BANCA GENERALI

CONSOLIDATED INTERIM REPORT

AT 30 JUNE 2020

CONSOLIDATED INTERIM REPORT
at 30 June 2020

BOARD OF DIRECTORS
29 JULY 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.

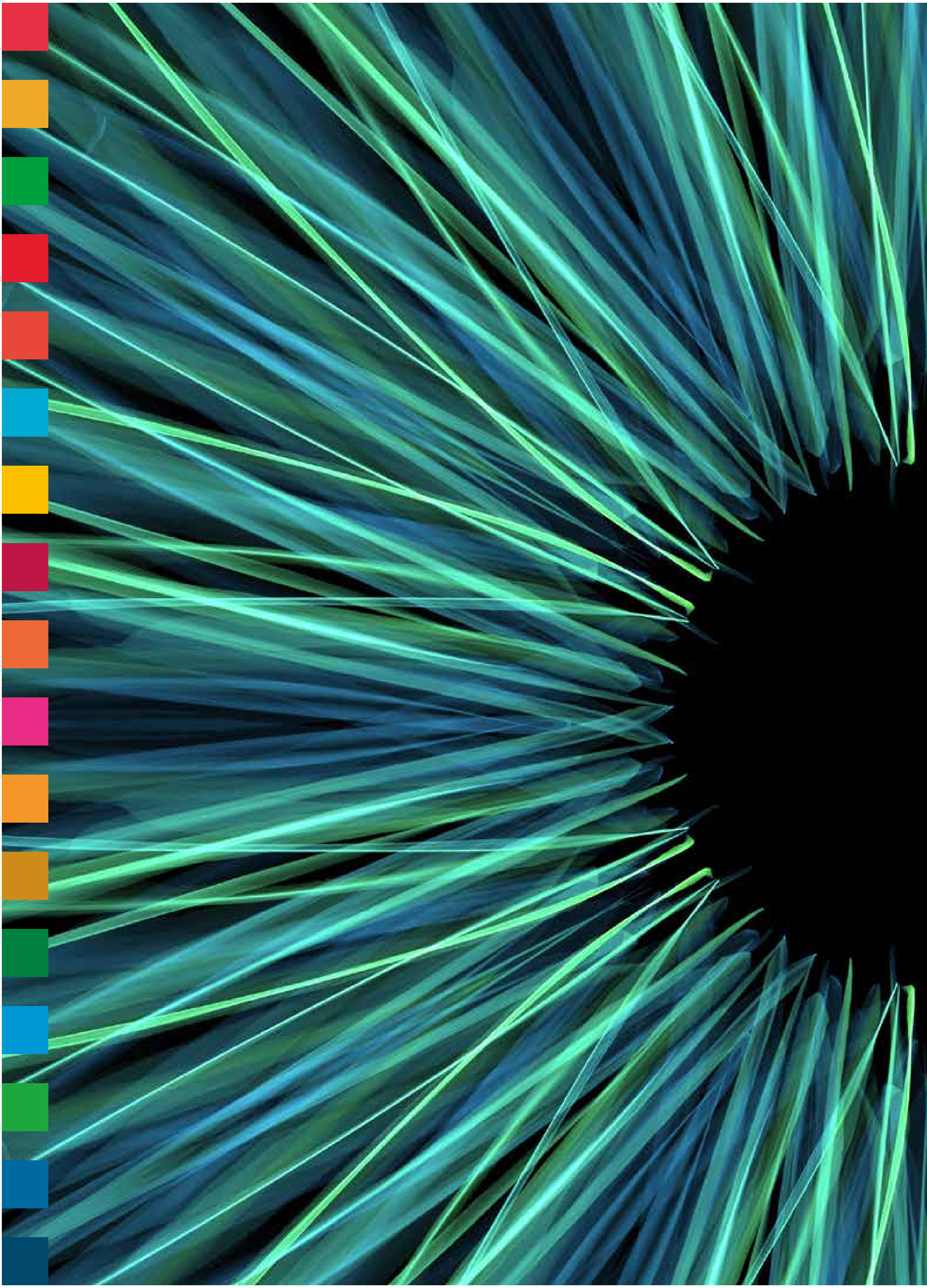
BANCA GENERALI

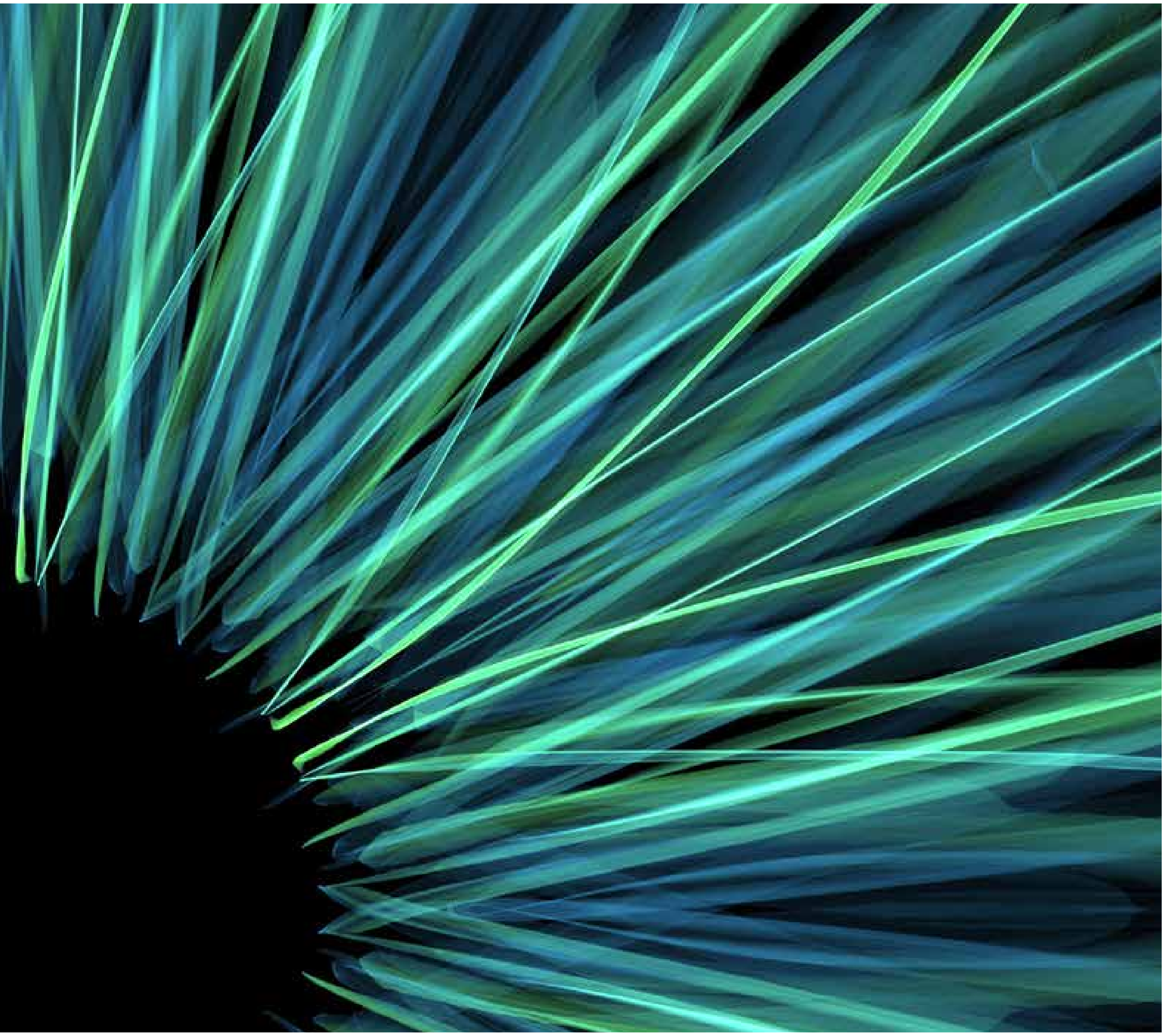
Banca Generali S.p.A.
Administration and Control Bodies

Board of Directors - 29 July 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	

Contents





01

GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

Group economic and financial highlights

CONSOLIDATED FIGURES

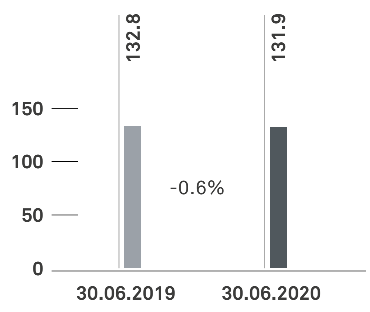
(€ MILLION)	30.06.2020	30.06.2019	CHANGE %
Net interest income	42.4	33.6	26.3
Net income (loss) from trading activities and dividends	8.4	6.0	38.9
Net fees	251.4	233.1	7.9
Net banking income	**302.2**	**272.7**	**10.8**
Staff expenses	-51.3	-45.0	13.9
Other net general and administrative expenses	-79.8	-71.4	11.7
Amortisation and depreciation	-15.5	-13.8	12.4
Other operating income and expenses	33.1	29.4	12.9
Net operating expenses	**-113.4**	**-100.9**	**12.4**
Operating result	**188.8**	**171.8**	**9.9**
Provisions	-14.4	-9.3	54.1
Adjustments	-4.7	-1.1	n.a.
Profit before taxation	**169.7**	**161.3**	**5.2**
Net profit	**131.9**	**132.8**	**-0.6**

PERFORMANCE INDICATORS

	30.06.2020	30.06.2019	CHANGE %
Cost/Income ratio	32.4%	31.9%	1.5
Operating Costs/Total Assets (AUM) – annualised	0.33%	0.33%	-2.3
EBTDA	204.3	185.6	10.1
ROE [(a)]	30.2%	36.1%	-16.5
ROA [(b)]	0.40%	0.44%	-8.6
EPS - Earning per share (euros)	1.14	1.14	0.3

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

NET PROFIT
(€ million)



NET INFLOWS

(€ MILLION) (ASSORETI DATA)	30.06.2020	30.06.2019	CHANGE %
Funds and Sicavs	924	506	82.6
Financial wrappers	-67	-267	74.9
Insurance wrappers	357	176	102.8
Asset management	**1,214**	**415**	**192.5**
Insurance/Pension funds	153	775	-80.3
Securities/Current accounts	1,449	1,648	-12.1
Total	**2,816**	**2,838**	**-0.8**

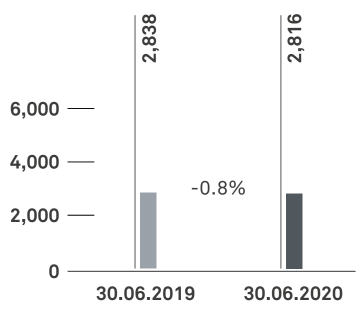
ASSETS UNDER MANAGEMENT & CUSTODY (AUM/C)

(€ BILLION) (ASSORETI DATA)	30.06.2020	31.12.2019	CHANGE %
Funds and Sicavs	16.6	16.5	0.6
Financial wrappers	6.3	6.7	-4.9
Insurance wrappers	8.7	8.7	0.5
Asset management	**31.6**	**31.8**	**-0.6**
Traditional life insurance policies	16.6	16.5	0.1
AUC	18.9	18.5	2.4
Total	**67.1**	**66.8**	**0.4**

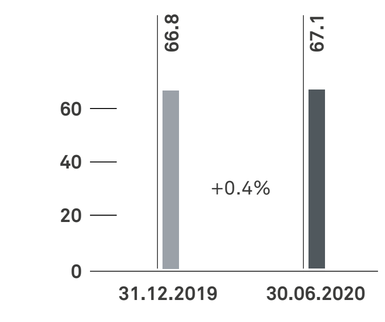
NET EQUITY

(€ MILLION)	30.06.2020	31.12.2019	CHANGE %
Net equity	831.3	917.7	-9.4
Own funds	561.0	570.9	-1.7
Excess capital	136.9	150.9	-9.3
Total Capital Ratio	15.7%	16.1%	-2.7

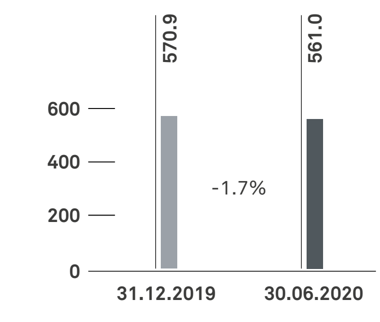
NET INFLOWS
(€ million)



ASSETS UNDER MANAGEMENT
(€ billion)



OWN FUNDS
(€ million)



02

INTERIM REPORT ON OPERATIONS
at 30 June 2020

BOARD OF DIRECTORS
29 JULY 2020

1. Summary of half-year operations

The Banca Generali Group closed the first half of 2020 with a consolidated net profit of 131.9 million euros, in line with the same period of the previous year (-0.6%), 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.

Financial markets exhibited particularly high volatility during the first six months of the year, to which central banks and governments responded with prompt action. Equity markets fluctuated considerably, favouring some sector themes, with the performance of many asset classes generally reflecting the impact of the crisis, apart from some exceptions such as government bonds.
Banca Generali took a proactive approach to this volatility, focusing as always on protecting its customers' wealth.

The Bank's prudent and diversified strategy allowed it to bring managed assets and AUC at year-start levels to 68.9 billion euros, reporting a +9.5% increase in the period compared to the previous year.

In the first half of 2020, Banca Generali's net inflows grew by 2.8 billion euros.
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 (1.4 billion euros YTD).
As of April 2020, when financial markets started to recover, the liquidity conversion trend of customers' deposits on current accounts gradually strengthened, focusing on AUC and managed solutions.
With regard to managed solutions, the Lux IM Sicav reported an excellent performance with net inflows positive for 1.07 billion euros, accounting for 40% of total YTD net inflows.

Despite this difficult scenario, **net banking income** rose by nearly 11% to 302.2 million euros, thanks to the positive trend of net interest income (+28.2%) and net recurring fees (+9.8%). 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 (+4.3%).

Operating expenses were 113.4 million euros, increasing compared to the previous year (+12.4%). The change was broadly attributable to the 7.7 million euro contribution of the acquisition of Nextam and Valeur[1] and other non-recurring costs amounting to 2.2 million euros. Net of these items, core expenses[2] showed a 2.5% organic growth.

Provisions and net adjustments amounted to 19.1 million euros, up by 8.6 million euros on the same period of 2019, due to the greater net provisions for contractual indemnities for the sales network (+6.4 million euros) and provisions for expected credit losses on the performing debt securities and loans portfolios (3.9 million euros). The increase in the item was in any event mainly due to accounting adjustments (5.8 million euros) resulting from the change in the discounting rates applied to provisions measured according to an actuarial approach and the updating of the measurement criteria used to determine the expected credit losses following significant changes in the macro-economic environment.

With reference to **capital**, Banca Generali confirmed the soundness of its regulatory aggregates, with a CET1 ratio of 14.3% and a Total Capital Ratio of 15.7%, 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%, with a capital in excess of Own Funds that rose from 137 million euros to over 226 million euros.

[1] Over 0.4 million euros referred to the amortisation of the intangible assets acquired in the business combinations.
[2] Operating expenses net of expenses related to sales personnel.

The total value of **AUM** managed by the Group on behalf of customers — which is the figure used for communications to Assoreti — amounted to 67.1 billion euros at 30 June 2020, in addition to the contribution of 1.8 billion euros deriving from the consolidation of the newly acquired Nextam Partners and Valeur, for a total of **68.9 billion euros**.
In addition, managed assets also included 0.8 billion euros in AUC of the Generali Group companies and 3.6 billion euros in funds and Sicavs distributed directly by management firms, for an overall total of **73.3 billion euros**.

Significant corporate events

A thorough reorganisation of the Nextam Partners Group was launched in the first half of 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 to the independent asset management company 8a+ Investimenti SGR, with an equity investment of 19.5% taken in the latter company;

> the subsequent merger of Nextam Partners S.p.A. and Nextam Partners SGR into the parent company Banca Generali.

On 30 April 2020, the supervisory authority approved the merger; on 25 June 2020, the merger deed governing the merger of the two companies into Banca Generali was then signed, and the merger became effective on 1 July 2020, with effect for accounting and tax purposes retroactively from 1 January 2020.
The contribution of the business unit was consummated on 30 June 2020 and resulted in the acquisition by the Banking Group of an equity investment of 912 thousand euros in 8a+ SGR.
Within the framework of the investment agreement entered into with 8a+ SGR, Banca Generali will continue to act as distributor of the funds and advisor on investment policies.
In addition, within the framework of the partnership with 8a+ SGR, Banca Generali will distribute the new non-reserved, closed-ended alternative investment fund (AIF) 8a+ Real Innovation, intended for investments in the private equity sector, in support of innovative SMEs, and a new ELTIF (European Long Term Investment Fund) product currently being designed.

1.1 The impacts of Covid-19

In addressing the Covid-19 pandemic, the Bank's priority was, and still is, the health and safety of all its employees, financial advisors and clients, as well as their families
Since the first sings of the seriousness of the pandemic, Banca Generali has adopted a series of broad, effective initiatives designed to prevent and contain the spread of the epidemic within its sites such as limiting its employees' movements on the country to strictly necessary travels, strongly enhancing hygiene and sanitation measures within its offices and branches, and extending eligibility for smart-working to the whole workforce. Ninety percent of employees worked remotely, ensuring full business continuity. Medical and health information was constantly circulated, including through a dedicated newsletter and video messages from the Chief Executive Officer and Human Resources Department. In addition, a dedicated telephone line was set up to provide medical assistance, available to all employees and their family members.

Turning to the development of the business, the extreme volatility of the international financial markets meant that almost all asset classes were adversely affected by the exceptional nature of the situation.
The contraction in assets under management reached its highest level in mid-March (-7.6% of the total, with peaks of nearly -12% for the managed component), to then fall back to -3.8% of the total and -4.4% of assets under management in the second quarter.

Net inflows during the half-year were 2.8 billion euros, confirming a very robust growth trend, despite the dramatically changed environment due to the spread of the pandemic, showing that, at the times of greatest uncertainty and volatility, the Bank is a point of reference in terms of solidity and flexible offering. In March (the apex of the pandemic), net inflows were primarily generated by deposits or AUC solutions. However, in the subsequent months net inflows shifted towards managed and AUC solutions, drawing on the liquidity from previous months.

