-1.9%
Total inflows from Generali Group	**312,546**	**429,854**	**-117,308**	**-27.3%**
Inflows from other parties	10,713,524	9,979,325	734,199	7.4%
- *of which: current accounts*	*10,486,774*	*9,627,779*	*858,995*	*8.9%*
Total inflows from customers	**11,026,070**	**10,409,179**	**616,891**	**5.9%**

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). This segment shrank, mostly as a result of the collection of the money orders issued at the end of December on behalf of insurance companies.

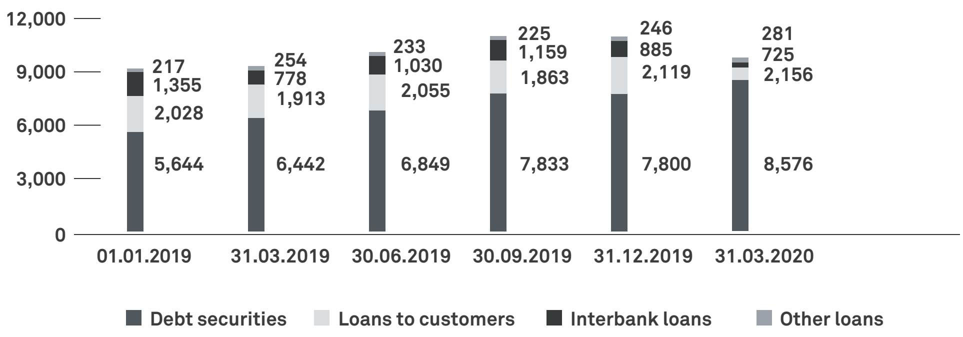
5.2 Core loans

Core loans totalled 11.7 billion euros overall, with a net increase of nearly 688 million euros compared to 31 December 2019 (+6.2%).
In the first quarter of 2020, the Bank's investment activity gained significant momentum, focusing on both supporting the sharp increase in net inflows and absorbing the surplus liquidity held at the end of 2019.
Investments in financial asset portfolios increased markedly by 773 million euros (+9.8%). By contrast, loans to banks showed a further reabsorption of the surplus liquidity observed at the end of the previous year, with a decline in demand deposits with the ECB (-244 million euros).
Instead, the more modest increase reported by loans to customers was chiefly influenced by short-term repurchase agreements entered into on the MIC market managed by CC&G and classified among loans to customers, amounting to 238 million euros at the end of the quarter (206 million euros at the end of 2019).

			CHANGE	
(€ THOUSAND)	31.03.2020	31.12.2019	AMOUNT	%
Financial assets at fair value through profit or loss	62,072	64,998	-2,926	-4.5%
Financial assets at fair value through other comprehensive income	3,117,048	2,778,836	338,212	12.2%
Financial assets at amortised cost	5,451,465	5,013,479	437,986	8.7%
Financial assets	**8,630,585**	**7,857,313**	**773,272**	**9.8%**
Loans to and deposits with banks (*)	725,139	885,168	-160,029	-18.1%
Loans to customers	2,155,801	2,118,873	36,928	1.7%
Operating loans and other loans	226,536	189,005	37,531	19.9%
Total interest-bearing financial assets and loans	**11,738,061**	**11,050,359**	**687,702**	**6.2%**

(*) ECB demand deposits included.

QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, investments in financial assets accounted for 73.5% of the core loan aggregate's total, sharply increasing compared to 71.1% at the end of 2019, and continued to be mainly driven by the expansion of the government securities portfolio (+8.3%), despite showing also a greater diversification of investments on debt corporate and financial securities.

(€ THOUSAND)	31.03.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Government securities	7,205,803	6,727,904	477,899	7.1%
Other public institutions	131,176	47,110	84,066	178.4%
Securities issued by banks	663,676	527,970	135,706	25.7%
Securities issued by other issuers	575,351	497,097	78,254	15.7%
Equity securities and other securities	54,579	57,232	-2,653	-4.6%
Total financial assets	**8,630,585**	**7,857,313**	**773,272**	**9.8%**

On the basis of the guidelines laid down in the new risk framework and 2019-2021 Business Plan, investments in financial assets continued to fuel the held-to-collect (HTC) portfolio, i.e., financial assets measured at amortised cost and held for investment purposes, which grew by 438 million euros, mostly driven by government bond purchases, reaching 5.5 billion euros.

However, significant rebalancing was undertaken on the portfolio of financial assets at fair value through other comprehensive income (HTCS), which increased by 338 million euros, nearly 45% of which is allocated to financial and corporate securities.

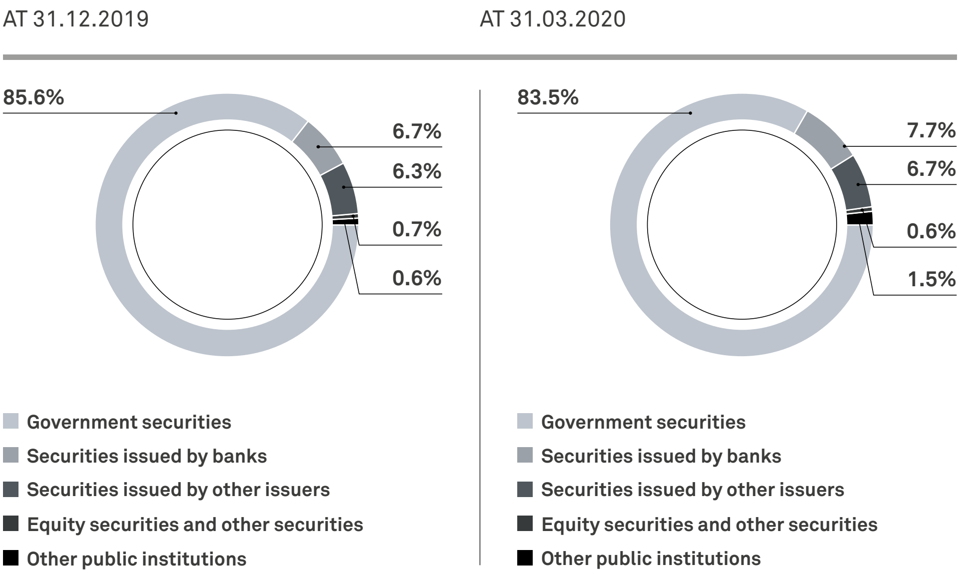
The overall portfolio remained however focused on sovereign debt and increased by 562 million euros, continuing to account for 85.0% of total investments in financial instruments, slightly down compared to the end of the previous year (86.3%).
The foreign component of the government securities portfolio also continued to grow, absorbing over 536 million euros, with a focus on EU government bonds now also allocated to the HTC portfolio (413 million euros), as well as to the HTCS portfolio (1,522 million euros).

At the end of the period, the exposure to non-Italian government bonds amounted to 1,935 million euros, equal to 26.3% of the total exposure, and included supranational bonds and bonds issued by a number of other EU countries, in addition to Spanish and Portuguese government bonds (1,355 million euros).

(€ THOUSAND)	31.03.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Exposure to the sovereign risk by portfolio:				
Financial assets at fair value through profit or loss	46	52	-6	-11.5%
Financial assets at fair value through other comprehensive income	2,465,309	2,278,815	186,494	8.2%
Financial assets at amortised cost	4,871,624	4,496,147	375,477	8.4%
Total	**7,336,979**	**6,775,014**	**561,965**	**8.3%**

The overall geographical breakdown of the portfolio of debt securities thus showed a lower concentration of investments relating to Italian securities, which decreased from 76.6% at year-end 2019 to 70.0%.

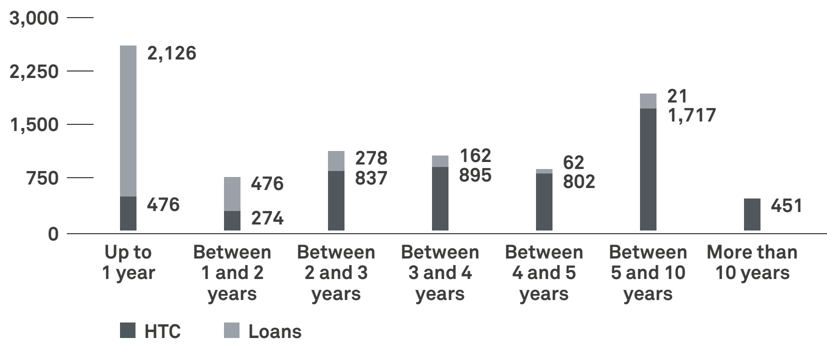
BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO



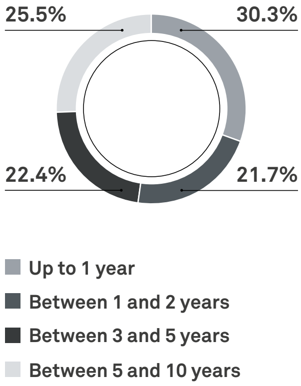
At the end of the reporting period, the share of financial assets with a maturity of more than 3 years declined slightly to 47.9% compared to the end of 2019 (48.9%).
The portfolio of debt securities had an overall average residual life of about 3.5 years. In particular, the average maturity of the HTC portfolio was 4.8 years, whereas the average maturity of the HTCS portfolio was 1.0 years.

38.7% of the portfolio was made up of variable-rate or inflation-linked issues, and for the remainder, of fixed-rate issues and zero coupons (39.8% at the end of 2019).

BONDS PORTFOLIO MATURITY
(€ million)



BREAKDOWN OF BONDS PORTFOLIO BY MATURITY AT 31.03.2020



Loans to customers reached 2,156 million euros and, net of short-term repurchase agreements on the multilateral facility e-MID, guaranteed by CC&G, reported a modest 0.3% increase compared to the end of 2019, due to the expansion of current account loans.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.12.2019	AMOUNT	%
Current accounts	1,124,894	1,112,437	12,457	1.1%
Mortgages and personal loans	790,445	798,111	-7,666	-1.0%
Other financing and loans not in current accounts	2,314	2,256	58	2.6%
Reverse repurchase agreement with customers and deposits on the MIC	238,148	206,069	32,079	15.6%
Loans	**2,155,801**	**2,118,873**	**36,928**	**1.7%**
Operating loans to management companies	123,342	141,906	-18,564	-13.1%
Sums advanced to Financial Advisors	46,033	18,415	27,618	150.0%
Collateral margins	44,458	14,091	30,367	215.5%
Charges to be debited and other loans	12,584	14,187	-1,603	-11.3%
Operating loans and other loans	**226,417**	**188,599**	**37,818**	**20.1%**

Among **operating receivables** and other transactions (+20.1%), there was a sharp rise in the margins paid due to the launch of derivatives trading on the Eurex market and advances paid to the sales network, partially offset by the decline in trade receivables accrued on the placement and distribution of financial and insurance products.