At the level of the profit and loss account, net profit for the first six months of the year amounted to 132 million euros, substantially stable on the first half of the previous year, despite the sudden change in economic conditions and market volatility. The increase in recurring profit (+1.34%) is

evidence of the solidity of the Bank's core business.
All the components of gross recurring fees grew.
Management fees amounted to 326 million euros, up +4% compared to the previous year, but decreasing slightly in the second quarter compared to the first quarter of the year due to the changed market conditions. **Banking and entry fees** also rose (+49%) thanks to the increase in Assets under Advisory (BGPA), the placement of structured products and the contribution of trading activities.

Within this scenario, the Bank confirmed the strategies previously defined and the 2021 targets already disclosed to the market.

Within this environment of extreme difficulty for the country on the healthcare, economic and social fronts, Banca Generali not only ensured security and protection for savings, but also assumed social responsibility through a series of concrete initiatives. Together with the Generali Group, it created an Extraordinary International Fund allocating 50 million euros for Italy. In addition, the Bank's Board of Directors approved a 1 million euro donation for initiatives in favour of the healthcare structures at the forefront of combating the Coronavirus emergency, which entailed the purchase of four ambulances equipped with all resuscitation facilities, already delivered to the Red Cross, and the support to major non-profit organisation active in acquiring adequate protection equipment (e.g., 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.
From an operational standpoint, the Group's technological infrastructure and digital banking operating procedures have made it possible to implement several processes aimed at keeping up with the increased remote workload and to ensure the full operation of all company activities, without interruptions or service outages, in line with the government initiatives that have deemed banking to be essential services.

The measures adopted and initiatives taken — including those relating to the creation of new products, of which those in support of Italy's SMEs are particularly significant — entailed additional costs that may be estimated at approximately 1.8 million euros; of these costs, 1.4 million euros had already been incurred in the first half of the year, including 0.9 million euros in donations.
In response to the Covid-19 emergency, the Bank also assessed possible stress scenarios and the related medium-and-long-term impacts, above all in terms of profit and loss account performance and financial solidity, considering the development of the relevant market environment.

In particular, in March 2020 — first within the Risks Committee and then within the Board of Directors — a stress scenario was represented involving an acute widening of the spread, tension on the equity market and on rates and a shift in the main macro variables, resulting in lower assets under management and management and performance fees. Even within this scenario, the findings of the analysis conducted confirmed the Bank's financial solidity, with a Total Capital Ratio that nonetheless remained within the tolerance range indicated by the Risk Appetite Framework.

Similarly, from an ICAAP/ILAAP standpoint, an additional stress test was performed and then brought to the attention of the Board of Directors in June, in compliance with the specific request from the Bank of Italy to update the initial capital adequacy and liquidity estimates to take account of the impacts of Covid-19. This scenario — which in particular envisaged a further decline in real GDP in 2020, accompanied by a deterioration of equity market indices and government bond spreads — also confirmed the previous findings, with all main risk and financial solidity indicators that, albeit worsening as a result of the adverse market conditions, projected to remain above the recovery and capacity limits established in the Risk Appetite Framework.

With regard to the incidence of macroeconomic variables, attention should be drawn to the limited correlation found to exist between the decline in GDP and household wealth — a finding that reinforces the sustainability of the Bank's business model and grants it an advantageous position with respect to the other players in the banking market more focused on the traditional credit business.

2. Macroeconomic context

The first half of 2020 was characterised by the spread of Covid-19 at global level. The first news in this regard began to emerge in January, when the Chinese government decided to quarantine the city of Wuhan. The epidemic was not stopped in the East, and the first cases began to occur in the West as well. As the disease spread, European governments and the United States were forced to place their populations on lockdown, resulting in the closure of their economies. After being severely affected by the period of forced quarantine, the economies in question were then gradually reopened starting in May. In this scenario, the main equity indices traversed two distinct market phases. Initially, they declined sharply until mid-March, driven by the evolving health emergency and economic shutdown. Then, at the beginning of the second quarter, the markets rallied significantly.
As a result of the Covid-19 emergency, economic growth estimates have slowed sharply, both in terms of growth and inflation. In 2020, the ECB forecasts that the Eurozone's economy will contract by 8.7%, which is expected to be followed by a recovery of 5.2% in 2021. Inflation remains well below the target level of 2%. According to OECD estimates, global economic activity will fall 6% this year. If infection rates spike again, the contraction could reach 7.6%. Corporate earnings estimates for this year are currently expected to decline by approximately 20% in both Europe and the United States.
Faced with such weak macro and microeconomic data, the main global central banks intervened by applying massive expansionary monetary policy measures. In particular, the European Central Bank set up a programme known as PEPP (Pandemic Emergency Purchase Programme), which initially was planned to amount to 750 billion euros, but was then increased to 1,350 billion euros to provide additional support to the economic recovery in the European Union. This is a temporary securities purchasing programme, the conclusion of which has been postponed until the ECB deems the crisis phase to have ended, and in any event until at least the end of June 2021. The main objective of the PEPP is to prevent spreads from widening too much, with adverse impacts on the Member States in greatest difficulty. Purchases under the Asset Purchase Programme will continue at a monthly rate of 20 billion euros. In March, the US central bank reacted with unprecedented measures. The Federal Reserve cut interest rates by 150 basis points over the half-year to provide maximum support to the economy. Expansionary monetary measures were also applied by other central banks worldwide, including those of China and Japan. In addition to monetary policy, enormous measures were also required in the area of fiscal policy. In late March, the US Congress approved a tax stimulus totalling approximately three trillion dollars. This measure represents the largest fiscal stimulus plan in US history. In Europe, it was decided to suspend budget rules in response to the effects of the virus on the real economy, thus enabling national governments to pursue discretionary fiscal measures.

The European Commission then intervened in support of the Member States by creating a common fund known as the "**Recovery Fund**".
Through the Fund, the Commission will issue debt on the markets guaranteed by the European Union's common budget to increase the resources available to individual countries. Aid will be directed to the sectors of the economy and geographical areas most affected by the crisis, and the EU's long-term budget will be restructured accordingly.
During the European Council session of 17-20 July, the leaders of EU Member States, after heated debate, reached an agreement on the scope and duration of the various measures adopted and the methods for distributing the resources.
The agreed plan, which will now need to be approved by the national parliaments, amounts to 750 billion euros, broken down into 390 billion euros of grants and 360 billion euros of loans to be repaid. The foremost beneficiary of the plan will be Italy, the country most severely affected by the economic crisis, with total resources of 209 billion euros in the form of grants and loans. To access the fund, the governments will be required to submit a spending plan to the European Commission, indicating how they intended to use the aid, and this plan will then need to be approved by a qualified majority of the European Council. An "emergency brake" mechanism has also been created to allow individual countries to report situations of severe deviation from the agreed plans in order to evaluate whether to suspend the planned disbursements. On the basis of this procedure, the resources will be disbursed from the second half of 2021 until the end of 2023.

In the first quarter of 2020, 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%. Starting in April, the markets were able to benefit from combined monetary and fiscal policy measures, culminating in the gradual reopening of the main economies in the following weeks. The S&P500 and Eurostoxx 50 indices closed the first half of 2020 at -3.73% and -12.67%, respectively. The country where it all began, China, ended the first six months of the year in positive territory, with returns on the order of 2% in euro. The best performers in the bear market were 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, in March Bund and U.S. Treasury yields reached historical lows of -0.85% and 0.54%, respectively. Spreads between European Monetary Union countries widened. In particular, the BTP-Bund spread reached approximately 280 bps in March, after which it narrowed to about 200 bps as a result of the more accommodating policies adopted by the European Central Bank and the agreement on the Recovery Fund. Corporate bond spreads widened considerably, and then recovered partially in the second quarter.

In the first half of 2020, the euro-dollar exchange rate was essentially unchanged. The exchange rate was nonetheless extremely volatile due to the series of decisions by governments and central banks. In the first quarter, the euro had weakened in response to a dollar serving as a safe haven currency, but then in the final part of the half-year it benefited from a massive, unified response by the European Union, returning to near the values from the beginning of the year (1.12).

In the first half of the year, the general commodities index (BCOMTR Index) declined sharply, with the contraction concentrated in the first quarter, after which it remained essentially unchanged in the second quarter.
The energy segment was particularly affected, with the price of WTI oil reaching negative levels, an event that had never before occurred. In addition to the COVID-19 emergency, this segment suffered from initial difficulty in implementing the necessary production cuts within OPEC-PLUS, which was then resolved by the May agreements.
Main agricultural commodities and metals 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

On the economic front, 2020 began with a sharp slowdown caused by the Covid-19 pandemic. A deep, yet uneven, recession occurred throughout Europe, with southern countries such as Greece, Italy and Spain most severely affected. According to the economic forecasts prepared by the European Commission, the Italian economy is expected to decline in 2020, with its GDP at approximately -9.5%, followed by an estimated recovery of +6.5% in 2021.

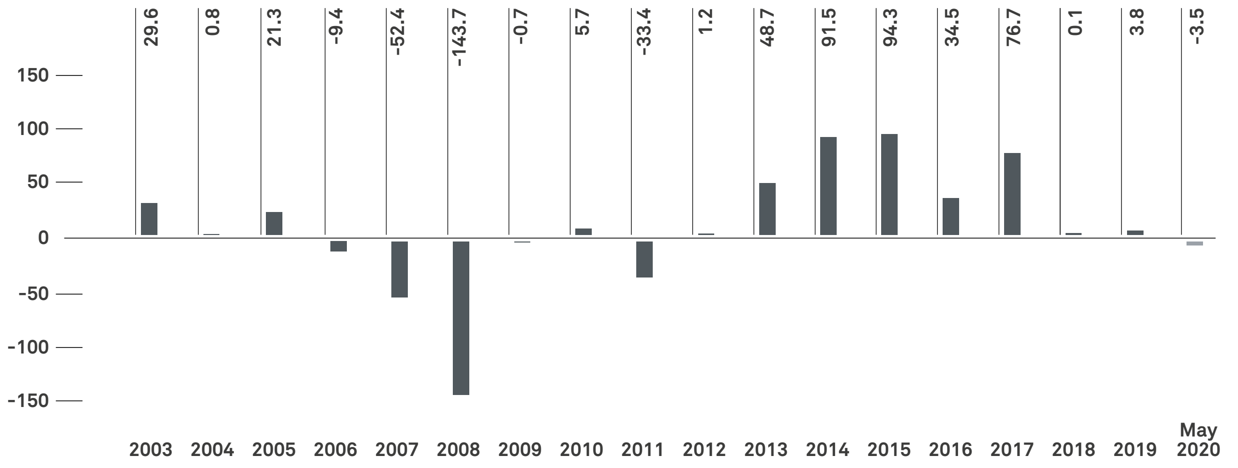
The measures related to the lockdown abruptly slowed Italian private consumption (expected to decrease by -10.9% during the year). The sharp drop in demand and extreme uncertainty were also accompanied by a pronounced decline in investments (-14.2%). According to a study by the Bank of Italy, in the first few months of 2020 household financial wealth decreased due to falling incomes triggered by the pandemic containment measures and declining securities prices. Risk-aversion also increased, with the resulting preference for safer financial instruments.

In a context of extreme market volatility, marked by the resulting importance of diversifying investments, it became even more important to rely on professional asset managers capable of protecting investors' wealth.

During the first five months of 2020, net inflows of the asset management market were negative for 3.5 billion euros. The decline was concentrated in Italian funds (-2.3 billion euros); foreign funds also decreased, although to a lower extent, with negative net inflows of -1.2 billion euros.

The negative balance of net inflows was due to the difference between the net inflows into money-market funds and those into longer-term funds. Money-market funds had assets of 41.8 billion euros in May 2020 (4.1% of total open-ended funds), with total net inflows of 8.4 billion euros. Long-term funds, which accounted for almost all open-ended funds (95.9% in May 2020), reported instead negative net inflows (-11.9 billion euros). Within this category, bond funds remained the main type (39.2% of the total, with assets of 395.4 billion euros) with a decrease of -4.9 billion euros in the first five months of the year. They were followed, in order of importance, by flexible funds with 22.8% of total assets at 229.6 billion euros, after outflows of approximately -7.3 billion euros. Equity funds (assets of 218.7 billion euros; 21.7%) reported a year-to-date decline of -1 billion euros. Balanced funds (assets of 120.2 billion euros; 11.9%) recorded a year-to-date increase of +1.5 billion euros. Hedge funds (assets of 2.3 billion euros; 0.2%) showed a year-to-date drop of -0.2 billion euros.

THE UCITS MARKET IN ITALY SINCE 2003 (€ billion)



Source: Assogestioni data updated May 2020

EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

(€ MILLION)	NET INFLOWS MAY 2020	NET INFLOWS MAY 2019	ASSETS MAY 2020	ASSETS MAY 2019
Italian funds	-2,318	-6,738	231,132	239,918
Foreign funds	-1,140	805	777,095	763,948
Total open-ended funds	**-3,458**	**-5,933**	**1,008,227**	**1,003,866**
GP Retail	**862**	**-358**	**126,471**	**125,645**
Total	**-2,596**	**-6,291**	**1,134,698**	**1,129,511**

Source: Assogestioni data updated May 2020

It is believed that the economic recovery after the pandemic period may have a positive influence on the disposable income of Italian households over the next two years, driving an increase in flows into the financial assets category. The economic scenario and outlook for financial markets are expected to continue to support demand for asset management products capable of ensuring broader diversification of portfolios and improved risk management. Bank bonds held by households will continue to decline, due in part to banks' marketing policies, which will continue to privilege asset management, in support of the profit generated by services. In terms of distribution channels, Financial Advisor networks are expected to retain their competitive advantage, chiefly due to the increasing relevance of advisory services, in which such networks are already more specialise.

3.2 The Assoreti market

In the first five months of 2020, the net inflows recorded by the Assoreti market (which relate to the distribution activity of Financial Advisor networks) amounted to 18.8 billion euros, with a 42% increase compared to the figure reported in 2019.
Approximately 31% of net inflows generated (5.8 billion euros) was allocated to insurance and asset management products, whereas the remainder was invested in AUC.

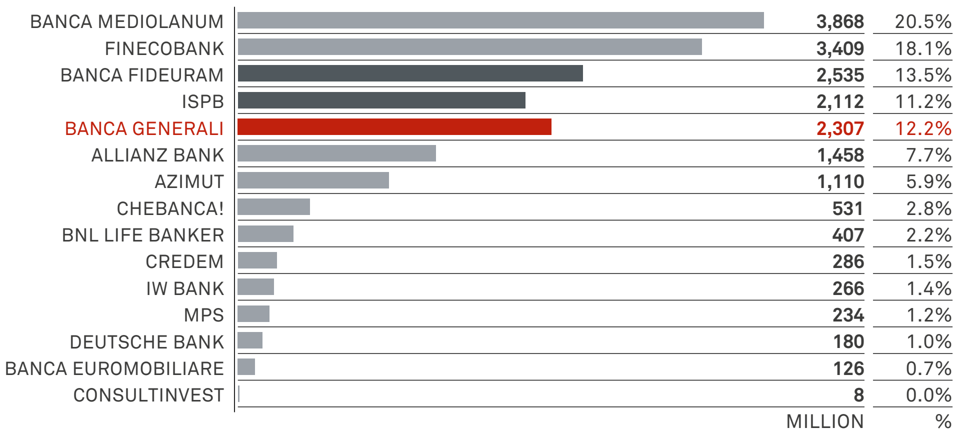
(€ MILLION)	ASSORETI MARKET MAY 2020	MAY 2019	CHANGE
Asset management	2,277	-262	2,539
Insurance products	3,555	4,831	-1,275
AUC	13,004	8,683	4,321
Total	**18,837**	**13,252**	**5,584**

Source: Assoreti data updated May 2020

In the asset management market, the first five months of 2020 saw the positive performance of both the UCITS segment for approximately 1,069 million euros and discretionary mandates for 1,208 million euros.
The insurance sector continued to attract a significant share of investments with net inflows of 3,555 million euros, of which 2,635 million euros related to unit-linked and multi-line policies.
Net inflows generated by AUC amounted to 13,004 million euros, thanks to the significant influx of cash.

3.3 Banca Generali

Against this background, Banca Generali continued to be one of the market leaders in terms of net inflows through Financial Advisors, with 2,307 million euros at the end of May 2020 (latest available figure for Assoreti comparison), with a market share of 12.2%. The per-capita net inflows per Financial Advisor were 1.12 million euros, 38% above the market average (0.81 million euros).

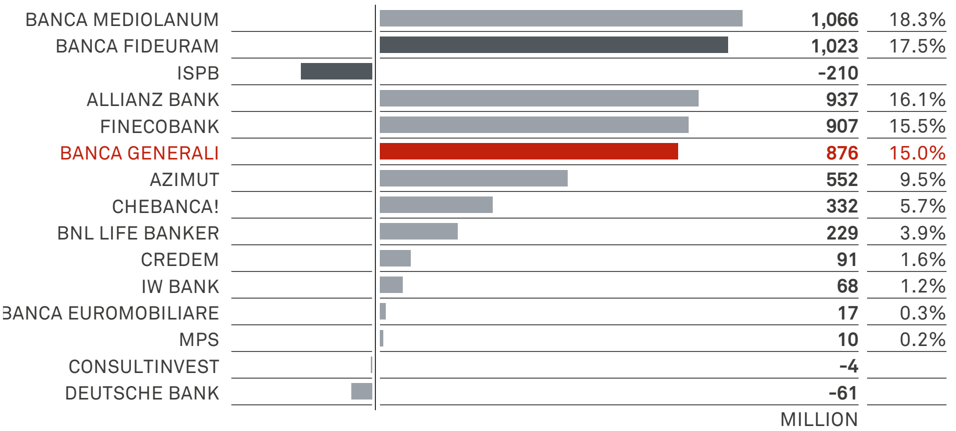


TOTAL NET INFLOWS ASSORETI – 18.8 BILLION EUROS – AND MARKET SHARE % (May 2020, € million)

Source: Assoreti

In terms of net inflows of asset management and insurance products, Banca Generali had a 15.0% market share, with net inflows of asset management and insurance products of 0.41 million euros per capita, 69% above the market average of 0.25 million euros.

NET INFLOWS FROM AUM AND INSURANCE PRODUCTS – ASSORETI – 5.8 BILLION EUROS – AND MARKET SHARE % (May 2020, € million)



Source: Assoreti

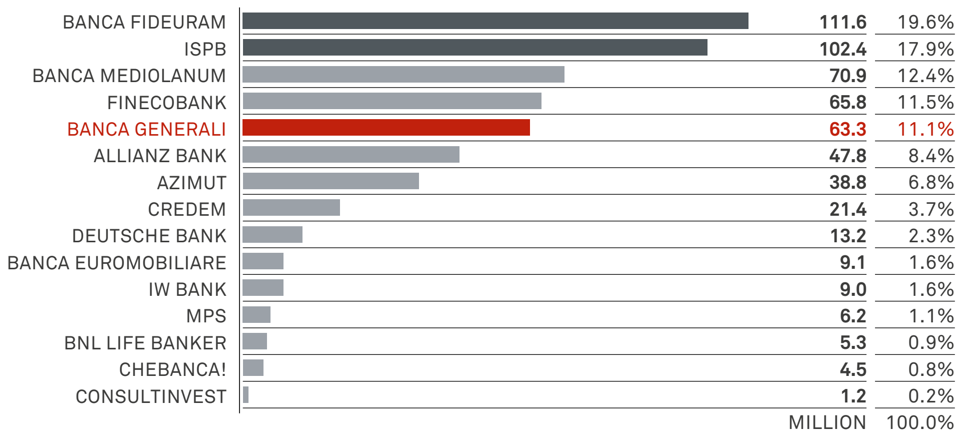
With specific reference to the June figures, the Bank's net inflows further increased to 2,816 million euros. This result reflected the households' high demand for financial advice, in a context where increasingly greater importance is attached to the control of risk and volatility and the diversification potential offered by wrapper products. The Bank is increasingly seen as a beacon for households in search of a secure, reliable and highly professional partner. The figure appears even more significant when considering that it includes almost exclusively organic net inflows.

NET INFLOWS OF BANCA GENERALI

	BG GROUP		CHANGES VS 30.06.2019	
(€ MILLION)	30.06.2020	30.06.2019	AMOUNT	%
Funds and Sicavs	924	506	418	82.6%
Financial wrappers	-67	-267	200	74.9%
Insurance wrappers	357	176	181	102.8%
Total assets under management	**1,214**	**415**	**799**	**192.5%**
Total traditional life insurance policies	**153**	**775**	**-622**	**-80.3%**
Total AUC	**1,449**	**1,648**	**-199**	**-12.1%**
Total net inflows placed by the network	**2,816**	**2,838**	**-22**	**-0.8%**

In terms of Assets Under Management, in March 2020 Banca Generali was once again one of the five top competitors in the Assoreti market, with 63.3 billion euros AUM and a market share of 11.1%.

ASSORETI TOTAL AUM – 570.5 € BILLION – AND MARKET SHARE % (March 2020, € billion)



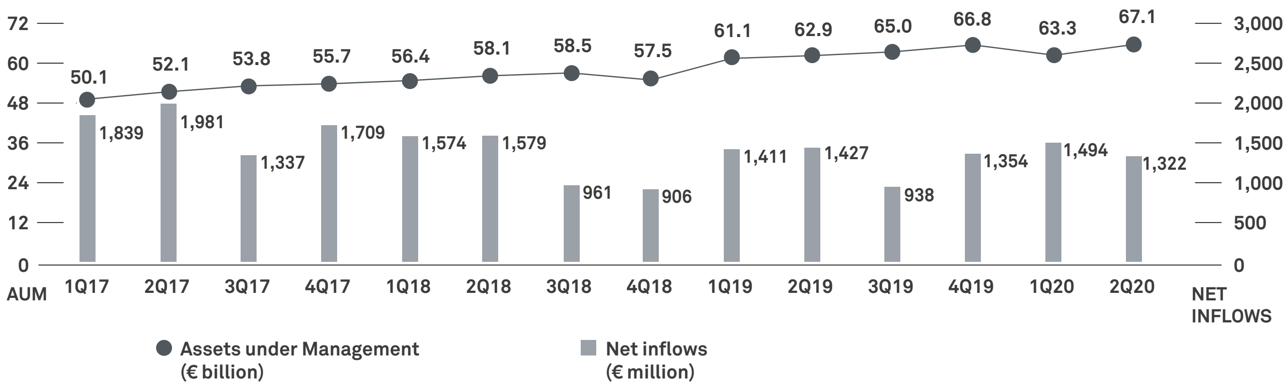
Source: Assoreti

With reference to Banca Generali's total AUM placed by the network, as illustrated in the table below, the portfolio increased by approximately 0.4% in the first half of 2020 compared to the figure at December 2019.
The value of the portfolio at June 2020, amounting to 67.1 billion euros, refers to the Assoreti market, which is directly attributable to the distribution activity carried out through Financial Advisors.
AUM in asset management products declined by -0.6% (funds and Sicavs +0.7%; financial wrappers -4.9%; insurance wrappers 0.4%), whereas traditional life insurance policies grew by 0.2%.
AUC rose by 2.4%, driven chiefly by the net inflows attributable to the acquisition of new customers and the liquidity generally deposited on current accounts in highly volatile markets contexts.

BANCA GENERALI'S ASSETS UNDER MANAGEMENT

	BG GROUP		CHANGES VS 31.12.2019	
(€ MILLION)	30.06.2020	31.12.2019	AMOUNT	%
Funds and Sicavs	16,585	16,478	107	0.7%
Financial wrappers	6,325	6,654	-329	-4.9%
Insurance wrappers	8,711	8,672	39	0.4%
Total assets under management	**31,620**	**31,804**	**-183**	**-0.6%**
Total traditional life insurance policies	**16,559**	**16,534**	**25**	**0.2%**
Total AUC	**18,920**	**18,482**	**438**	**2.4%**
Total AUM placed by the network	**67,099**	**66,819**	**280**	**0.4%**

EVOLUTION OF AUM AND NET INFLOWS



4. Group indirect inflows

The Banking Group's indirect inflows (not limited to the Assoreti market) consist of inflows from retail and corporate customers through the sale of third-party and group products — asset management, insurance products and assets under custody (securities portfolios).

4.1 Asset management and insurance products

Asset management products of the Banking Group

In the first half of 2020, in the asset management segment the Banking Group conducted wealth management operations through individual portfolio management of Banca Generali and collective asset management of BG Fund Management Luxembourg S.A.

	BG GROUP		CHANGES VS 31.12.2019	
(€ MILLION)	30.06.2020	31.12.2019	AMOUNT	%
Funds and Sicavs	17,085	16,933	152	0.9%
GPF/GPM	7,690	8,423	-732	-8.7%
Total Group's managed assets	**24,775**	**25,355**	**-580**	**-2.3%**
of which:				
- UCITS attributable to the Banking Group GPF	*1,574*	*1,798*	*-224*	*-12.5%*
Total assets managed by the Banking Group, net of discretionary mandates, included in the GPF of the Banking Group	**23,201**	**23,557**	**-356**	**-1.5%**

The Banking Group's collective asset management products (funds and Sicavs) are represented by Luxembourg Sicavs placed by BG Fund Management Luxembourg S.A. for approximately 16.7 billion euros, the funds of Nextam Partners for approximately 0.3 billion euros and the funds of Valeur for approximately 0.2 billion euros.
Total assets invested in funds and Sicavs managed by the Banking Group amounted to 17.1 billion euros, up 0.2 million euros (+0.9%) compared to the end of 2019.
Total individual portfolio management (GPF/GPM) of the Banking Group amounted to 7.7 billion euros, declining compared to year-end 2019 (-8.7%). It consists of Banca Generali's discretionary mandates for about 6.3 billion euros, discretionary mandates of Nextam Partners for about 0.4 billion euros and discretionary mandates of Valeur for approximately 1.0 billion euros.

Third-party asset management products

As part of its product brokerage and placement operations, the Group places third-party products in both the asset management and insurance areas.
In further detail, within its Italian mutual funds segment, Banca Generali distributes the products of the Assicurazioni Generali Group and various third companies, in addition to the products of numerous international investment firms in the international UCITS segment. In June 2020, third-party assets amounted to 9.0 billion euros, down 3% compared to year-end 2019. Third-party funds accounted for over 50% of the funds placed by the Banking Group. This was due to the adoption of the open architecture model, which affords customer access to a very wide range of investment products, including at an international level.

In addition, with reference to the placement of third-party products, it should also be noted that over the years investments directed towards the collective asset management solutions of BG Fund Management Luxembourg S.A. developed significantly. These products are placed directly by the Banca Generali Group but invest primarily in third-party UCITS. Moreover, and in confirmation of the product's multi-manager orientation, at the end of 2009 and during the following years, management of a large number of sub-funds has been entrusted directly to several leading international investment firms, using their own brands, thereby significantly expanding the diversification of the asset management portfolios held by the Bank's customers. A similar strategy has been recently adopted for the sub-funds of Lux IM, a new Luxembourg Sicav launched in April 2018 that leverages on the Generali Group's management experience in the markets offering sub-funds broken down by asset class and specialised by geographical area. Overall, about 78% of BG Lux IM portfolios resorts to third-party management.

(€ MILLION)	BG GROUP 30.06.2020	BG GROUP 31.12.2019	CHANGES VS 31.12.2019 AMOUNT	CHANGES VS 31.12.2019 %
Funds and Sicavs	9,023	9,304	-281	-3.0%
GPF/GPM	13	14	0	-1.8%
Total third-party asset management products	**9,037**	**9,318**	**-281**	**-3.0%**

Third-party insurance products

Almost all assets invested in insurance and pension products consist of traditional and multi-line policies of Genertellife, a company of the Assicurazioni Generali Group, placed under the brand BG Vita. In June 2020, assets stood at 24.6 billion euros, up 0.1% compared to December 2019. Net inflows from insurance products amounted to 0.5 billion euros in the first six months of 2020 (of which 0.36 billion euros in the multi-line policies BG Stile Libero and LUX Protection Life).

(€ MILLION)	BG GROUP 30.06.2020	BG GROUP 31.12.2019	CHANGES VS 31.12.2019 AMOUNT	CHANGES VS 31.12.2019 %
Insurance products (unit-linked, traditional policies, etc.)	24,585	24,556	28	0.1%
Total third-party insurance products	**24,585**	**24,556**	**28**	**0.1%**

4.2 Assets Under Administration and Custody

Indirect net inflows of AUC consist of securities deposited by retail and corporate customers for custody and administration in portfolios opened with the Parent Company, Banca Generali. At 30 June 2020, indirect net inflows amounted to 10.3 billion euros at market value, compared to 9.9 billion euros at the end of 2019 (+3.6%).

(€ MILLION)	BG GROUP 30.06.2020	BG GROUP 31.12.2019	CHANGES VS 31.12.2019 AMOUNT	CHANGES VS 31.12.2019 %
Indirect inflows of AUC of the Banking Group at market values	10,259	9,907	352	3.6%
of which:				
- *securities portfolios of the Banca Generali's customers*	*360*	*396*	*-36*	*-9.2%*
- *other customers' securities portfolios*	*9,899*	*9,510*	*389*	*4.1%*

5. Operating result and performance of the main net equity aggregates

5.1 Profit and Loss results

The Group's net profit at the end of the first half of 2020 amounted to 131.9 million euros, essentially in line with the same period of the previous year[3], despite the severe financial and economic crisis that swept through the world economy following the outbreak of the coronavirus (Covid-19) pandemic emergency beginning in the second half of February.

(€ THOUSAND)	30.06.2020	30.06.2019	CHANGE AMOUNT	CHANGE %
Net interest income	42,400	33,582	8,818	26.3%
Net income (loss) from trading activities and dividends	8,400	6,046	2,354	38.9%
Net financial income	**50,800**	**39,628**	**11,172**	**28.2%**
Fee income	455,196	424,469	30,727	7.2%
Fee expense	-203,791	-191,395	-12,396	6.5%
Net fees	**251,405**	**233,074**	**18,331**	**7.9%**
Net banking income	**302,205**	**272,702**	**29,503**	**10.8%**
Staff expenses	-51,255	-45,011	-6,244	13.9%
Other general and administrative expenses	-79,787	-71,422	-8,365	11.7%
Net adjustments of property, equipment and intangible assets	-15,509	-13,792	-1,717	12.4%
Other operating expenses/income	33,147	29,363	3,784	12.9%
Net operating expenses	**-113,404**	**-100,862**	**-12,542**	**12.4%**
Operating result	**188,801**	**171,840**	**16,961**	**9.9%**
Net adjustments for non-performing loans	-4,662	-1,143	-3,519	n.a.
Net provisions for liabilities and contingencies	-14,391	-9,336	-5,055	54.1%
Gains (losses) from equity investments	-75	-85	10	-11.8%
Operating profit before taxation	**169,673**	**161,276**	**8,397**	**5.2%**
Income taxes for the period	-37,732	-28,476	-9,256	32.5%
Net profit attributable to minority interests	-7	-	-7	n.a.
Net profit	**131,948**	**132,800**	**-852**	**-0.6%**

Reclassified net banking income[4] amounted to 302.2 million euros, with an increase of 29.5 million euros (+10.8%) compared to the first half of 2019, determined by the following factors:

> the increase in **net financial income (+28.2%)**, which benefited from the growth of **net interest income (26.3%)**, driven by both growth in average loan volumes (+28.4%) and more efficient management of liquidity;

> the growth of **net recurring fees (+9.8%)**, fuelled by the strong boost provided by **banking and entry fees** (+37.0%), which benefited from the considerable development of certificate placement activity and the greater revenues on advisory services, respectively, and by **management fees** (+4.3%);

[3] 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.

[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 6.5 million euros for 2020 and 6.9 million euros for 2019.

> the contribution by **performance fees (+3.4%)**, mainly 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 5.4 million euros, slightly more than 1.8% of consolidated net banking income.

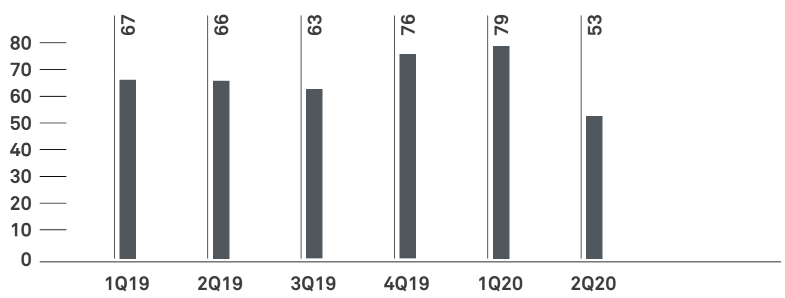
Operating expenses were 113.4 million euros, increasing compared to the previous year (+12.4%). The change was broadly attributable to the 7.7 million euro contribution of the acquisition of Nextam and Valeur[5] and other non-recurring costs amounting to 2.2 million euros[6]. Net of these items, core expenses[7] showed a 2.5% 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 32.4%, whereas the adjusted cost/income ratio[8] stood at 38.2%, thus confirming the Bank's excellent operating efficiency.

Provisions and net adjustments amounted to 19.1 million euros, up by 8.6 million euros on the same period of 2019, due to the greater net provisions for contractual indemnities for the sales network (+6.4 million euros), partly due to the alignment of discounting rates applied to actuarial-statistic evaluation (+4.0 million euros), and provisions for expected credit losses on the performing debt securities and loans portfolios.
This aggregate includes value adjustments amounting to 1.8 million euros and tied to the alignment of the measurement criteria following the significant changes of the macro economic scenario.

Operating profit before taxation was 169.7 million euros, up 8.4 million euros compared to the same period of 2019 (+5.2%). The tax burden for the reporting period increased sharply to an overall tax rate of 22.2%, due both to the increased weight of the tax burden generated abroad and the impact of infragroup dividends distributed in the first half of 2020.

QUARTERLY NET PROFIT (€ million)



5 Over 0.4 million euros referred to the amortisation of the intangible assets acquired in the business combinations.
6 They include M&A expenses amounting to 1.2 million euros and the donations made in light of the Covid-19 emergency for 1.0 million euros.
7 Operating expenses net of expenses related to sales personnel.
8 Cost/income ratio net of performance fees, charges in support of the banking system (4.0 million euros) and the aforementioned non-recurring costs (2.2 million eu-ros).

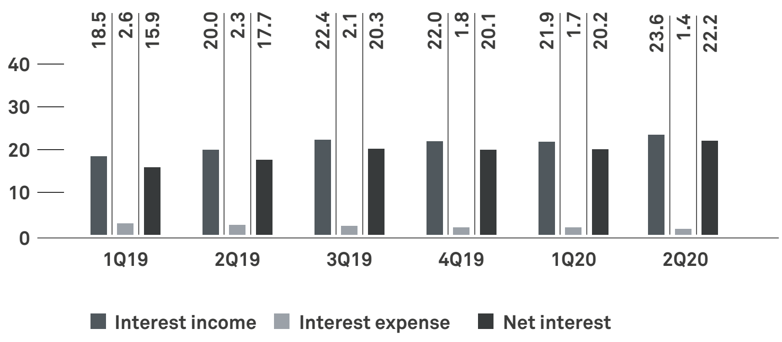
QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19
Net interest income	22,160	20,240	20,149	20,284	17,708	15,874
Net income (loss) from trading activities and dividends	4,422	3,978	4,866	3,261	2,051	3,995
Net financial income	**26,582**	**24,218**	**25,015**	**23,545**	**19,759**	**19,869**
Fee income	206,305	248,891	247,901	208,644	216,495	207,974
Fee expense	-99,433	-104,358	-103,304	-96,505	-97,134	-94,261
Net fees	**106,872**	**144,533**	**144,597**	**112,139**	**119,361**	**113,713**
Net banking income	**133,454**	**168,751**	**169,612**	**135,684**	**139,120**	**133,582**
Staff expenses	-25,586	-25,669	-29,600	-22,608	-23,221	-21,790
Other general and administrative expenses	-39,916	-39,871	-52,381	-38,878	-36,246	-35,176
Net adjustments of property, equipment and intangible assets	-7,771	-7,738	-8,803	-7,360	-7,000	-6,792
Other operating expenses/income	17,008	16,139	25,334	14,009	15,641	13,722
Net operating expenses	**-56,265**	**-57,139**	**-65,450**	**-54,837**	**-50,826**	**-50,036**
Operating result	**77,189**	**111,612**	**104,162**	**80,847**	**88,294**	**83,546**
Net adjustments for non-performing loans	-3,602	-1,060	-3,119	-1,125	-5,132	3,989
Net provisions	-6,157	-8,234	-11,308	-3,637	-3,215	-6,121
Gains (losses) from equity investments	-38	-37	-1,628	-154	-26	-59
Operating profit before taxation	**67,392**	**102,281**	**88,107**	**75,931**	**79,921**	**81,355**
Income taxes for the period	-14,502	-23,230	-12,015	-12,701	-13,745	-14,731
Net profit attributable to minority interests	-6	-1	-17	-	-	-
Net profit	**52,896**	**79,052**	**76,109**	**63,230**	**66,176**	**66,624**

5.1.1 Net Interest income

Net interest income amounted to 42.4 million euros, up 8.8 million euros compared to the same period of 2019 (+26.3%), owing to the combined effect of the increase in interest income (+18.0%), driven by the financial asset portfolio and the negative interest on net inflows, and the concurrent decline in interest expense (-38.2%).