Net **non-performing exposures** on loans to customers amounted to **27.2 million** euros, or 1.26% 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 **6.9 million** euros and consisted for 95% of credit facilities secured by financial collaterals mainly in the form of pledges of financial instruments and/or similar products, such as mandate to policy redemption.
Unsecured exposures 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.

(€ THOUSAND)	31.03.2020 BAD LOANS	31.03.2020 UNLIKELY TO PAY	31.03.2020 NON PERFORMING PAST-DUE EXPOSURES	31.03.2020 TOTAL	31.12.2019 BAD LOANS	31.12.2019 UNLIKELY TO PAY	31.12.2019 NON PERFORMING PAST-DUE EXPOSURES	31.12.2019 TOTAL	DELTA	CHANGE %
Gross exposure	31,781	5,597	1,738	39,116	32,407	4,566	2,142	39,115	1	-
Adjustments	10,094	1,384	433	11,911	10,835	945	424	12,204	-293	-2%
Total net exposure	**21,687**	**4,213**	**1,305**	**27,205**	**21,572**	**3,621**	**1,718**	**26,911**	**294**	**1%**
Gross exposure	28,807	-	-	28,807	28,694	-	-	28,694	113	-
Adjustments	8,456	-	-	8,456	8,455	-	-	8,455	1	-
Exposure guaranteed by net indemnity	**20,351**	**-**	**-**	**20,351**	**20,239**	**-**	**-**	**20,239**	**112**	**1%**
Gross exposure	2,974	5,597	1,738	10,309	3,713	4,566	2,142	10,421	-112	-1%
Adjustments	1,638	1,384	433	3,455	2,380	945	424	3,749	-294	-8%
Exposure net of indemnity	**1,336**	**4,213**	**1,305**	**6,854**	**1,333**	**3,621**	**1,718**	**6,672**	**182**	**3%**
Net guaranteed exposure	**1,304**	**3,941**	**1,157**	**6,402**	**1,299**	**3,455**	**1,504**	**6,258**	**144**	**2%**
Net exposure not guaranteed	**32**	**272**	**148**	**452**	**34**	**166**	**214**	**414**	**38**	**9%**

At 31 March 2020, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of 606 million euros, sharply down compared to a net exposure of 790 million euros at the end of the previous year.
This situation was essentially due to the significant reduction in the credit position with the ECB (-244 million euros), partly offset by the launch of new reverse repurchase agreements, with securitisation notes as their underlying (+47.6 million euros) and the repurchase agreements and demand deposits with credit institutions (+33.6 million euros).

(€ THOUSAND)	31.03.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
1. Repayable on demand	**388,899**	**599,103**	**-210,204**	**-35.1%**
Demand deposits with ECB and Bank of Italy (*)	259,563	503,443	-243,880	-48.4%
Demand deposits with credit institutions	165	67	98	146.3%
Transfer accounts	129,171	95,593	33,578	35.1%
2. Time deposits	**336,240**	**286,065**	**50,175**	**17.5%**
Mandatory reserve	102,278	101,063	1,215	1.2%
Term deposits	27,544	22,395	5,149	23.0%
Repurchase agreements	200,565	152,969	47,596	31.1%
Collateral margins	5,853	9,638	-3,785	-39.3%
Total loans to banks	**725,139**	**885,168**	**-160,029**	**-18.1%**
1. Due to Central Banks	**-**	**-**	**-**	**n.a.**
2. Due to banks	**119,156**	**94,807**	**24,349**	**25.7%**
Transfer accounts	75,222	72,790	2,432	3.3%
Repurchase agreements	2,264	-	2,264	n.a.
Collateral margins	21,230	1,690	19,540	1156.2%
Other debts	20,440	20,327	113	0.6%
Total due to banks	**119,156**	**94,807**	**24,349**	**25.7%**
Net interbank position	**605,983**	**790,361**	**-184,378**	**-23.3%**

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

5.3 Provisions

Specific provisions totalled 178 million euros overall, up by 3.5 million euros compared to the previous year (+2.0%).
The increase in the aggregate was led by provisions for contractual indemnities for the sales network (+5.7 million euros), largely offset by the decline in the balance of provisions for incentives for the sales network, owing primarily to the reduction of commitments in respect of network development plans.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.12.2019	AMOUNT	%
Provision for termination indemnity	5,135	5,153	-18	-0.3%
Provisions for guarantees issued and commitments	96	108	-12	-11.1%
Provisions for pensions and similar obligations	3,946	3,854	92	2.4%
Other provisions for liabilities and contingencies	**168,804**	**165,407**	**3,397**	**2.1%**
Provisions for staff expenses	15,382	14,867	515	3.5%
Restructuring provision - Redundancy incentives plan	1,741	1,741	-	-
Provisions for legal disputes	12,333	12,899	-566	-4.4%
Provisions for contractual indemnities to the sales network	103,602	97,879	5,723	5.8%
Provisions for sales network incentives	28,444	31,034	-2,590	-8.3%
Other provisions for liabilities and contingencies	7,302	6,987	315	4.5%
Total provisions	**177,981**	**174,522**	**3,459**	**2.0%**

Contractual indemnities refer, in the amount of 64.5 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, in the amount of 23.4 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 15.7 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 four 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.

Pension provisions refer to the supplementary pension plan for the employees of the recently acquired BG Valeur. Under local pension legislation (LLP), they cover the mandatory supplementary benefits upon satisfaction of pension requirements or occurrence of an adverse event (death or disability). These obligations are covered by dedicated assets managed by Swiss Life Collective Foundation BGV.

Provisions for other risks and charges also include amounts set aside to cover the tax dispute of 2.6 million euros, following the audit conducted on financial year 2014 by the Italian Revenue Agency. In addition, in March 2020 a new tax audit was launched, concerning all tax years open from 2015 to 2020, inclusive, conducted by the Trieste Operating Unit of the Italian Finance Police. However, the audit was immediately suspended due to the Covid-19 emergency.

5.4 Net equity and regulatory aggregates

As at 31 March 2020, the Banking Group's consolidated net equity, inclusive of net profit for the period, amounted to 982.8 million euros, gross of the 2019 dividend of 216.2 million euros authorised by the Shareholders' Meeting on 23 April 2020, the distribution of which has been suspended in accordance with the Recommendation issued by the ECB on 27 March 2020 on dividend policy within the framework of the COVID-19 emergency, extended by the Bank of Italy to less significant directly supervised institutions.

In particular, on 1 April 2020 Banca Generali's Board of Directors amended the previously approved proposed allocation of the profit reported in the Financial Statements for the year ended 31 December 2019. In compliance with the aforementioned Recommendation, the new Proposal approved by the Shareholders' Meeting envisages the distribution of a dividend of 1.55 euros per share 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 Recommendation ECB/2020/19 are met, (ii) the supervisory regulations and guidelines applicable from time to time are complied with, and (iii) that 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.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.12.2019	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	57,729	57,729	-	-
Reserves	727,414	454,465	272,949	60.1%
(Treasury shares)	-37,356	-37,356	-	-
Valuation reserves	-10,866	3,813	-14,679	-385.0%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the period	79,052	272,139	-193,087	-71.0%
Group net equity	**982,825**	**917,642**	**65,183**	**7.1%**
Net equity attributable to minority interests	20	26	-6	-23.1%
Consolidated net equity	**982,845**	**917,668**	**65,177**	**7.1%**

The 65.2 million euro increase in net equity in the first quarter of 2020 was primarily influenced by 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), as well as consolidated net profit, as showed in the following table.

	31.03.2020	31.12.2019
Net equity at period-start	**917,668**	**734,875**
Dividend paid	-	-144,900
Purchase and sale of treasury shares	-	-17,786
Matured IFRS 2 reserves on own financial instruments	869	7,207
Matured IFRS 2 reserves on the AG Group's IFRS 2-related plans	-	653
Change in valuation reserves	-14,677	15,611
Issue of A11 subordinated loan	-	50,000
Consolidated net profit	79,051	272,122
Other effects	-66	-114
Net equity at period-end	**982,845**	**917,668**
Change	**65,177**	**182,793**

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a net decrease of 14.7 million euros, primarily due to sharp decline of all financial markets unleashed by the pandemic.

	31.03.2020			31.12.2019	
(€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	2,936	-11,392	-8,456	6,170	-14,626
Valuation reserves - OCI equity securities	-	-300	-300	-300	-
Exchange differences	-	-128	-128	-128	-
Actuarial gains (losses) from defined benefit plans	-	-1,982	-1,982	-1,929	-53
Total	**2,936**	**-13,802**	**-10,866**	**3,813**	**-14,679**

Consolidated own funds amounted to 559.3 million euros, down 11.6 million euros compared to the end of the previous year, chiefly owing to the performance of valuation reserves for HTCS financial assets, partly offset by the increase in IFRS 2 reserves and the amortisation process.

In accordance with the new dividend policy approved by the Board of Directors on 8 March 2019, for the first quarter of 2020 as well, none of the consolidated net profit for the current period was included in own funds. The dividend policy approved by Banca Generali for the 2019-2021 plan period calls for the distribution of a minimum dividend of 1.25 euros per share, in accordance with the risk profile defined in the Risk Appetite Framework and overall capital adequacy, and in any event up to the limit of 100% of the consolidated net profit earned during the year.

Own funds at 31.12.2019	**570,939**
Change in reserves for share-based payments (IFRS 2)	869
Change in OCI reserves on HTCS	-14,625
Change in IAS 19 OCI reserves	-53
Change in goodwill and intangible assets, net of related DTLs	2,565
Negative prudential filters (prudent valuation)	-336
Other effects	-58
Total changes in TIER 1 capital	**-11,638**
Total changes in TIER 2 capital	**-**
Own funds at 31.03.2020	**559,301**
Change	**-11,638**