NET INTEREST (€ million)



In detail, the increase in interest income on the debt securities portfolio (+20,7%) was fully attributable to the increase in the average positions in this portfolio (+28.4%) against the its relatively stable profitability.
In the period, the average yield of the bond portfolio was approximately 80 bps, slightly decreasing compared to the previous year (- 5 bps), whereas the weighted average yield of the HTC portfolio stood at 1.2%.

Interest on loans to customers, most of which are benchmarked on the Euribor, reported a slight increase against an average loan volume that remained essentially stable compared to the same period of 2019.

Interest expense declined by 1.9 million euros (-38.2%), mainly owing to the lesser charges due to the early repayment, at the end of 2019, of the subordinated Tier 2 loan (-0.8 million euros) and the reduction in negative interest income on demand deposits with the ECB (-0.9 million euros).

(€ THOUSAND)	30.06.2020	30.06.2019	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	32	63	-31	-49.2%
Financial assets at fair value through other comprehensive income (*)	657	1,854	-1,197	-64.6%
Financial assets at amortised cost (*)	31,843	25,045	6,798	27.1%
Total financial assets	**32,532**	**26,962**	**5,570**	**20.7%**
Loans to banks	126	380	-254	-66.8%
Loans to customers	10,285	10,226	59	0.6%
Other assets	2,502	938	1,564	166.7%
Total interest income	**45,445**	**38,506**	**6,939**	**18.0%**
Due to banks	443	308	135	43.8%
Due to customers	529	954	-425	-44.5%
Repurchase agreements - customers	-	43	-43	-100.0%
Subordinated loan	-	834	-834	-100.0%
IFRS 16-related financial liabilities	1,761	1,705	56	3.3%
Other liabilities	312	1,080	-768	-71.1%
Total interest expense	**3,045**	**4,924**	**-1,879**	**-38.2%**
Net interest income	**42,400**	**33,582**	**8,818**	**26.3%**

(*) Including hedging differentials.

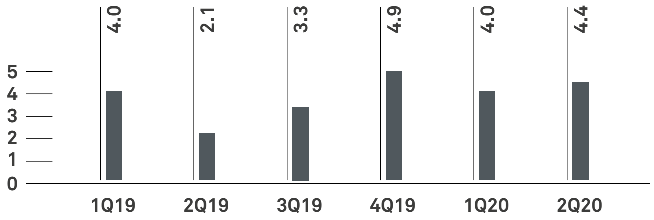
The negative interest income paid to counterparties on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 0.3 million euros and 2.5 million euros, respectively.
The expenses incurred related to balances held with the Central Bank, whereas the income accrued related chiefly to account deposit net inflows from both institutional and non-institutional clients, for specific agreements and for particularly high deposit amounts (1.7 million euros), and from funding treasury repurchase agreements with banks and customers (0.6 million euros) and income associated with the TLTRO (0.2 million euros).

(€ THOUSAND)	30.06.2020	30.06.2019	CHANGE AMOUNT	CHANGE %
Banks (of which 206 repurchase agreements)	426	3	423	n.a.
Customers (of which 413 repurchase agreements)	2,076	935	1,141	122.0%
Total income for negative interest expense	**2,502**	**938**	**1,564**	**166.7%**
Banks (of which 63 ECB)	226	1,056	-830	-78.6%
Customers	86	24	62	n.a.
Total expense for negative interest income	**312**	**1,080**	**-768**	**-71.1%**
Net negative interest income and expense	**2,190**	**-142**	**2,332**	**n.a.**

5.1.2 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 half of 2020, the item yielded a positive contribution of 8.4 million euros, sharply up compared to the previous year.

(€ THOUSAND)	30.06.2020	30.06.2019	CHANGE AMOUNT	CHANGE %
Dividends and income on UCITS	**1,696**	**2,156**	**-460**	**-21.3%**
Trading of financial assets and equity derivatives	-75	11	-86	n.a.
Trading of financial assets and derivatives on debt securities and interest rates	-88	556	-644	-115.8%
Trading of UCITS units	-124	-5	-119	n.a.
Securities transactions	-287	562	-849	-151.1%
Currency and currency derivative transactions	3,442	2,664	778	29.2%
Net income (loss) from trading activities	**3,155**	**3,226**	**-71**	**-2.2%**
Equity securities and UCITS	-2,891	-870	-2,021	n.a.
Debt securities	-28	22	-50	n.a.
Financial Advisors' policies	51	125	-74	-59.2%
Net income (loss) on assets mandatorily measured at fair value through profit and loss	**-2,868**	**-723**	**-2,145**	**n.a.**
Net income (loss) from hedging	**83**	**17**	**66**	**n.a.**
Debt securities	6,333	1,370	4,963	n.a.
Gains (losses) from disposal on HTC and HTCS debt securities	6,333	1,370	4,963	n.a.
Net result of financial operations	**8,399**	**6,046**	**2,353**	**38.9%**

Net income from **trading activities** amounted to 3.2 million euros, thanks to the contribution of currency operations.

Outside the trading book, net income on **assets mandatorily measured** at **fair value** through profit or loss decreased by -2.9 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 positively contributed instead 6.3 million euros, up sharply compared to 1.4 million euros for the previous year.

(€ THOUSAND)	TRANSFER OF RESERVES	GAINS	LOSSES	CAPITAL GAINS	CAPITAL LOSSES	30.06.2020	30.06.2019	CHANGE
Debt securities at fair value through other comprehensive income	821	602	-4,078	X	X	-2,655	1,310	-3,965
Debt securities at amortised cost	X	8,996	-7	X	X	8,989	60	8,929
Financial assets mandatorily measured at fair value:	X	3	-	88	-2,960	-2,869	-723	-2,146
Debt securities and FITD contribution	X	-	-	-	-28	-28	22	-50
UCITS units	X	2	-	21	-2,391	-2,368	1,348	-3,716
Equity securities	X	-	-	-	-524	-524	-2,218	1,694
Financial Advisors' policies	X	1	-	67	-17	51	125	-74
Total	**821**	**9,601**	**-4,085**	**88**	**-2,960**	**3,465**	**647**	**2,818**

5.1.3 Fee income

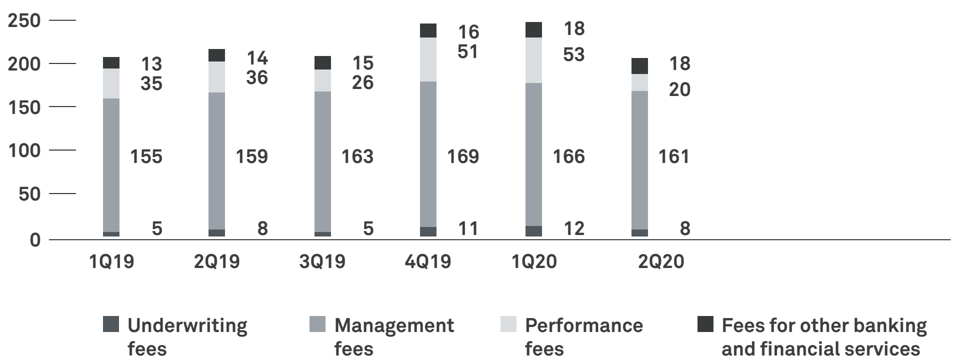
Fee income amounted to 455.2 million euros, up 7.2% compared to the first half of 2019 owing to the robust growth of recurring underwriting fees and fees for other trading and advisory services.
The new acquisitions of Valeur and Nextam contributed 7.1 million euros, or 1.6% of the total.

			CHANGE	
(€ THOUSAND)	30.06.2020	30.06.2019	AMOUNT	%
Underwriting fees	19,866	13,294	6,572	49.4%
Management fees	326,681	313,280	13,401	4.3%
Performance fees	73,194	70,815	2,379	3.4%
Fees for other services	35,455	27,080	8,375	30.9%
Fee income	**455,196**	**424,469**	**30,727**	**7.2%**
Recurring fees	**382,002**	**353,654**	**28,348**	**8.0%**

Management fees grew modestly compared to the same period of the previous year (+4.3%), which had continued to reflect the effects of the sharp market correction in late 2018.
The increase in fees was also borne out by the significant growth in **underwriting fees** (+49.4%) and **fees for other banking and financial services** (+30.9%) that benefited, respectively, from the performance of certificate placement (+4.4 million euros) and higher revenues arising from advanced advisory services (+4.7 million euros).
In this regard, it should be noted that **Assets under Advisory** grew significantly at the end of the first half of 2020, bringing the total value of AUM to 5.1 billion euros (4.0 billion euros at the end of the first half of 2019), with a 1.1 billion euro improvement year-on-year.

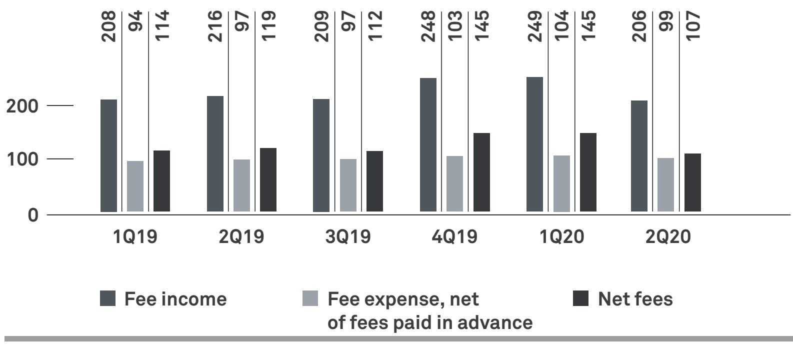
The economic and financial crises triggered by the Covid-19 emergency slowed growth within the fee aggregate, which however has been proving quite resilient up to now.
In the second quarter of 2020, **recurring fees** neared 187 million euros, down 4.6% compared to the previous quarter and only marginally impacted by the effects of the crisis (-0.70%). However, this item remained above the quarterly average reported for the previous year.
In detail, **management fees** (-2.9%) were affected by the effects generated on AUM by the market volatility and customers' propensity towards deposits, whereas underwriting fees reported a sharp decline in the placement of certificates (-33%) as the favourable market conditions emerged in the first quarter were no longer in place.

BREAKDOWN OF FEE INCOME (€ million)



The **non-recurring component** proved resilient compared to the first half of 2019 (+3.4%), thanks 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; however, this component declined sharply in the second quarter of (-63%), buoyed only by the market recovery at the end of the period.

QUARTERLY NET FEES (€ million)



Fee income from the solicitation of investment and asset management of households reached 419.7 million euros and, net of the aforementioned recurring component, it increased by 6.1% compared to the first half of 2019 and decreased by 5.0% on the first quarter of 2020 (-6.6% compared to the fourth quarter of 2019).

The new acquisitions of Valeur and Nextam contributed 6.3 million euros, or 1.5% of the total. This amount included 0.5 million euros for management fees related to the Italian funds business, which was de-merged at the end of the period.

			CHANGE	
(€ THOUSAND)	30.06.2020	30.06.2019	AMOUNT	%
1. Collective portfolio management	195,483	187,491	7,992	4.3%
2. Individual portfolio management	38,790	37,988	802	2.1%
Fees for portfolio management	**234,273**	**225,479**	**8,794**	**3.9%**
1. Placement of UCITS	51,193	48,911	2,282	4.7%
- *of which: underwriting of UCITS promoted by the Group*	*3,225*	*2,430*	*795*	*32.7%*
2. Placement of bonds and equity securities	12,841	7,002	5,839	83.4%
- *of which: certificates*	*10,834*	*6,411*	*4,423*	*69.0%*
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	446	391	55	14.1%
4. Distribution of third-party insurance products	119,952	115,394	4,558	3.9%
5. Distribution of other third-party financial products	1,035	212	823	n.a.
Fees for the placement and distribution of financial services	**185,467**	**171,910**	**13,557**	**7.9%**
Asset management fee income	**419,740**	**397,389**	**22,351**	**5.6%**

Fee income from **distribution of insurance products** continued to report constant progress (+3.9% compared to the same period of the previous year), thanks to the steady increase in average AUM in this segment (+3.7%).

With regard to the **Sicavs** promoted by the Banking Group, management fees — net of the effect of non-recurring performance components — grew by 3.2% compared to the first half of 2019, thanks to the increasingly positive results reported by the new sub-funds of the Sicav Lux IM, whose AUM totalled 11.4 billion euros (of which 4.5 billion euros placed to retail customers).

Fees for the **placement of UCITS** amounted to 51.2 million euros, with an increase of 4.7% on the first half 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 10.8 million euros compared to 6.4 million euros reported in 2019.

Fee income for other services, of a banking and financial nature, amounted to 35.5 million euros, thanks to the aforementioned rise in Assets under Advisory (+43.7%) and greater fees for trading driven by the increase in retail customers' trading volumes (+33.9%).

			CHANGE	
(€ THOUSAND)	30.06.2020	30.06.2019	AMOUNT	%
Fees for trading and custody	15,777	11,780	3,997	33.9%
Investment advisory fees	15,354	10,685	4,669	43.7%
- *of which on AG Group's unit-linked policies*	*3,007*	*2,889*	*118*	*4.1%*
Fees for collection and payment services	1,898	2,054	-156	-7.6%
Fee income and account-keeping expenses	901	943	-42	-4.5%
Fees for other services	1,526	1,618	-92	-5.7%
Total fee income for other services	**35,456**	**27,080**	**8,376**	**30.9%**

5.1.4 Fee expense

Fee expense, including fee provisions[9], amounted to 203.8 million euros, with a limited impact generated by new acquisitions (0.5%).
The 6.5% 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 53.3%, slightly up compared to the same period of the previous year (54.1%).

			CHANGE	
(€ THOUSAND)	30.06.2020	30.06.2019	AMOUNT	%
Fees for off-premises offer	**181,350**	**172,427**	**8,923**	**5.2%**
Other fees	**22,441**	**18,969**	**3,472**	**18.3%**
Fees for portfolio management	15,084	13,548	1,536	11.3%
Fees for dealing in securities and custody	3,991	2,850	1,141	40.0%
Fees for collection and payment services	1,853	2,056	-203	-9.9%
Fees for other services	1,513	515	998	193.8%
Total fee expense	**203,791**	**191,396**	**12,395**	**6.5%**

Fee expense for off-premises offer paid to the Financial Advisors network amounted to 181.3 million euros, up 8.9 million euros compared to the first half of 2019 (+5.2%), mainly attributable to the increase in ordinary payout (+8.0 million euros), driven by the placement of certificates and advisory and, to a lower extent, to incentive fees.

Fees for portfolio management amounted to 15.1 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.

Other **fee expense for other services, of both a banking and financial nature**, totalled 7.4 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.

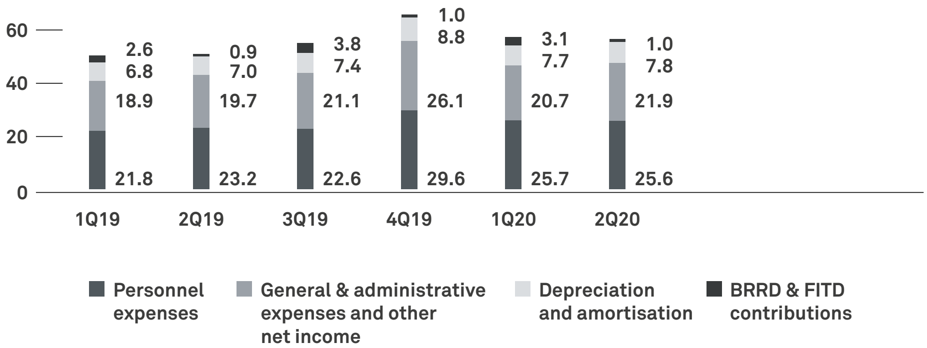
[9] In order to ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentives related to sales and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 6.5 million euros for 2020 and 6.9 million euros for 2019.

5.1.5 Operating expenses

Operating expenses amounted to 113.4 million euros, increasing by 12.4% compared to the previous year.
The change was broadly attributable to the 7.7 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 and the donations made in light of the Covid-19 emergency for 1.0 million euros. Net of these items, core expenses reported a 2.4% organic growth, mainly tied to the acceleration of the three-year plan's strategic projects and the launch of the BG Training & Innovation Hub.

			CHANGE	
(€ THOUSAND)	30.06.2020	30.06.2019	AMOUNT	%
Staff expenses	51,255	45,011	6,244	13.9%
General and administrative expenses (net of duty recovery) and other net income	42,621	38,525	4,096	10.6%
BRRD and FITD contributions	4,019	3,534	485	13.7%
Net adjustments of property, equipment and intangible assets	15,509	13,792	1,717	12.4%
Operating expenses	**113,404**	**100,862**	**12,542**	**12.4%**

BREAKDOWN OF OPERATING EXPENSES (€ million)



Staff expenses, including full-time employees, interim staff and directors, reached 51.3 million euros, up 6.2 million euros compared to the previous year (+13.9%), due to higher costs associated with the consolidation of the Nextam Group and Valeur, which contributed 5.6 million euros, of which 1.6 million euros related to the variable component accrued in the period.

Net of the aforementioned item, the aggregate grew slightly by 1.6%, mainly due to the ordinary component of remuneration and the increase in the average workforce.

			CHANGE	
(€ THOUSAND)	30.06.2020	30.06.2019	AMOUNT	%
1) Employees	**50,542**	**44,284**	**6,258**	**14.1%**
Ordinary remuneration	38,813	33,895	4,918	14.5%
Variable remuneration and incentives	9,137	7,521	1,616	21.5%
Other employee benefits	2,592	2,868	-276	-9.6%
2) Other staff	**-124**	**33**	**-157**	**n.a.**
3) Directors and Auditors	**837**	**694**	**143**	**20.6%**
Total	**51,255**	**45,011**	**6,244**	**13.9%**

The Group had an employee headcount of 981 at period-end, up sharply by 64 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.

	30.06.2020	30.06.2019	CHANGE AMOUNT	%
Managers	68	53	15	28.3%
Executives	307	285	22	7.7%
- *3rd and 4th level executives*	*178*	*162*	*16*	*9.9%*
- *1st and 2nd level executives*	*129*	*123*	*6*	*4.9%*
Other employees	606	579	27	4.7%
- *of which: part-time*	*59*	*52*	*7*	*13.5%*
Total	**981**	**917**	**64**	**7.0%**

Other general and administrative expenses and other net income amounted to 42.6 million euros, with a 4.1 million euro increase compared to the previous year (+10.6%).
This effect was partially driven by greater expenses arising from the consolidation of the Nextam Partners Group and Valeur (1.7 million euros) and the aforementioned M&A activities. Net of these items, core expenses reported a 1.7% organic growth.

Expenses related to the contributions to the Italian National Resolution and Interbank Deposit Protection Funds amounted to 4.0 million euros and included both the ordinary contributions to the Single Resolution Fund (3.1 million euros), and the additional contribution requested by the National Resolution Fund managed by the Bank of Italy to cover the interventions undertaken in 2015 as part of the Resolution plan for four local banks (+0.9 million euros).[10]

(€ THOUSAND)	30.06.2020	30.06.2019	CHANGE AMOUNT	%
Adjustments/reversals of property and equipment	872	737	135	18.3%
Adjustments/reversals of rights-of-use acquired through leases	9,594	8,788	806	9.2%
Adjustments/reversals of intangible assets	5,043	4,267	776	18.2%
Total	**15,509**	**13,792**	**1,717**	**12.4%**

5.1.6 Net provisions

Net provisions not relating to fees amounted to 14.4 million euros, up 5.0 million euros compared to the same period of the previous year, mainly due to the sums accrued to cover contractual commitments to the sales network (+6.4 million euros).
The increase was due, for approximately 4.0 million euros, to the change in the discount curve.[11]
Provisions referred to termination indemnities pursuant to Article 1751 of the Italian Civil Code for 5.4 million euros (of which 2.8 million euros due to the rate effect and 5.4 million euros to the 2020-2026 fourth cycle of the Framework Loyalty Programme for the Financial Advisor Network.

(€ THOUSAND)	30.06.2020	30.06.2019	CHANGE AMOUNT	%
Provision for staff liabilities and contingencies	686	1,367	-681	-49.8%
Provisions for legal disputes	9	954	-945	-99.1%
Provision for contractual indemnities to the sales network	13,093	6,670	6,423	96.3%
Other provisions for liabilities and contingencies	603	379	224	59.1%
Guarantees and commitments	-	-34	34	-100.0%
Total	**14,391**	**9,336**	**5,055**	**54.1%**

[10] In accordance with international accounting Standards (IFRIC 21) and Bank of Italy's technical guidelines, ordinary contributions to the Interbank Deposit Protection Fund (FITD) maturing in the third quarter of the year were not recognised as at 30 June 2020.

[11] In particular, the discount rate applied to actuarial provisions is determined on the basis of the average values of the EURIRS rates applicable to the average life of the population, increased by the spread between the ten-year BTP and ten-year EURIRS. The decline in the rate at the end of the first half of 2020 thus reflected the contraction in the final year of the spreads on government bonds, slowed only by the brief spike during the most critical period of the pandemic emergency in Italy, from late February to early May 2020.

5.1.7 Adjustments

Net adjustments for non-performing loans amounted to 4.7 million euros, up by 3.5 million euros on the first half of 2019, owing mainly to the greater impact of collective adjustments (ECLs) on the portfolio of debt securities and on performing loans to customers (Stage 1 and Stage 2).[12]

In the first half of 2020, the greater provisions for expected credit losses (ECLs) on the portfolio of debt securities and loans to customers totalled 3.9 million euros.
The increase in provisions for debt securities (2.1 million euros) was mainly caused by the new provisions required by the purchases undertaken during the half-year and only to a lesser extent by the deterioration of the probability of default (PD) of the government bond portfolio, which was thus able to benefit from the support of the measures taken by the ECB.

As regards the portfolio of loans to customers, the increase was due to:
- the recalibration of loss parameters (PD and LGD) with the new macroeconomic scenario variables (Forward-Looking Information - FLI), reflecting the changed economic prospects resulting from the deep crisis triggered by the Covid-19 pandemic (1.2 million euros);
- the gradual deterioration of the rating classes assigned to customers in connection with performing stage 1 loans (+0.6 million euros).

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS ADJUSTMENTS	30.06.2020	30.06.2019	CHANGE
Specific adjustments/reversals	**-1,008**	**198**	**-810**	**-6,202**	**5,392**
Debt securities	-	-	-	-6,555	6,555
Non-performing loans of the banking book	-635	192	-443	426	-869
Operating loans to customers	-373	6	-367	-73	-294
Portfolio adjustments/reversals	**-3,875**	**23**	**-3,852**	**5,059**	**-8,911**
Debt securities	-2,054	-	-2,054	5,188	-7,242
Performing loans to customers and banks	-1,821	23	-1,798	-129	-1,669
Total	**-4,883**	**221**	**-4,662**	**-1,143**	**-3,519**

5.1.8 Income taxes

Income taxes for the period on a current and deferred basis were estimated at 37.7 million euros, up 9.2 million euros compared to estimated taxes at the end of the first half of 2019.
The estimated total tax rate was 22.2%, up compared to the same period of the previous year, chiefly due to the increase in the tax rate incurred abroad and, to a lower extent, to the impact of infragroup dividends distributed in the first half of 2020.

			CHANGE	
(€ THOUSAND)	30.06.2020	30.06.2019	AMOUNT	%
Current taxes for the period	-37,247	-24,475	-12,772	52.2%
Prior years' taxes	78	14	64	n.a.
Changes of prepaid taxation (+/-)	-1,208	-4,566	3,358	-73.5%
Changes of deferred taxation (+/-)	645	551	94	17.1%
Total	**-37,732**	**-28,476**	**-9,256**	**32.5%**

12 It should be noted that the first half 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 (5.2 million euros), offset by the 6.5 million euro analytical impairment of the 14 million euro subordi-nated loan issued by Tyndaris Services Ltd and set to expire at the end of 2021.

5.1.9 Earnings per share

The first half of 2020 closed with basic net earnings per share of 1.14 euros.

	30.06.2020	30.06.2019	CHANGE AMOUNT	CHANGE %
Net profit for the period (€ thousand)	131,948	132,800	-852	-0.6%
Earnings attributable to ordinary shares (€ thousand)	131,948	132,800	-852	-0.6%
Average number of outstanding shares (thousand)	115,431	116,482	-1,051	-0.9%
EPS - Earnings per share (euros)	**1.14**	**1.14**	**-**	**0.3%**
Average number of outstanding shares with diluted share capital (thousand)	115,431	116,482	-1,051	-0.9%
EPS - Diluted earnings per share (euros)	**1.14**	**1.14**	**-**	**0.3%**

5.1.10 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 half of 2020, the latter component provided a negative overall contribution of 2.8 million euros, against a net positive change of 10.1 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 3.3 million euros;
> the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-0.8 million euros);
> the positive net tax effect associated with the above changes and resulting from increases in DTAs and re-absorption of DTLs (+1.3 million euros).

(€ THOUSAND)	30.06.2020	30.06.2019	CHANGE AMOUNT	CHANGE %
Net profit	**131,941**	**132,800**	**-859**	**-0.6%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	-3	1	-4	n.a.
Financial assets at fair value through other comprehensive income	-2,764	10,065	-12,829	-127.5%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-172	-129	-43	33.3%
Total other income, net of income taxes	**-2,939**	**9,937**	**-12,876**	**-129.6%**
Comprehensive income	**129,002**	**142,737**	**-13,735**	**-9.6%**
Consolidated comprehensive income attributable to minority interests	-10	-	-10	n.a.
Comprehensive income attributable to the Group	**129,012**	**142,737**	**-13,725**	**-9.6%**

5.2 Balance sheet and net equity aggregates

At the end of the first half of 2020, total consolidated assets amounted to 12.3 billion euros, increasing by nearly 0.6 billion euros (+4.7%) compared to the end of 2019.
Total net inflows stood at 10.8 billion euros, up 0.3 billion euros overall.
This aggregate decreased compared to the first quarter of the year (-0.4 billion euros), due to a decline in net inflows from customers (-0.8 billion euros), offset by the increase of the interbank component (TLTRO).

Core loans thus totalled 11.6 billion euros, up 4.8%.

ASSETS (€ THOUSAND)	30.06.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	46,448	64,998	-18,550	-28.5%
Financial assets at fair value through other comprehensive income	2,430,834	2,778,836	-348,002	-12.5%
Financial assets at amortised cost	9,107,038	8,206,525	900,513	11.0%
a) loans to banks (*)	1,347,317	1,130,690	216,627	19.2%
b) loans to customers	7,759,721	7,075,835	683,886	9.7%
Equity investments	1,959	2,061	-102	-4.9%
Property, equipment and intangible assets	286,155	298,354	-12,199	-4.1%
Tax receivables	47,735	51,168	-3,433	-6.7%
Other assets	402,505	363,634	38,871	10.7%
Total assets	**12,322,674**	**11,765,576**	**557,098**	**4.7%**

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.06.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial liabilities at amortised cost	10,788,256	10,503,986	284,270	2.7%
a) due to banks	580,630	94,807	485,823	n.a.
b) due to customers	10,207,626	10,409,179	-201,553	-1.9%
Financial liabilities held for trading and hedging	27,243	8,685	18,558	213.7%
Tax liabilities	27,094	13,618	13,476	99.0%
Other liabilities	472,417	147,097	325,320	221.2%
Special purpose provisions	176,336	174,522	1,814	1.0%
Valuation reserves	877	3,813	-2,936	-77.0%
Equity instruments	50,000	50,000	-	-
Reserves	507,834	454,465	53,369	11.7%
Share premium reserve	57,202	57,729	-527	-0.9%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-33,395	-37,356	3,961	-10.6%
Net equity attributable to minority interests	10	26	-16	-61.5%
Net profit (loss) for the period (+/-)	131,948	272,139	-140,191	-51.5%
Total liabilities and net equity	**12,322,674**	**11,765,576**	**557,098**	**4.7%**

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

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

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

5.2.1 Direct inflows from customers

Total direct inflows from customers amounted to 10.2 billion euros, down by 202 million euros (-1.9%) compared to 31 December 2019, mainly due to the unwinding of several treasury repurchase transactions and a partial reallocation of the high balances of the accounts of retail customers, who resumed investment activity at the end of the half-year.

			CHANGE	
(€ THOUSAND)	30.06.2020	31.12.2019	AMOUNT	%
1. Current accounts and demand deposits	9,935,892	9,982,548	-46,656	-0.5%
2. Term deposits	-	-	-	n.a.
3. Financing	-	116,218	-116,218	-100.0%
Repurchase agreements	-	116,218	-116,218	-100.0%
4. Other debts	271,734	310,413	-38,679	-12.5%
IFRS 16-related lease liabilities	153,462	158,064	-4,602	-2.9%
Operating debts to sales network	93,329	110,455	-17,126	-15.5%
Other debts (money orders, amounts at the disposal of customers)	24,943	41,894	-16,951	-40.5%
Total due to customers	**10,207,626**	**10,409,179**	**-201,553**	**-1.9%**

Inflows from customers (external to the Insurance Group) continued to be driven by demand current account deposits, which reported a net decrease of 210 million euros and amounted to 9.8 billion euros.
By contrast, captive inflows from the companies within the Assicurazioni Generali Group were essentially stable at 438 million euros at the end of the quarter, thus accounting for 4.3% of total inflows.

(€ THOUSAND)	30.06.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Inflows from Parent Company	53,569	27,499	26,070	94.8%
Inflows from other subsidiaries of the Generali Group	312,981	327,856	-14,875	-4.5%
IFRS 16-related lease financial liabilities	71,580	74,499	-2,919	-3.9%
Total inflows from Generali Group	**438,130**	**429,854**	**8,276**	**1.9%**
Inflows from other parties	9,769,496	9,979,325	-209,829	-2.1%
- *of which: current accounts*	*9,569,804*	*9,627,779*	*-57,975*	*-0.6%*
Total inflows from customers	**10,207,626**	**10,409,179**	**-201,553**	**-1.9%**

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.

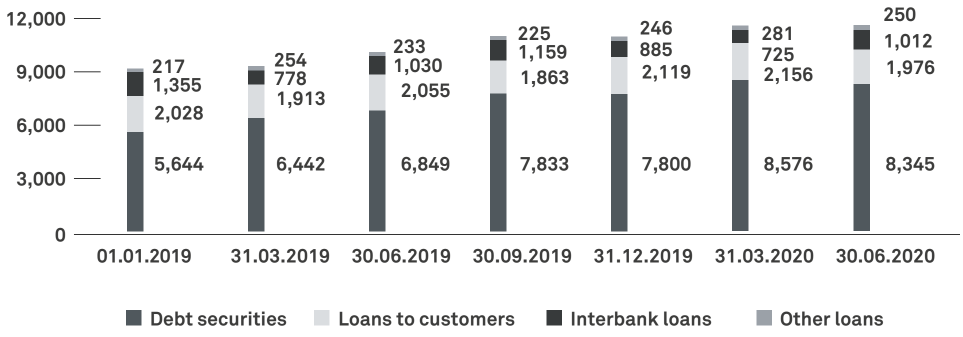
5.2.2 Core loans

Core loans totalled 11.6 billion euros overall, with a net increase of nearly 534 million euros compared to 31 December 2019 (+4.8%).
Investments in financial asset portfolios increased markedly by 543 million euros (+6.9%). By contrast, loans to banks showed a slight increase in surplus liquidity, mainly due to demand deposits with the ECB (+84 million euros).
The decrease in loans to customers (-143 million euros) was instead attributable to the unwinding of the short-term treasury repurchase agreements entered into on the MIC market managed by CC&G and classified among loans to customers (206 million euros at the end of 2019) against a solid increase in current account overdraft facilities.

(€ THOUSAND)	30.06.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	46,448	64,998	-18,550	-28.5%
Financial assets at fair value through other comprehensive income	2,430,834	2,778,836	-348,002	-12.5%
Financial assets at amortised cost	5,922,882	5,013,479	909,403	18.1%
Financial assets	**8,400,164**	**7,857,313**	**542,851**	**6.9%**
Loans to and deposits with banks (*)	1,012,433	885,168	127,265	14.4%
Loans to customers	1,976,003	2,118,873	-142,870	-6.7%
Operating loans and other loans	195,720	189,005	6,715	3.6%
Total interest-bearing financial assets and loans	**11,584,320**	**11,050,359**	**533,961**	**4.8%**

(*) ECB demand deposits included.

QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, investments in financial assets accounted for 72.5% of the core loan aggregate's total, significantly increasing compared to 71.1% at the end of 2019, and continued to be mainly driven by the expansion of the government securities portfolio (+5.9%), despite showing also a greater diversification of investments on debt corporate and financial securities.

			CHANGE	
(€ THOUSAND)	30.06.2020	31.12.2019	AMOUNT	%
Government securities	7,073,144	6,727,904	345,240	5.1%
Other public institutions	103,859	47,110	56,749	120.5%
Securities issued by banks	624,863	527,970	96,893	18.4%
Securities issued by other issuers	543,543	497,097	46,446	9.3%
Equity securities and other securities	54,755	57,232	-2,477	-4.3%
Total financial assets	**8,400,164**	**7,857,313**	**542,851**	**6.9%**

On the basis of the guidelines laid down in the 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 909 million euros (+18.1%), mostly driven by government bond purchases, reaching 5.9 billion euros.

The extreme financial market volatility during the half-year resulted in more rapid turnover of the portfolio of financial assets at fair value through other comprehensive income (HTCS), characterised by growth in the first quarter and a significant decline in the second, yielding an overall decrease of 348 million euros (-12.5%).

The overall portfolio remained however focused on sovereign debt and increased by 401 million euros, continuing to account for 85.4% 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 3 million euros, with a focus on EU government bonds now also allocated to the HTC portfolio (574 million euros), as well as to the HTCS portfolio (1,178 million euros).

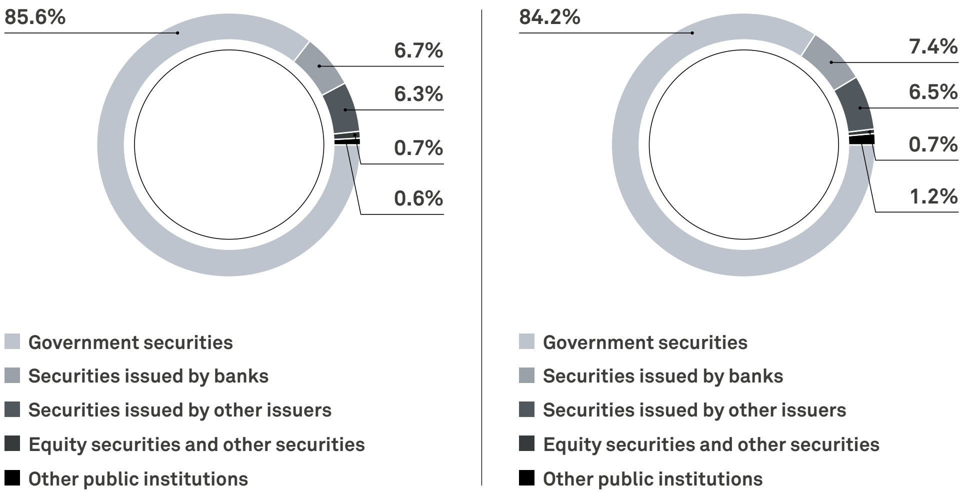
At the end of the period, the exposure to non-Italian government bonds amounted to 1,752 million euros, equal to 24.4% of the total exposure, and included supranational bonds and bonds issued by a number of other EU countries, in addition to Spanish and Portuguese government bonds (1,427 million euros).

(€ THOUSAND)	30.06.2020	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	1,953,684	2,278,815	-325,131	-14.3%
Financial assets at amortised cost	5,223,273	4,496,147	727,126	16.2%
Total	**7,177,003**	**6,775,014**	**401,989**	**5.9%**

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 73.0%.