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 130.7 million euros in excess of the SREP minimum requirements. CET1 ratio reached 14.1%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 15.4%, compared to the SREP minimum requirement of 11.84%.
However, 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 could currently amount to 9.34%, exceeding own funds by over 221 million euros.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.12.2019	AMOUNT	%
Common Equity Tier 1 capital (CET1)	509,301	520,939	-11,638	-2.23%
Additional Tier 1 (AT1) capital	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total own funds	**559,301**	**570,939**	**-11,638**	**-2.04%**
Credit and counterparty risk	204,099	198,294	5,804	2.93%
Market risk	318	294	24	8.34%
Operating risk	85,192	85,192	-	-
Total absorbed capital (Pillar I)	**289,609**	**283,780**	**5,829**	**2.05%**
Total SREP minimum requirements (Pillar II)	**428,621**	**419,994**	**8,627**	**2.05%**
Excess over SREP minimum requirements	130,680	150,945	-20,265	-13.43%
Risk-weighted assets	3,620,110	3,547,248	72,862	2.05%
CET1/Risk-weighted assets	14.1%	14.7%	-0.6%	-4.2%
Tier 1/Risk-weighted assets	15.4%	16.1%	-0.6%	-4.0%
Total own funds/Risk-weighted assets (Total Capital Ratio)	**15.4%**	**16.1%**	**-0.6%**	**-4.0%**

Capital absorbed by credit risk grew moderately compared to the previous year (+5.8 million euros), mostly due to the increase in exposures to supervised intermediaries and, to a lower extent, to DTAs.

With reference to the adoption of IFRS 9, the Banking Group did not opt to apply the phase-in regime set forth in the Regulation (EU) No. 217/2395 which allows banks, whose opening balance sheet at the date of IFRS 9 first-time adoption reports a decline in CET1 due to the increase in expected credit loss provisions (net of tax effects), to include in their CET1 a portion of the said increased provisions for a phase-in period of five years.

The leverage ratio at the end of the quarter reached 4.44%, slightly down compared to that at the end of the previous year (4.83%).

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

	31.03.2020		
(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	**777,693**	**123,904**	**901,597**
Differences between net equity and			
book value of companies consolidated using the line-by-line method:	88,040	-	88,040
– profit carried forward of consolidated companies	66,973	-	66,973
– goodwill	20,878	-	20,878
– other changes	189	-	189
Dividends from consolidated companies	59,000	-115,000	-56,000
Consolidated companies' result for the year	-	70,342	70,342
Net profit attributable to minority interests	21	-1	20
Result of associates valued at equity	45	-37	8
Valuation reserves - consolidated companies	-128	-	-128
Goodwill	-20,878	-	-20,878
Consolidation adjustments	-	-156	-156
Net equity of the Banking Group	**903,793**	**79,052**	**982,845**

6. Performance of Group Companies

6.1 Banca Generali performance

Banca Generali closed the first quarter of 2020 with net profit of 123.9 million euros, up compared to nearly 57.0 million euros reported at the end of the same period of the previous year, chiefly due to the higher contribution of dividends distributed both at the end of the period and in advance by the Luxembourg-based subsidiary BG Fund Management Luxembourg S.A, up from 47.0 million euros to 115.0 million euros.

Reclassified net banking income[5], net of the dividends from the Banking Group's equity investments, rose by approximately 12.7 million euros (+18.3%) compared to the same period of the previous year. This increase was attributable to both the increase in net interest income (+4.5 million euros) and net fees (+8.2 million euros).
Net income (loss) from trading activities remained virtually unchanged (+0.2 million euros) compared to the same period of 2019.

			CHANGE	
(€ THOUSAND)	31.03.2020	31.03.2019	AMOUNT	%
Net interest income	**20,389**	**15,911**	**4,478**	**28.1%**
Net income (loss) from trading activities	3,943	3,719	224	6.0%
Dividends	115,040	47,276	67,764	143.3%
– *of which: dividends from equity investments*	*115,000*	*47,000*	*68,000*	*144.7%*
Net financial income	**139,372**	**66,906**	**72,466**	**108.3%**
Fee income	153,795	137,117	16,678	12.2%
Fee expense	-96,103	-87,629	-8,474	9.7%
Net fees	**57,692**	**49,488**	**8,204**	**16.6%**
Net banking income	**197,064**	**116,394**	**80,670**	**69.3%**
Staff expenses	-21,187	-20,424	-763	3.7%
Other general and administrative expenses	-38,566	-34,668	-3,898	11.2%
Net adjustments of property, equipment and intangible assets	-7,206	-6,682	-524	7.8%
Other operating expenses/income	15,964	13,659	2,305	16.9%
Net operating expenses	**-50,995**	**-48,115**	**-2,880**	**6.0%**
Operating result	**146,069**	**68,279**	**77,790**	**113.9%**
Net adjustments for non-performing loans	-1,060	3,989	-5,049	-126.6%
Net provisions	-8,233	-6,116	-2,117	34.6%
Gains (losses) from the disposal of equity investments	-	-27	27	-100.0%
Operating profit before taxation	**136,776**	**66,125**	**70,651**	**106.8%**
Income taxes for the period on current operations	-12,871	-9,136	-3,735	40.9%
Net profit	**123,905**	**56,989**	**66,916**	**117.4%**

At the level of net interest income, there was an increase in interest income of 3.5 million euros, almost entirely owing to the portfolio of financial assets, whereas the decrease in interest expense of 1 million euros was due in part to the repayment of the subordinated loan to Generali Beteiligungs in November 2019, which in the first quarter of the previous year had an impact of 0.4 million euros, and, in part, to a contraction in negative interest income on the excess of the reserve requirement, which in the first quarter of 2019 amounted to approximately 0.6 million euros, compared with 0.1 million euros in 2020.