BREAKDOWN OF FINANCIAL ASSETS

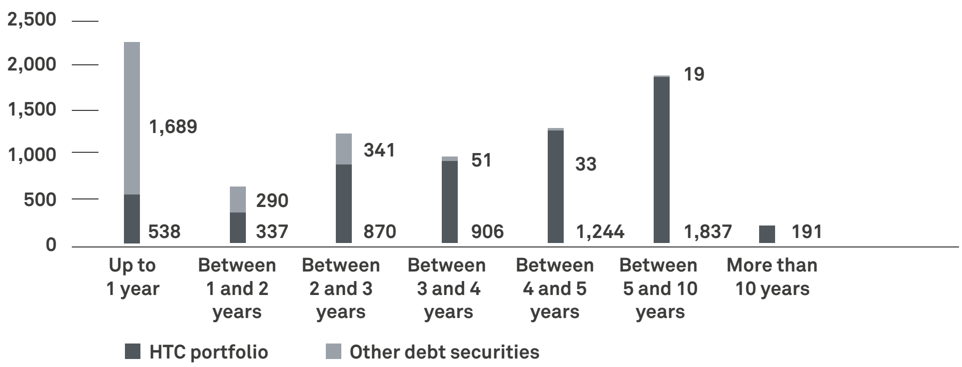
at 31.12.2019 at 30.06.2020



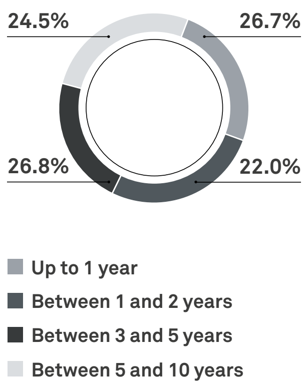
At the end of the reporting period, the share of financial assets with a maturity of more than 3 years was 51.3%, up compared to the end of 2019 (48.9%).
The portfolio of debt securities had an overall average residual life of about 3.7 years. In particular, the average maturity of the HTC portfolio was 4.7 years, whereas the average maturity of the HTCS portfolio declined to 0.9 years.

41.4% 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).
At the end of the half-year, the portfolio of fixed-rate and inflation-linked debt securities, amounting to 1,450 million euros, or 17% of the HTC and HTCS portfolios, was subject to fair-value hedging against interest-rate risk. The transactions are based solely on entering into IRSs to hedge specific exposures (asset swaps).

BOND PORTFOLIO MATURITY
(€ million)



BREAKDOWN OF BOND PORTFOLIO BY MATURITY
at 30.06.2020



Loans to customers reached 1,976 million euros and, net of short-term repurchase agreements on the multilateral facility e-MID, guaranteed by CC&G, reported a modest 3.3% increase compared to the end of 2019, due to the expansion of current account overdraft facilities.

(€ THOUSAND)	30.06.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Current accounts	1,185,732	1,112,437	73,295	6.6%
Mortgages and personal loans	787,995	798,111	-10,116	-1.3%
Other financing and loans not in current accounts	2,276	2,256	20	0.9%
Reverse repurchase agreement with customers and deposits on the MIC	-	206,069	-206,069	-100.0%
Loans	**1,976,003**	**2,118,873**	**-142,870**	**-6.7%**
Operating loans to management companies	135,122	141,906	-6,784	-4.8%
Sums advanced to Financial Advisors	18,939	18,415	524	2.8%
Stock exchange interest-bearing daily margin	25,636	14,091	11,545	81.9%
Charges to be debited and other loans	13,765	14,187	-422	-3.0%
Operating loans and other loans	**193,462**	**188,599**	**4,863**	**2.6%**

Among **operating receivables** and other transactions (+2.6%), there was a 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 **34.2 million** euros, or 1.7% 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 **13.7 million** euros and consisted for 95% of credit facilities secured by financial collaterals mainly in the form of pledges on financial instruments and/or similar products, such as mandate to policy redemption.
Unsecured exposures to customers, for which risk is effectively borne by the Bank, amounted to just **0.4 million** euros, or around **0.02%** of total loans to customers.

The non-performing loans portfolio (loans to customers excluding operating receivables and securities) increased by slightly over 7 million euros, attributable solely to the inclusion in the past-due category of a single position of 9 million euros, relating to a past due credit facility for a deceased client, to be repaid during the current month.

	30.06.2020				31.12.2019					
(€ THOUSAND)	BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	TOTAL	BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	TOTAL	DELTA	CHANGE %
Gross exposure	31,762	4,017	10,317	46,096	32,407	4,566	2,142	39,115	6,981	18%
Adjustments	10,023	1,328	505	11,856	10,835	945	424	12,204	-348	-3%
Total net exposure	**21,739**	**2,689**	**9,812**	**34,240**	**21,572**	**3,621**	**1,718**	**26,911**	**7,329**	**27%**
Gross exposure	28,921	-	-	28,921	28,694	-	-	28,694	227	1%
Adjustments	8,456	-	-	8,456	8,455	-	-	8,455	1	-
Exposure guaranteed by net indemnity	**20,465**	**-**	**-**	**20,465**	**20,239**	**-**	**-**	**20,239**	**226**	**1%**
Gross exposure	2,841	4,017	10,317	17,175	3,713	4,566	2,142	10,421	6,754	65%
Adjustments	1,567	1,328	505	3,400	2,380	945	424	3,749	-349	-9%
Exposure net of indemnity	**1,274**	**2,689**	**9,812**	**13,775**	**1,333**	**3,621**	**1,718**	**6,672**	**7,103**	**106%**
Net guaranteed exposure	**1,244**	**2,476**	**9,628**	**13,348**	**1,299**	**3,455**	**1,504**	**6,258**	**7,090**	**113%**
Net exposure not guaranteed	**30**	**213**	**184**	**427**	**34**	**166**	**214**	**414**	**13**	**3%**

At 30 June 2020, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of 432 million euros, sharply down compared to a net exposure of 790 million euros at the end of the previous year.
The decrease was attributable to the launch of a new financing transaction with the the ECB under the fourth cycle of the TLTRO 3 programme for 500 million euros, partly offset by the increase in demand deposits with the said Central Bank (+84 million euros), and repurchase agreements and demand deposits with credit institutions (+33.6 million euros).

			CHANGE	
(€ THOUSAND)	30.06.2020	31.12.2019	AMOUNT	%
1. Repayable on demand	**717,184**	**599,103**	**118,081**	**19.7%**
Demand deposits with ECB and Bank of Italy (*)	587,535	503,443	84,092	16.7%
Demand deposits with credit institutions	431	67	364	n.a.
Transfer accounts	129,218	95,593	33,625	35.2%
2. Time deposits	**295,249**	**286,065**	**9,184**	**3.2%**
Mandatory reserve	104,382	101,063	3,319	3.3%
Term deposits	35,847	22,395	13,452	60.1%
Repurchase agreements	137,026	152,969	-15,943	-10.4%
Collateral margins	17,994	9,638	8,356	86.7%
Total loans to banks	**1,012,433**	**885,168**	**127,265**	**14.4%**
1. Due to Central Banks	**499,917**	**-**	**499,917**	**n.a.**
TLTRO	499,917	-	499,917	n.a.
2. Due to banks	**80,713**	**94,807**	**-14,094**	**-14.9%**
Transfer accounts	53,185	72,790	-19,605	-26.9%
Repurchase agreements	4,495	-	4,495	n.a.
Collateral margins	2,479	1,690	789	46.7%
Other debts	20,554	20,327	227	1.1%
Total due to banks	**580,630**	**94,807**	**485,823**	**n.a.**
Net interbank position	**431,803**	**790,361**	**-358,558**	**-45.4%**

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

The TLTRO II (Targeted Loan Term Refinancing Operation) financing disbursed on 24 June 2020 and preceded by bridge financing (additional Covid-19 LTROs) of 300 million euros that began the previous month has a term of three years, maturing on 24 June 2023, with an early repayment option starting at the end of the second year.
The financing provides for a “special interest rate period” from June 2020 to June 2021, in which interest accrues at a rate equal to that in effect from time to time for the main refinancing transactions, currently a negative -0.5%, which may be reduced up to -1% if during the period from March 2020 to March 2021 the eligible net financing flows disbursed to households for credit purposes other than home purchases and to non-financial companies residing in the euro area (net lending special) are greater than or equal to zero.
In the second period from June 2021 to June 2023, the financing will bear interest at a rate equal to that of the main refinancing operations in effect from time to time, currently 0.5%, which may be reduced up to 0% if the targets set by the central bank are not reached during the reference period. It should be noted that as at 30 June 2020 Banca Generali was well above the targets.

5.2.3 Provisions

Specific provisions totalled 176.3 million euros overall, up by 1.8 million euros compared to the previous year (+1.0%).

The increase in the aggregate was led by provisions for contractual indemnities for the sales network (+12.1 million euros), partly offset by the decline in the balance of provisions for incentives for the sales network (-6.6 million euros), owing primarily to the reduction of commitments in respect of network development plans.

			CHANGE	
(€ THOUSAND)	30.06.2020	31.12.2019	AMOUNT	%
Provision for termination indemnity	4,840	5,153	-313	-6.1%
Provisions for guarantees issued and commitments	121	108	13	12.0%
Provisions for pensions and similar obligations	3,853	3,854	-1	-
Other provisions for liabilities and contingencies	**167,522**	**165,407**	**2,115**	**1.3%**
Provisions for staff expenses	13,487	14,867	-1,380	-9.3%
Restructuring provision – Redundancy incentives plan	1,741	1,741	-	-
Provisions for legal disputes	12,059	12,899	-840	-6.5%
Provisions for contractual indemnities to the sales network	109,979	97,879	12,100	12.4%
Provisions for sales network incentives	24,375	31,034	-6,659	-21.5%
Other provisions for liabilities and contingencies	5,881	6,987	-1,106	-15.8%
Total provisions	**176,336**	**174,522**	**1,814**	**1.0%**

Contractual indemnities referred for 67.9 million euros to the provisions for termination indemnities for Financial Advisors pursuant to Article 1751 of the Italian Civil Code (calculated on an actuarial basis), and for 24.5 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 17.6 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.

Tax dispute

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

It should be noted that:
> the preparation of an initial report laying out charges regarding accrual was concluded on 22 December 2017;
> the charges relating to violations of transfer-pricing rules were formulated in the auditors' report on findings drafted on 29 June 2018;
> the findings of both audits are currently still being evaluated by the competent Large Business Taxpayers Office, with which Banca Generali has entered into discussions;
> the time limit for the assessment relating to the year 2014 is now approaching, following the extension granted pursuant to Article 1, paragraph 9, of Decree-Law No. 119 of 23 October 2018.

It should also be noted that in March 2020 a new tax audit regarding the years 2015 and following was launched by the Trieste Economic and Financial Police Unit of the Italian Finance Police.
However, the audit was suspended immediately after it began due to the lockdown measures adopted to check the spread of the pandemic (Italian Finance Police Circular No. 73943 of 11 March 2020).
The audits then resumed on last 9 July, in view of the now imminent end of the period for assessments relating to the year 2015.

5.2.4 Net equity and regulatory aggregates

At 30 June 2020, the Banking Group's consolidated net equity, inclusive of net profit for the period, amounted to 831.3 million euros, net 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 2019 Financial Statements. 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) 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)	30.06.2020	31.12.2019	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	57,202	57,729	-527	-0.9%
Reserves	507,834	454,465	53,369	11.7%
(Treasury shares)	-33,395	-37,356	3,961	-10.6%
Valuation reserves	877	3,813	-2,936	-77.0%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the period	131,948	272,139	-140,191	-51.5%
Group net equity	**831,318**	**917,642**	**-86,324**	**-9.4%**
Net equity attributable to minority in-terests	10	26	-16	-61.5%
Consolidated net equity	**831,328**	**917,668**	**-86,340**	**-9.4%**

The decrease in net equity in the first half of 2020 was 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) and consolidated net profit, as well as by the aforementioned distribution policy of the 2019, as showed in the following table.

	30.06.2020	31.12.2019
Net equity at period-start	**917,668**	**734,875**
Dividend	-216,175	-144,900
Purchase and sale of treasury shares	-	-17,786
Matured IFRS 2 reserves on own financial instruments	1,996	7,207
Matured IFRS 2 reserves on the AG Group's IFRS 2-related plans	104	653
Change in valuation reserves	-2,939	15,611
Issue of AT1 subordinated loan	-1,125	50,000
Consolidated net profit	131,941	272,122
Other effects	-142	-114
Net equity at period-end	**831,328**	**917,668**
Change	**-86,340**	**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 2.7 million euros, primarily due to the strong volatility that impacted all financial market following the outbreak of the pandemic emergency.

	30.06.2020			31.12.2019	
(€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	5,173	-1,749	3,424	6,170	-2,746
Valuation reserves - OCI equity securities	-	-318	-318	-300	-18
Exchange differences	-	-131	-131	-128	-3
Actuarial gains (losses) from defined benefit plans	-	-2,098	-2,098	-1,929	-169
Total	**5,173**	**-4,296**	**877**	**3,813**	**-2,936**

On 23 April 2020, the General Shareholders' Meeting also authorised the repurchase of a maximum of 491,000 treasury shares in service of remuneration plans for Key Personnel for 2020, the fourth cycle of the Framework Loyalty Programme and the new Long Term Incentive Plan for the three-year period 2020-2022.
The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 16 July 2020, has yet to be launched. Therefore, on 30 June 2020, a 13.8 million euro commitment to repurchase own funds was recognised, also for prudential purposes, against treasury shares still to be bought back.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 155,605 treasury shares, with a value of 3,961 thousand euros, were also allotted to employees and Financial Advisors falling within Key Personnel, as well as to network managers.
At the end of the half-year, the Parent Company, Banca Generali, thus held 1,311,974 treasury shares, with a value of 33,395 thousand euros, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

Consolidated own funds amounted to 560.9 million euros, down 10.0 million euros on the end of the previous year, mainly due to the effects of the inception of the plan for the buy-back of treasury shares (-13.8 million euros) and the movements in valuation reserves on HTCS financial assets (-2.8 million euros), only partly offset, and other effects, as shown in the table below.

Own funds at 31.12.2019	**570,939**
Repurchase commitments of CET1 instruments	-13,809
Change in reserves for share-based payments (IFRS 2)	2,100
Change in OCI reserves on HTCS	-2,767
Change in IAS 19 OCI reserves	-169
Change in goodwill and intangible assets, net of related DTLs	6,074
Negative prudential filters (prudent valuation)	366
DTAs through P&L not arising on temporary differences	-524
AT1 equity instruments (coupons)	-1,125
Other effects	-134
Total changes in Tier 1 capital	**-9,988**
Total changes in Tier 2 capital	**-**
Own funds at 30.06.2020	**560,951**
Change	**-9,988**

In accordance with the new dividend policy approved by the Board of Directors on 8 March 2019, for the first half of 2020, no portion 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.

At the end of the reporting period, CET1 ratio reached 14.3%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 15.7%, 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 currently amounts to 9.34%, with a capital in excess of Own Funds that rises from 137 million euros to over 226 million euros.

			CHANGE	
(€ THOUSAND)	30.06.2020	31.12.2019	AMOUNT	%
Common Equity Tier 1 capital (CET1)	510,951	520,939	-9,988	-1.92%
Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total own funds	**560,951**	**570,939**	**-9,988**	**-1.75%**
Credit and counterparty risk	201,251	198,294	2,957	1.49%
Market risk	65	294	-229	-77.85%
Operating risk	85,192	85,192	-	-
Total absorbed capital (Pillar 1)	**286,508**	**283,780**	**2,728**	**0.96%**
Total SREP minimum requirements (Pillar 2)	**424,032**	**419,994**	**4,038**	**0.96%**
Excess over SREP minimum requirements	136,919	150,945	-14,026	-9.29%
Risk-weighted assets	3,581,352	3,547,248	34,105	0.96%
CET1/Risk-weighted assets	14.3%	14.7%	-0.4%	-2.9%
Tier 1/Risk-weighted assets	15.7%	16.1%	-0.4%	-2.7%
Total own funds/Risk-weighted assets (Total Capital Ratio)	**15.7%**	**16.1%**	**-0.4%**	**-2.7%**

(*) Requirement calculated on the basis of the binding TCR inclusive of the capital conservation buffer (2.5%). Net of this component, the requirement would have been 334 million euros, with excess capital of 226 million euros.

Capital absorbed by credit risk increased slightly by 2.9 million euros compared to the previous year.

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

The package includes, *inter alia*:
> new IFRS 9 phase-in rules on own funds that allow the greater collective adjustments to performing positions (stage 1 and stage 2) recognised compared to 1 January 2020 to be sterilised during the 2020-2024 period;
> the introduction of a new phase-in filter until 31 December 2022, to exclude from the calculation of CET1 the amount of unrealised profits and losses on exposures towards administrations and public entities recognised since 31 December 2019;
> the acceleration to 30 June 2020 of the timetable for adopting the new SME supporting factor, intended to support exposures to small and medium enterprises by reducing the applicable capital requirements;
> the acceleration of the timetable for eliminating the deduction from own funds of IT investments in software (a measure that is not yet operational, pending the issue of a specific RTS).

In this regard, it should be noted that, at 30 June 2020, Banca Generali had yet to adopt the aforementioned optional phase-in rules. On the other hand, the implementation of the SME supporting factor had a positive impact in terms of the capital requirements for credit risk of 1.1 million euros.

With regard to the 2019 dividend, the payment of which was postponed until after 1 October 2020 in accordance with the Recommendations issued by the supervisory authority, on 27 July 2020 the European Central Bank issued a new Recommendation (ECB 2020/35) regarding the distribution of dividends in the context of the Covid-19 pandemic which replaces the previous Recommendation of 27 March 2020 (ECB 2020/19) and extends, for the institutions subject to its supervision, the request to refrain from paying dividends, or from entering into irrevocable payment commitments, from 1 October 2020 to at least 1 January 2021, thus establishing that the risk conditions deriving from the health emergency will not be overcome until at least the end of 2020. The Bank of Italy extended the new recommendation, like the previous one, to the less significant credit institutions subject to its supervision on 28 July 2020.
It should be noted that, if the first instalment of the dividend, authorisation of payment of which was deferred until October 2020, were to be cancelled, the financial liabilities for amounts due to shareholders included in the item "Other liabilities" would decrease by 181.1 million euros and equity reserves would increase symmetrically by the same amount. In this case, the CET1 ratio would increase from the current 14.3% to 19.3% and the Total Capital Ratio from 15.7% to 20.7%.