[5] 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 3.0 million euros for 2020 and 3.2 million euros for 2019.

The increase in net fees (+16.6%) to 57.7 million euros at the end of the period is to be attributed to the combined effect of the increase in fee income (+16.7 million euros), particularly on the placement of securities and UCITS (+10.3 million euros) and distribution of third-party financial services (+4.5 million euros), and the increase in fee expense (+8.5 million euros), with particular regard to fees for off-premises offer.

Net **operating expenses** amounted to approximately 51.0 million euros, up 6.0% compared to the same period of the previous year. The cost/income ratio, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income and dividends, amounted to 53.4%.

Provisions and net adjustments amounted to 9.3 million euros, up by 7.2 million euros on the same period in 2019, mainly due to the lower collective adjustments recognised on the securities portfolio and the greater net provisions for risks and charges

Operating profit before taxation amounted to 136.8 million euros, up by 106.8% compared to the same period of 2019.
The expected tax burden was 12.9 million euros, with an overall tax rate at 9.4%.

6.2 Performance of BG Fund Management Luxembourg S.A.

BG Fund Management Luxembourg S.A. (hereinafter BGFML) is a company under Luxembourg law specialising in the administration and management of the Sicavs promoted by the Banca Generali Group (Lux IM Sicav and BG Selection Sicav) and the Sicav called BG Alternative, reserved for institutional investors.
In early March 2020, the management company acquired delegated management of the Luxembourg Sicav Nextam Partners Sicav with total AUM of 243 million euros.

BGFML ended the first quarter of 2020 with net profit of 71 million euros, up 14.3 million euros compared to the same period of 2019. This performance was mainly attributable to the increase in performance fees (+18.2 million euros) and management fees (+3.9 million euros).
Net banking income amounted to 83.2 million euros (+19.3 million euros). Total operating expenses were stable at 1.7 million euros overall (1.2 million euros of which consisted of staff expenses).
The company's net equity amounted to 83.1 million euros, net of a dividend payout of 56.0 million euros, as payment in advance for 2020.

Overall, assets under management at 31 March 2020 amounted to 14,979 million euros, down 1,954 million euros compared to 16,933 million euros at 31 December 2019.

6.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the first quarter of 2020 with a slight net loss and net equity amounting to about 0.8 million euros.
Net banking income amounted to about 0.3 million euros and virtually covered operating expenses.
Assets under management totalled 1,220 million euros (1,240 for 2019).

6.4 Performance of Nextam Partners Group

The Nextam Partners Group, which became part of the Banca Generali 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. It currently includes the following companies:

- Nextam Partners S.p.A, which, before the acquisition, was the Parent Company of the Sim Group;
- Nextam Partners SGR S.p.A., which engages in both individual portfolio management and collective management of Italian UCITS and the AIFs of the Luxembourg Sicav promoted by the group, in addition to outsourced management of third-party products;
- Nextam Partners Sim S.p.A., which primarily provides advice and order receipt, transmission and execution services;
- Nextam Partners Ltd, based in London, which provides advice and manages the sub-funds of the Luxembourg Sicav promoted by the group.

On 30 April 2020, the supervisory authority authorised the merger of Nextam Partners S.p.A. and Nextam Partners SGR into Banca Generali, which will take place following the contribution of the Italian mutual funds management business unit to the third-party asset management company 8a+.
The procedure for liquidating Nextam Partners Ltd, subject to authorisation from the UK Financial Conduct Authority (FCA), was also commenced.

The Nextam Partners Group ended the first quarter of 2020 with a net loss of 650 thousand euros, up from the net loss of 309 thousand euros on the same period of the previous year, prior to acquisition by the Banking Group.
Net banking income amounted to 1.1 million euros and total operating expenses were 1.9 million euros, of which 1.2 million euros staff expenses.

Overall, assets under management referring to the Nextam Partners Group at 31 March 2020 amounted to 839 million euros, down compared to 1,042 million euros at 31 December 2019.

6.5 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 the first quarter of 2020 with net profit of 55.8 thousand CHF (52.3 thousand euros), calculated based on local GAAP.
Revenues from asset management and advisory services amounted to approximately 2.4 million CHF, whereas operating expenses totalled 2.1 million CHF (of which 1.9 million CHF consisted of staff expenses).
The BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled 301 thousand CHF at 31 March 2020.

At 31 March 2020, total assets under management amounted to 1,084 million euros, down compared to 1,170.1 million euros at 31 December 2019.

7. Basis of Preparation

The Interim Report for the first quarter of 2020 was prepared in accordance with the provisions set forth in Article 154-*ter*, paragraph 5, of Italian Legislative Decree No. 58/98.

In this regard, it should be noted that, as part of the process of transposing Directive No. 2013/50/EU (Transparency 2), on 16 February 2016 Italian legislators enacted Legislative Decree No. 25, which thoroughly amends the aforementioned statute by:

> eliminating the requirement to publish an interim report;

> allowing issuers to continue to disclose to the market — entirely on a voluntary basis — "additional periodic financial information" beside the annual and half year reports, in compliance with the principles and application criteria set out by Consob.