The leverage ratio at the end of the period reached 4.48%, 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

	30.06.2020		
(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	**573,420**	**161,004**	**734,424**
Differences between net equity and book value of companies consolidated using the line-by-line method	**87,586**	**-**	**87,586**
- profit carried forward of consolidated companies	66,555	-	66,555
- goodwill	20,878	-	20,878
- other changes	153	-	153
Dividends from consolidated companies	59,320	-138,320	-79,000
Consolidated companies' result for the period	-	110,283	110,283
Net profit attributable to minority interests	18	-7	11
Result of associates valued at equity	45	-99	-54
Valuation reserves - consolidated companies	-131	-	-131
Goodwill	-20,878	-	-20,878
Consolidation adjustments	-	-913	-913
Net equity of the Banking Group	**699,380**	**131,948**	**831,328**

5.2.5 Cash flows

In the first half of 2020, operating activities generated a total liquidity of nearly 90 million euros. In detail, cash inflows were primarily generated by operations (157 million euros) and the increase in net inflows from banks, as a result of the launch of the new TLTRO III of 500 million euros, partly offset by the decrease of net inflows from customers (-188 million euros).
Such liquidity was fully absorbed by investments in financial assets (-539 million euros), also thanks to the decline in loans to customers (-130 million euros) following the unwinding of the treasury repurchase agreements in place at year-end 2019.
The Banking Group's financial position benefited from the deferment of the dividend distribution required by the Supervisory Authority in March 2020 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.

Cash and cash equivalents at period-end amounted to 613 million euros, with a 124 million euro increase compared to the end of the previous year.

(€ THOUSAND)	30.06.2020	30.06.2019	CHANGE
Liquidity generated by operations	**157,411**	**108,224**	**49,188**
Financial assets	-539,778	-1,178,326	638,548
Loans to banks	-43,097	-198,847	155,750
Loans to customers	130,035	-36,217	166,252
Other operating assets	-24,764	-81,351	56,587
Total assets	**-477,604**	**-1,494,741**	**1,017,137**
Amounts due to banks	485,820	-28,674	514,494
Amounts due to customers	-188,397	1,000,747	-1,189,144
Other operating liabilities	112,336	42,320	70,016
Total liabilities	**409,759**	**1,014,393**	**-604,634**
Liquidity generated by/used for operating activities	**89,566**	**-372,124**	**461,690**
Investments	-322	-5,531	5,209
Acquisition and disposal of business units and equity investments	-289	-	-289
Liquidity generated by/used for investing activities	**-611**	**-5,531**	**4,920**
Dividends paid	-1,125	-144,907	143,782
Issue/purchase of treasury shares	-	-1,031	1,031
Liquidity generated by/used for financing activities	**-1,125**	**-145,938**	**144,813**
Net liquidity generated/used	**87,830**	**-523,593**	**611,423**
Cash and cash equivalents	**613,230**	**489,298**	**123,932**

6. Performance of Group companies

6.1 Banca Generali performance

Banca Generali closed the first half of 2020 with net profit of 161.0 million euros, up compared to 129.9 million euros reported at the end of the same period of the previous year, chiefly due to the higher contribution of dividends distributed both in advance and at the end of the period by the Luxembourg subsidiary BG Fund Management Luxembourg S.A., up from 111.6 million euros to 138.3 million euros.

			CHANGE	
(€ THOUSAND)	30.06.2020	30.06.2019	AMOUNT	%
Net interest income	**42,744**	**33,658**	**9,086**	**27.0%**
Net income (loss) from trading activities	6,940	3,890	3,050	78.4%
Dividends	140,016	113,769	26,247	23.1%
- *of which: dividends from equity investments*	*138,320*	*111,613*	*26,707*	*23.9%*
Net financial income	**189,700**	**151,317**	**38,383**	**25.4%**
Fee income	300,788	281,657	19,131	6.8%
Fee expense	-188,235	-178,305	-9,930	5.6%
Net fees	**112,553**	**103,352**	**9,201**	**8.9%**
Net banking income	**302,253**	**254,669**	**47,584**	**18.7%**
Staff expenses	-42,676	-42,235	-441	1.0%
Other general and administrative expenses	-76,689	-70,502	-6,187	8.8%
Net adjustments of property, equipment and intangible assets	-14,450	-13,559	-891	6.6%
Other operating expenses/income	32,696	29,205	3,491	12.0%
Net operating expenses	**-101,119**	**-97,091**	**-4,028**	**4.1%**
Operating result	**201,134**	**157,578**	**43,556**	**27.6%**
Net adjustments for non-performing loans	-4,421	-1,143	-3,278	n.a.
Net provisions	-14,388	-9,336	-5,052	54.1%
Gains (losses) from the disposal of equity investments	-	-33	33	-100.0%
Operating profit before taxation	**182,325**	**147,066**	**35,259**	**24.0%**
Income taxes for the period on current operations	-21,321	-17,153	-4,168	24.3%
Net profit	**161,004**	**129,913**	**31,091**	**23.9%**

Reclassified net banking income[13], net of the dividends from the Banking Group's equity investments, rose by nearly 20.9 million euros (+14.6%) compared to the same period of the previous year. This increase was mainly attributable to the rise in net fees (+9.2 million euros) and net interest income (+9.1 million euros). Net income from trading activities also grew, amounting to 6.9 million euros compared to 3.9 million euros for the first half of 2019.

Net interest income was 42.7 million euros, up 27% on the comparison figure (33.7 million euros). The increase was attributable to higher interest income on Italian government bonds (+3.1 million euros) and on hedging derivative transactions (+2.1 million euros). Interest expense due to the interbank system, in particular on the excess of the reserve requirement (-0.9 million euros), and to customers declined due to the repayment, at the end of 2019, of the subordinated loan with Generali Beteiligungs GmbH, which had accrued interest expense for 0.8 million euros in the first half of the previous year.

[13] 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 6.5 million euros for 2020 and 7.0 million euros for 2019.

Net fees were 112.6 million euros, up sharply compared to the same period of the previous year (+8.9%).

The increase in net fees was attributable to the combined effect of the increase in fee income (+19.1 million euros), particularly on the placement of securities and UCITS (+9.6 million euros) and distribution of third-party financial services (+5.4 million euros), and the increase in fee expense (+9.9 million euros), with particular regard to fees for off-premises offer.

Net **operating expenses** amounted to approximately 101.1 million euros, up 4.1% 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 52.9%.

Provisions and net adjustments amounted to 18.8 million euros, up by 8.3 million euros on the same period in 2019, mainly due to greater collective write-downs on the portfolio of debt securities and loans to customers and to increased net provisions for risks and charges.

Operating profit before taxation amounted to 182.3 million euros, up by 24.0% compared to the same period of 2019.
The expected tax burden was 21.3 million euros, with an overall tax rate at 11.7%.

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 half of 2020 with net profit of 112 million euros, down 2.6 million euros compared to the same period of 2019.
Performance fees rose by 2.4 million euros and management fees by 4.6 million euros.
Net banking income amounted to 132.2 million euros (+3.1 million euros). Total operating expenses were stable at 3.5 million euros (2.4 million euros of which consisted of staff expenses).
The company's net equity amounted to 100.8 million euros, net of a dividend payout of 138.3 million euros, as payment in advance for 2020 and total payment for 2019.
Overall, assets under management at 30 June 2020 amounted to 16,910 million euros, down 23 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 half of 2020 with a slight net profit and net equity amounting to about 0.8 million euros.
Net banking income amounted to about 0.6 million euros and virtually covered operating expenses.
Assets under management totalled 1,180 million euros (1,242 million euros 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.

In the first half of 2020, a complex reorganisation of the Nextam Partners Group was undertaken, resulting in the merger of Nextam Partners S.p.A. and Nextam Partners SGR into the parent company Banca Generali with effect from 1 July 2020, and with retroactive effect for accounting purposes from 1 January 2020.

The contribution to the independent asset management company 8a+ Investimenti SGR ("8 a+ SGR") of the business unit relating to the performance of management activity for Italian UCITS (the "UCITS Unit"), resulting in the acquisition of an equity interest in the latter of 19.5%, was also consummated on 30 June 2020. This transaction resulted in a capital gain of 612 thousand euros for the Nextam Group on the acquisition of the equity investment, valued at 912 thousand euros.

Nextam Partners Ltd, after losing the management mandates for Nextam Partner Sicav, began a procedure with the UK Financial Conduct Authority (FCA) to cease providing regulated investment services by the end of 2020. In order to comply with the capital requirements imposed by the FCA, on 30 June 2020 the company also approved a capital increase of GBP 520 thousand.

The Nextam Partners Group ended the first half of 2020 with a net loss of 1,581 thousand euros, net of the realised capital gains referring to the funds business unit, up from the net loss of just over 700 thousand euros for the same period of the previous year, prior to acquisition by the Banking Group.
Net banking income amounted to 1.5 million euros and total operating expenses were nearly 4.0 million euros, of which 2.3 million euros staff expenses.

Overall, assets under management referring to the Nextam Partners Group at 30 June 2020 amounted to 659 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 half of 2020 with net profit of CHF 49.6 thousand (46.6 thousand euros), calculated based on local GAAP.
Revenues from asset management and advisory services amounted to approximately CHF4.5 million, whereas operating expenses totalled CHF4.1 million (of which CHF 3.7 million consisted of staff expenses).
The BG Valeur S.A. 's net equity recognised in its statutory financial statements totalled CHF 320 thousand at 30 June 2020.

At 30 June 2020, total assets under management amounted to 1,137 million euros, down compared to 1,170.1 million euros at 31 December 2019.

7. Related party transactions

7.1 Procedural aspects

In accordance with Article 2391-*bis* of the Civil Code, the Regulations containing provisions relating to transactions with related parties (adopted by Consob by Resolution No. 17221 of 12 March 2010, as amended by Resolution No. 17389 of 23 June 2010), Bank of Italy Circular No. 263 on risk assets and conflicts of interest of banks and banking groups with Connected Parties and Bank of Italy Circular No. 285, Banca Generali's Board of Directors approved the first version of its "*Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance*", which entered into effect on 1 January 2011 and was last updated with effect from 15 May 2017. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, for all Banking Group companies, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.

The main themes introduced by the Bank of Italy Provisions (Bank of Italy Circular No. 263/2006) and subsequent amendments, and implemented in the Procedure are the following:
> expanded scope of the parties involved, i.e., Connected Parties (Related Parties and Associated Entities), and change in the characteristics of some of the identified parties compared to Consob Regulation;
> definition of criteria to identify Transactions of Greater Importance and the relevant management process, with definition of roles and responsibilities;
> introduction of prudential limits in respect of Own Funds and the assumption of risks with Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk activities carried out with entities qualifying as non-financial related parties;
> introduction of specific guidelines relating to organisational arrangements and internal controls intended to identify corporate bodies' responsibilities and corporate functions' tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time;
> changes in the definition of:
   1) **Non-ordinary Transactions**, as the Bank of Italy considers as "non-ordinary" all transactions that exceed the Greater Importance threshold, even if concluded at market or standard conditions;
   2) **Low Value Transactions**, as the Bank of Italy sets specific thresholds for these transactions, in order to ensure uniform application in the banking sector. To this end, it has established that low value transactions cannot exceed 250,000 euros for banks with Own Funds of less than 500 million euros and the lower of 1,000,000 euros and 0.05% of Own Funds, in the other cases. In respect of these transactions, the exemption only applies to provisions relating to approval procedures;
   3) **Highly Significant Transactions**, as the Bank of Italy identifies these transactions on the basis of two parameters — relevance of the consideration and relevance of the assets — making no mention of the liabilities parameter as provided for by Consob Regulation;
> **introduction of the definition of Transactions of Greater Importance** as defined by the Bank of Italy, i.e., the transactions characterised by their economic, capital and financial impact and the transactions that, despite being natural, exceed the value of 2.5% of consolidated Own Funds and have a significant impact on the company and group as they depart from specific standard contractual conditions.

7.2 Disclosure on Related Party Transactions

Without prejudice to the disclosure requirements set forth by IAS 24, rules on periodic disclosure on related party transactions are provided for in Article 5, paragraph 8, of Consob Regulations.

In detail, the interim report should provide the following disclosure:
a) each and every Transaction of Greater Importance effected during the accounting period of reference;

b) other individual transactions with related parties "that have materially influenced" the financial position or results of the company;
c) changes or developments in related party transactions described in the latest annual report that had a "material effect" on the financial position or results of the company during the reporting period.

In this regard, the following should be noted.

Unusual, atypical or extraordinary transactions

During the first half of 2020, no related party transactions were carried out that could be defined as atypical or unusual or likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer."

Highly significant transactions

In the first half of 2020, no transactions qualifying as "highly significant", non-ordinary transaction, entered into at non-market or non-standard conditions were carried out that, in accordance with the Procedure on Related Party Transactions, could have given rise to an obligation to publish the related market disclosure document.

Other significant transactions

In the first half of 2020, five transactions were approved qualifying as "low value" (i.e., transactions of amounts exceeding the above significance threshold established in the *Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance*) approved by the Board of Directors with a non-binding favourable opinion from the Internal Audit and Risk Committee (with the exception of the cases specified hereunder), as listed below:
i) on 28 February 2020, Banca Generali's Board of Directors approved the merger of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR S.p.A. into Banca Generali. Given the intra-group nature of this transaction, it qualifies for an exemption from the approval process provided for in the said procedure, including the exemption from the obligation to obtain a non-binding favourable opinion from the Internal Audit and Risk Committee;
ii) on 9 March 2020, Banca Generali's Board of Directors approved the proposal to grant an amortising loan to a company belonging to the Assicurazioni Generali Group;
iii) on 23 April 2020, the Banca Generali's Board of Directors approved the granting of the line of credit to the Chairman, jointly with his spouse, within the framework of the credit facility for Executives of the Generali Group; the transaction was also within the scope of application of Article 136 of the Consolidated Law on Banking (TUB), and as such was approved according to the approval process provided for by law (resolution by the Board of Directors, passed unanimously with the interested party excluded from voting and with the vote in favour of all members of the control body);
iv) on 23 April 2020, Banca Generali's Board of Directors approved the proposal to increase the line of credit granted to a company belonging to the Banking Group. Given the intra-group nature of this transaction, it qualifies for an exemption from the approval process provided for in the said procedure, including the exemption from the obligation to obtain a non-binding favourable opinion from the Internal Audit and Risk Committee;
v) on 14 May 2020, Banca Generali's Board of Directors approved the proposal to grant a new account overdraft facility, within the framework of the AG Group Executives Agreement, to an executive of the Parent Company, Assicurazioni Generali.

Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in the first half of 2020 with related parties fall within the Group's ordinary course of business and are usually carried out at arm's length and are, in any case, based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regard these transactions, there were no changes in the situation of related party transactions, described in more detail in the Annual Report as of 31 December 2019, which might have a material effect on the financial situation and the results of the Company and the Banking Group.
The developments of ordinary transactions with related parties during the first half of 2020 are presented in the specific section of the Condensed Half-Year Financial Statements as of 30 June 2020, along with other information about related party transactions.
Intragroup related party transactions are not included in the above statements, since they are eliminated on consolidation.

8. Human resources and the Group's distribution network

8.1 Employees

At 30 June 2020, the Bank's workforce was 981, composed of 68 Managers, 178 3rd and 4th level Executives and 735 employees at other levels; of the last category, 129 were 1st and 2nd level Executives.

	BANCA GENERALI	GENERFID	BG FML	NEXTAM SGR	NEXTAM SIM	NEXTAM LTD	VALEUR	TOTAL 30.06.2020
Managers	56	1	3	4	-	1	3	68
3rd and 4th level executives	147	1	10	-	-	-	20	178
Other employees	684	5	14	18	6	3	5	735
Total	**887**	**7**	**27**	**22**	**6**	**4**	**28**	**981**

Among the 981 employees at 30 June 2020, 53 were working under fixed-term contracts, 11 of which as substitutes for employees on maternity leave or leaves of absence.

There was an increase in the workforce of 31 resources compared to year-end 2019 as a result of the improvement in the number of:
> indefinite-term staff (+8), following the confirmation of staff already working in the Company and recruitment from the market; and
> fixed-term staff (+23), following the hiring of resources who will serve as a support to handle work peaks due to extraordinary activities and projects and are expected to leave by the end of the year, and resources hired to replace personnel on leave.

Regarding trade union relations, the following should be noted:
> the conclusion of further trade union agreements on smart working which currently involves about 480 employees. A further 320 have been put on emergency smart working since March 2020, in compliance with anti-Covid legislation;
> the activation of the trade union procedure for the merger into Banca Generali of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR. This procedure was completed successfully with a trade union agreement in May 2020;
> the drafting of a trade union meeting report concerning the 2019 company bonus which stated the amounts payable individually and confirmed employee benefits (preferential taxation or conversion into welfare, through the Generali Welion dedicated portal).

8.1.1 Training and development of employees

The first six months of 2020, as a result of the Covid-19 emergency, were marked by the need to re-design and re-define a new way of providing training in terms of both tools and content.
In this context, training played a key role in supporting Management and the Company's entire workforce; in fact, the training activities proved to be opportunities for learning on the one hand, and for meeting up on the other, albeit remotely. The Bank continued to provide courses for the development of management and technical-professional skills, in physical classrooms in January and February, and in virtual classrooms in the following months, to disseminate and increase specialist competencies.

The Covid emergency has not stopped implementation of the Group Performance Management process.

This process has continued to have significant importance for Banca Generali in 2020 as well: this opportunity for feedback, dedicated to all Management Grades and Professional Areas, and designed to share the previous year's performance appraisal, establishes the starting point for the professional development plan and definition of the professional goals to be achieved during the year.
After the introduction of Goal Setting in 2019 (definition, for each employee, of the goals to be achieved during the year regarding activities and performance), the Performance Appraisal phase has been reviewed and implemented in 2020 with the introduction of the appraisal of the goals added the previous year and new competencies (ownership, innovation, simplification, human touch), which are increasingly relevant in the activities of the Bank's employees. All employees are thus actively involved in achieving company objectives. In February 2020, in order to support all People Managers in coordinating the Group Performance Management, dedicated classroom training was organised with the aim of introducing the new all-round process and new supporting tools to hone effective management of meetings with individuals and the formulation of objectives. Later, in-depth webinars dedicated to the entire workforce were produced in March, to present the new Process, clear up doubts and indicate each person's responsibility for the success of the Performance Management process.
The constant communication and updating work carried out by the top management through videos and ad-hoc communications to keep the Bank constantly aligned with the developing situation and the projects has been important throughout the entire emergency period. The Digital Meeting, set up in June 2020 and dedicated to all employees, was a significant occasion, as it enabled the CEO and top management to discuss the lessons learned and major projects to be implemented. In accordance with the Banca Generali Group's strategic positioning, the involvement of employees represented a fundamental means of driving engagement and empowerment within the Company, in particular in the first half of 2020.
An anonymous Pulse Survey was set up to investigate and gather the moods, opinions and needs emerging during the Covid-19 emergency period. This allowed a number of activities to be planned and implemented, dedicated to all personnel or to specific categories, suffering most greatly in this period.