With resolution No. 19770 dated 26 October 2016, Consob updated the Rules for Issuers adding the new Article 82-*ter*, which requires listed issuers which have Italy as member state of origin to:

a) publish the intention to disclose additional periodic financial information, specifying the relevant items of information, in a way that the decisions made are clear and stable over time;
b) specify the terms for the approval and the publishing of the additional periodic financial information by the competent body;
c) guarantee the coherence and correctness of the additional periodic financial information made available to the public and the comparability of the information items with the corresponding data contained in the financial report previously made available to the public;
d) ensure rapid, non-discriminatory access which can, with reasonable certainty, guarantee the effective circulation of information throughout the European Union.

In accordance with the development of the legal framework and in line with its stakeholders' needs, Banca Generali decided to continue to provide its quarterly financial disclosures to the public by drawing up the Interim Report.

The Interim Report provides:

a) a general description of the balance sheet situation and profit and loss performance of the issuer and its subsidiaries during the period of reference;
b) an illustration of the significant events and transactions that occurred during the period of reference and their impact on the balance sheet of the issuer and its subsidiaries.

This document contains the following quantitative data on the balance sheet situation and profit and loss performance:

> the consolidated condensed balance sheet at the end of the reporting quarter compared with the figures at the end of the previous year;

> the consolidated condensed profit and loss account for the first three months of the year, compared with data for the same period of the previous year;

> the statement of comprehensive income for the first three months of the year, compared with data for the same period of the previous year.

The Consolidated Balance Sheet is presented in a format that summarises the primary asset and liability items. The Consolidated Profit and Loss Account is presented in a condensed, reclassified format and states the intermediate profit margins that make up net profit.
The Report also includes explanatory notes that refer to the accounting standards employed and other specific explanatory notes on transactions undertaken during the reporting period.
The amounts included in the Financial Statements and Notes and Comments are expressed in thousands of euros, unless otherwise indicated.

The consolidated financial position illustrated in the Interim Report has been prepared according to the IASs/IFRSs issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with EC Regulation No. 1606 of 19 July 2002.

7.1 Accounting Standards

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2019.

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

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 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.

Measurement

The preparation of the Interim Report 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 the actual amounts reported herein may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:
> the quantification of allocations for staff incentives and provisions for liabilities and contingencies;
> the quantification of incentives for the distribution network currently being accrued;
> the determination of the fair value of financial instruments and derivatives used for reporting purposes;
> the determination of value adjustments and reversals of non-performing loans;
> estimates and assumptions used to determine current and deferred taxation.

7.2 Consolidated companies and business combinations

The companies consolidated by the Group in accordance with IFRS 10 include the Parent Company, Banca Generali S.p.A., and the following subsidiaries:

COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
				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 S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
Nextam Partners SGR S.p.A.	Milan	Milan, Florence	1	Nextam Partners S.p.A.	100.00%	100.00%
Nextam Partners Sim S.p.A.	Milan	Milan	1	Nextam Partners S.p.A.	100.00%	100.00%
Nextam Partners Ltd.	London	London	1	Nextam Partners S.p.A.	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).

In the previous year, the scope of consolidation changed as a result of:
> the acquisition, on 25 July 2019, of a 100% interest in Nextam Partners S.p.A., the parent company of the group of securities brokerage firms of the same name, and therefore of its subsidiaries Nextam Partners SGR, Nextam Partners Sim and the UK subsidiary Nextam Partners Ltd.;
> the acquisition, on 15 October 2019, of a 90.1% majority interest in Valeur S.A. (now BG Valeur S.A.), a trust company under Swiss law.

The contribution of these acquisitions is therefore reflected in the Consolidated Profit and Loss Account at 31 March 2020 but not in the Profit and Loss Account for the comparison period at 31 March 2019; however, it does not materially impact the Banking Group's operating aggregates. An analysis of the most significant impacts on the various items of the Profit and Loss Account is nonetheless provided in this Interim Report.

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 31 March 2020, reclassified and adjusted where necessary to take account of 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.

7.2.1 Business Combinations – Reorganisation of the Nextam Partners Group

A thorough reorganisation of the Nextam Partners Group was launched in 2020.

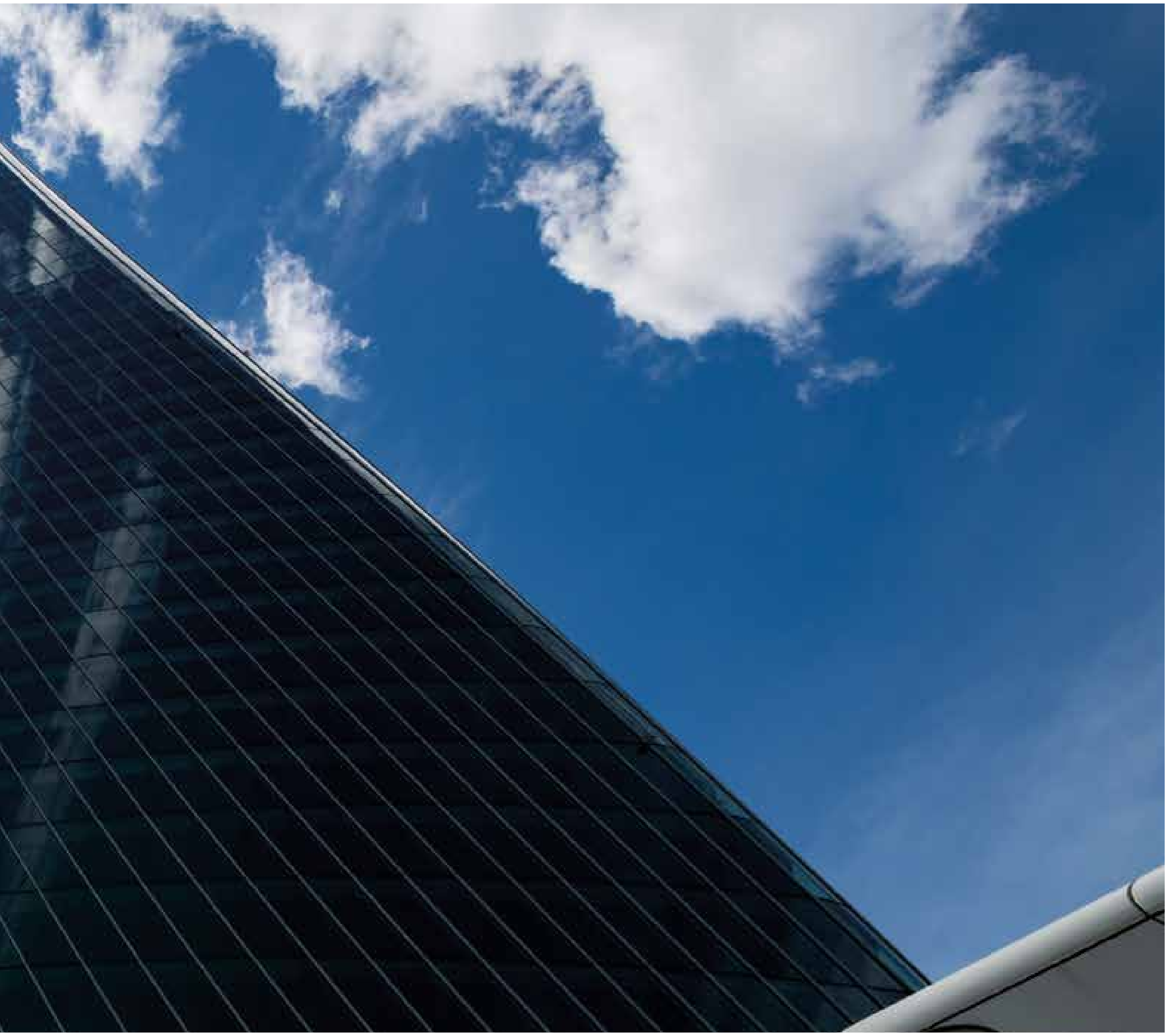
In particular, on 28 February 2020 the Boards of Directors of Banca Generali and the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR approved a company reorganisation project involving:
> the contribution by Nextam Partners SGR of the business unit responsible for managing Italian UCITS (the "UCITS Unit") to the independent asset management company 8a+ Investimenti SGR ("8a+ SGR"), with an equity investment of 19.5% taken in the latter company;
> the subsequent merger of Nextam Partners S.p.A. ("NP SPA") and Nextam Partners SGR ("NP SGR") into the parent company Banca Generali.

On 30 April 2020, the supervisory authority approved the transaction, which will take effect on 1 July 2020, with retroactive effect for accounting and tax purposes from 1 January 2020.
For a more detailed account of the transaction, see Part G of Banca Generali's Consolidated Financial Statements as at 31 December 2019.

Pursuant to IFRS 5, the assets and liabilities relating to the contributed business unit as at 31 March 2020 have been reclassified to the assets and liabilities referring to disposal groups and liabilities associated with disposal groups.

Trieste, 14 May 2020

The Board of Directors



04

DECLARATION

PURSUANT TO ARTICLE 154-*BIS*, SECOND PARAGRAPH, OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

Declaration pursuant to Article 154-*bis*, Second Paragraph, of Legislative Decree No. 58 of 24 February 1998

Declaration Pursuant to Article 154-bis, Second Paragraph of Legislative Decree No. 58 of 24 February 1998

The undersigned Dr. Tommaso Di Russo, Chief Financial Officer and Manager in charge of preparing the financial reports of Banca Generali S.p.A., with headquarters in Trieste, via Machiavelli No 4, recorded in the Register of Companies of Trieste to n. 103698, for the intent and purpose of article 154-bis, second paragraph, of Legislative Decree 24 February 1998, No 58, to its knowledge in the position they hold,

declares

that the Interim Report on Operations as of 31 March 2020 corresponds to document results, books and accounts records.

Trieste, 14 May 2020

Dr. Tommaso Di Russo
Manager charged with preparing the company's financial reports
BANCA GENERALI S.p.A.

Tommaso di Russo

Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste

Share capital
Authorised 119,378,836 euros
Subscribed and paid 116,851,637 euros

Tax code and Trieste register
of companies 00833240328
VAT No. 01333550323

Company managed and coordinated
by Assicurazioni Generali S.p.A.

Bank which is a member of the Interbank
Deposit Protection Fund Registration
with the bank register of the Bank of Italy
under No. 5358
Parent Company of the Banca Generali Banking
Group registered in the banking group register
ABI code 03075.9

Consultancy and co-ordination
Sege S.r.l. / zero3zero9 S.r.l.
Layout - t&t
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