The following projects, with particular interest amongst employees, were activated and implemented, following an analysis of the results:
> GCAMP project: training and non-training activities dedicated to employee-parents and employees' children. In further detail:
  - MIND MAPS: a path for learning the mind map methodology used for the study and memorisation of important concepts. The project was dedicated to employees' children;
  - REDOC: option for free registration on the platform and access to all available content. Project dedicated to employees' children;
  - Parents in the storm: meetings dedicated to employee-parents on the subject of parenthood during this emergency period and the new normal;
> virtual meetings focused on the subject of anti-fragility, dedicated to all personnel.

In addition to the activities described above, ongoing staff training activities continued with due care and diligence in the first half of 2020. Specifically, the following training activities can be reported:
> production of live webinars, open to all the workforce, dedicated specifically to the world of BG Products and created directly by colleagues in the Products Department;
> staff in the agencies and branches have been able to take part in training webinars on technical matters, tools and the Bank's operating procedures, thanks to the collaboration of colleagues in other structures;
> the Group continued to steadily provide constant update of and access to mandatory regulatory and security training to ensure the Bank's sustainability in the long term. This training activity as well was delivered through e-learning sessions provided through the dedicated platform or through virtual classrooms;
> significant importance was also attached to all managerial/behavioural training. A new form of training has continued with analyses of the topics of interfunctionality, collaboration and the value of diversity;
> language training continued with the launch of dedicated courses for both managers and the entire segment of the company population that has increased its contact with international counterparties.

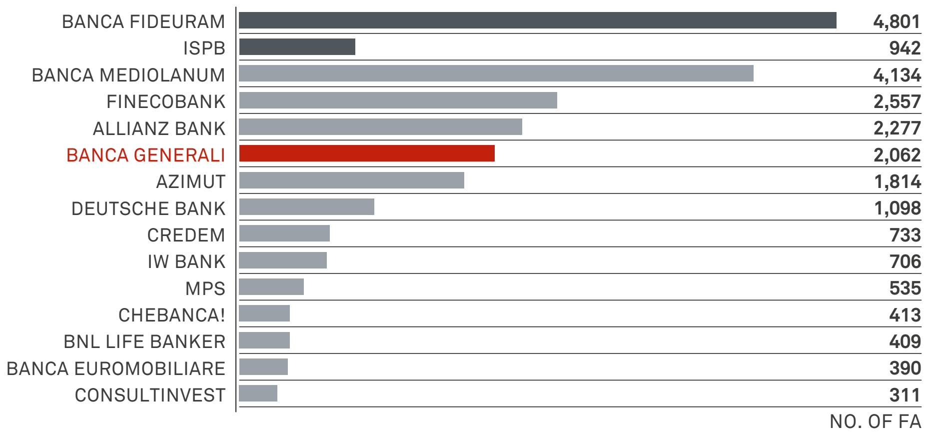
All the activities offered and their level of attendance bear further witness to the focus by the Banca Generali Group and its top management on issues relating to development, empowerment and continuous honing of the technical and managerial skills of Banca Generali's employees, who proved to be open to innovation, flexible to change and curious for learning.

8.2 Financial Advisors

Financial Advisors

Banca Generali has one of the most important Financial Advisor distribution networks in the Italian market: in May 2020 (latest available data) the network included 2,062 Financial Advisors and Relationship Managers.

NO. OF ASSORETI FINANCIAL ADVISORS: 23,182



May 2020 | Source: Assoreti

In June 2020, there were 133 Financial Advisors more compared to December 2019. This was the result of the recruitment activity from other banks and networks, which yielded excellent results also during the first half of the year.

Banca Generali's main data are summarised in the following tables, comparing figures for 2020 and 2019:

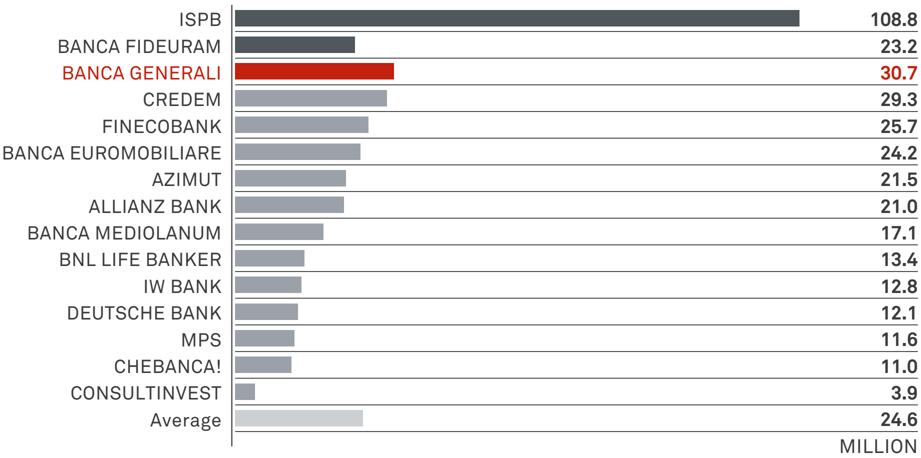
	30.06.2020		
	NO. OF FINANCIAL ADVISORS	ASSETS (€ MILLION)	ASSETS PER FA (€ MILLION)
Financial Planners / Private Bankers	1,652	39,444	23.9
Wealth Management	408	27,655	67.8
Total	**2,060**	**67,099**	**32.6**

	30.06.2019		
	NO. OF FINANCIAL ADVISORS	ASSETS (€ MILLION)	ASSETS PER FA (€ MILLION)
Financial Planner / Private Bankers	1,626	36,954	22.7
Wealth Management	396	25,938	65.5
Total	**2,022**	**62,893**	**31.1**

Careful selection in recruitment activities, targeted primarily at high-level professionals with significant customer portfolios, led to a progressive reduction in less advanced professional profiles, thereby raising the average quality.

In March 2020 (latest available data), Banca Generali ranked second in the Assoreti ranking of per-capita assets per Financial Advisor with 30.7 million euros (+25% compared to 24.6 million euros of the Assoreti market average).

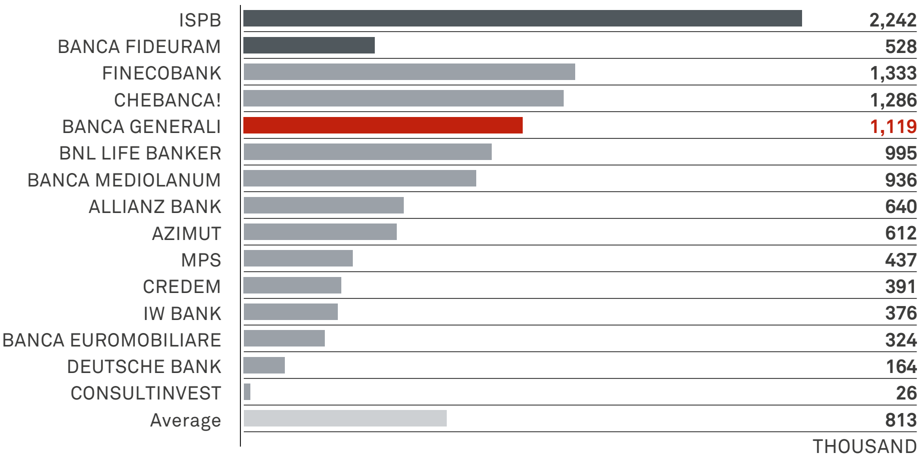
FINANCIAL ADVISORS AND AUM PER CAPITA



March 2020 | Source: Assoreti

The positive productivity of Banca Generali's sales network is also clear from per-capita net inflows, which amounted to 1.1 million euros and exceeded by 38% the system's average (0.8 million euros), thus confirming the Bank's professionals at the top of the Assoreti market in May 2020 (last available data) as well.

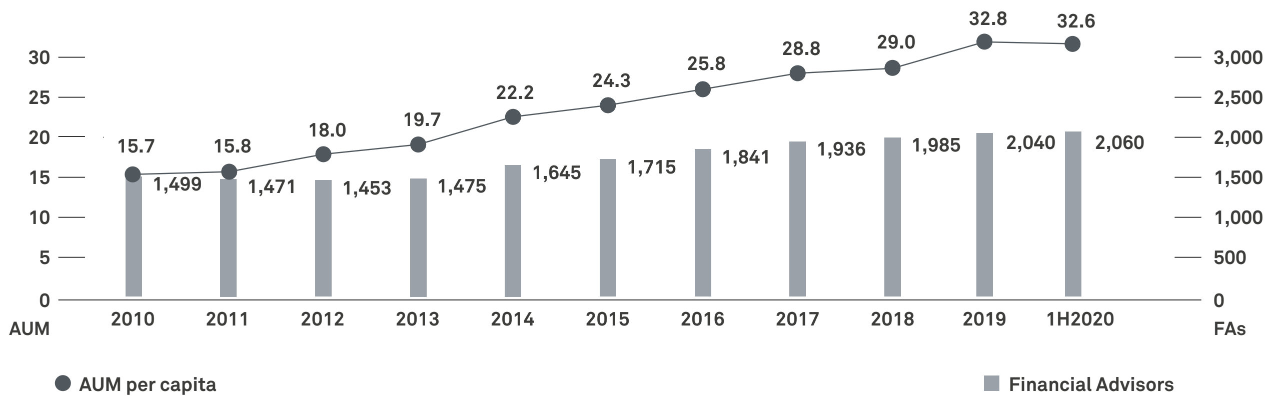
PER-CAPITA NET INFLOWS OF ASSORETI FINANCIAL ADVISORS



May 2020 | Source: Assoreti

The productivity of Banca Generali's sales network is also clear from per-capita AUM, which amounted to 32.6 million euros in June 2020, up further on previous years, bearing witness to the quality of the distribution network and the important work done.

FINANCIAL ADVISORS AND AUM PER CAPITA



8.2.1 Distribution Network Training

Managerial training

The first half of 2020 saw the creation of the My Webinar digital training platform schedule, due to the need to be close to the Network at such an unprecedented and extraordinary time: this featured a series of weekly live webinars, dedicated to the entire Network and Managers, to analyse the impact of the new scenario on the Role of Financial Advisors from the standpoint of routines and competencies and help them best express their own professionalism remotely as well.

The training schedule aimed at Financial Advisors intends to examine, together with experts, the Customer Relationship world, with a focus on three important pillars: communication and tools/techniques for an effective 'digital' relationship, emotional intelligence, management of emotional states and behavioural finance as drivers to guide the customer toward informed choices.

The training schedule dedicated to Managers, on the other hand, was developed to support the management structure in their guiding role towards effective management of their teams in the current context as well.
Storytelling of successful sporting testimonial experiences was used to provide useful food for thought and new interpretations for looking at the future challenges from another perspective and knowing how to guide the team in the best way also remotely, reinforcing the concept of trust and the exchange of information.

The management team represented by the Area Managers and District Managers continued to be strengthened this year as well. This process included personalised Team Coaching paths to help them develop and put in place the professional development of their teams by providing coaching on their guiding role in handling important challenges posed by the context and by the market.

The working groups set up during business meetings on the subject of recruitment, again for the management team, were aimed at sharing internal Best Practices on the Bank's strategies and tools.

The Training Orientation Questionnaire has been made available throughout the Network to provide greater support to the Financial Advisors in creating their own personalised training path. This has provided a mapping of knowledge and competencies on business and relationship issues.
Compilation of the questionnaire will allow Financial Advisors to access a series of My Academy Catalogue Courses, designed for them, which cover relationship and business topics, and will be the starting point for their long-term, personalised training plan.

Commercial training

Commercial training for the first half of 2020 started with a training path ahead of the launch of the new **BG4Real** project, the new investment solution designed to **bring investors closer to the world of the real economy**. The path, that featured training classrooms right across the Network, saw the provision of classrooms in the first month, followed by numerous virtual classes that allowed continuity to be given to training even during the lockdown.

The six-month period continued with training on the new **BG International Advisory** service that allows customers to increase the **geographical diversification of their own asset deposits**. As the highly innovative service is aimed at a specific customer target group, training was provided to a cluster of selected Financial Advisors with potentially interested customers.

The **Value of Sustainability** training path has continued. This aims to increase knowledge of the offer of sustainable products within Banca Generali's product range. The goal is to support Financial Advisors in creating a **constructive dialogue** with the Customer and **develop the sustainability aspect** in the everyday work routine and in the Customer Relationship.

Finally, numerous virtual classrooms have been set up on the **BG Saxo** online trading platform, which is a real high-tech tool that the customer and the Financial Advisor can use to **quickly access global financial markets**. The training proposal has concentrated on the use of the platform to meet the needs of the most sophisticated customers, on the elaborate graphic and technical analysis possibilities and the opportunity to identify new customer segments thanks to a tool that is technically advanced and user-friendly at the same time.

Institutional training

The path updating competencies and knowledge for **MiFid II** purposes, as per the Intermediaries Regulations issued at the beginning of 2018, also continued in 2020. The training plan of the courses in collaboration with two excellent partners, Excellence Education and the Università Cattolica del Sacro Cuore, was defined at the beginning of the year.

The main themes of the 2020 annual professional update for IVASS purposes will include product and regulatory updating, but also in-depth coverage of financial advice, the insurance market, the savings product market, the financial services market and the ability to listen and decode customers' needs.

The **training update on BGLAb** (in online **self-training mode**), Money Laundering, MiFID II, Privacy, Legislative Decree No. 231/2001, Banking Transparency, Qualified Intermediary and Market Abuse was reserved for **newly recruited Financial Advisors**.

This year also saw the continuation of the **training path** on the **main risks of money laundering, financing of terrorism** and **the prevention measures implemented by Banca Generali**, with a particular focus on the Financial Advisor's role and responsibility. The training programme is provided via **live** webinars which will involve the entire Network over a **three-year** period.

Tool supporting the Network of Financial Advisors: New BG Lab

The new training portal was launched in May. The Tool has been enhanced with new content, new features, new procedures and, above all, a different interactive modality that places the Financial Advisors right at the centre of their own Professional Development path. The major innovation is the collaboration with our commercial partners, who will be able to train the Financial Advisors quickly and innovatively through the new portal.

9. Products and Marketing

9.1 Asset management

The unprecedented, exceptional conditions that prevailed in the first few months of 2020, triggered by the Covid-19 emergency, contributed to an acceleration of the timeframe of Banca Generali's project dedicated to creating an investment programme capable of providing tangible, sustainable support for Italy's economic recovery. This was the impetus for creating **BG4Real**, which uses exclusive, innovative investment solutions to bridge the gap between the SMEs that make up Italy's economic fabric and investors' new return needs. This link between the real economy and private investment is designed to promote economic development through concrete contributions to small and medium-sized enterprises in search of capital, while also meeting the growing demand for investment solutions capable of providing a return within the persistent 'zero rates' environment.
The **8a+ Real Innovation** fund, created exclusively for BG together with **8a+ Investimenti SGR S.p.A.**, was thus launched in the first half of 2020; specifically, it is an alternative investment fund — a non-reserved AIF — one of whose characteristics is that it may also be subscribed by retail customers.
The project's importance — borne out by the intense development activity that began in the first half of 2020 and is set to continue for the rest of the year through the launch and marketing of another AIF vehicle, this time under the **ELTIF- European Long Term Investment Fund** label — resulted in the development of a considerable number of messages and communications tools targeting the extensive network of Banca Generali's professionals, primarily through dedicated training webinars.
In further efforts to provide a timely response to the liquidity management needs that arose during the Covid-19 emergency, our Luxembourg platform Lux IM was expanded to include a new sub-fund, **Lux IM Income Target 2023**, under mandate entrusted to BG Fund Management Luxembourg. In further detail, it holds a portfolio characterised by the high creditworthiness of the governmental and corporate issuers selected and by a geographical focus on the Italian market, and it will be a part of the new **Monetari** family, designed to optimise liquidity management while minimising fluctuations at the level of portfolio value.

There was no shortage of innovation in expanding the Lux IM line: in fact, during the half-year two more highly distinctive alternative strategies were added, managed under delegation by BGFML and BlackRock. Specifically, these solutions were:

- **Lux IM Alpha Green**, a sub-fund that benefits from a partnership with **Ambienta SGR** — a firm specialised in private equity that has stood out for its alternative approaches and investments in environmental sustainability, with a focus on selecting companies whose businesses are driven by strong environmental sustainability trends, relating in particular to efficient use of natural resources, energy efficiency and reduced pollution;
- **Lux IM Blackrock Credit Defensive Strategies**, a bond strategy characterised by a selection of high quality bonds and rigorous monitoring of risk.

Finally, the focus on the theme of sustainability already developed within the Banca Generali product range was further strengthened by the launch of two other new management lines within BG Solution and BG Solution Top Client. Specifically, these are the GPF Composite ESG line and GPM ESG Advisor Mainstreet Waste Control line, both characterised by investment policies that combine a traditional financial return objective with social and environmental parameters aligned with the development goals promoted by the United Nations.

BG Selection Sicav

In confirmation of the focus reserved for BG SELECTION SICAV, during the half-year significant merger activity was carried out, aimed at ensuring the optimisation of the range of in-house products from the standpoint of managers and investment strategies. The fact that all sub-funds were placed in post-sales status in 2019 naturally did not preclude the continuity with which risk monitoring activity and risk management processes are constantly pursued for all sub-funds of the Luxembourg platform.
At 30 June 2020, BG SELECTION SICAV had 27 sub-funds, of which 13 managed by BG Fund Management Luxembourg and 14 under mandate entrusted to leading international investment houses.

Lux IM

This new highly innovative Sicav, featuring distinctive strategies at the level of asset class and specific themes, was expanded in the first half of the year to include three new investment solutions (two of which are the result of the rebranding process).
Specifically, the Luxembourg platform was expanded to include the Monetari family, fed by Lux IM Income Target 2023, and the Alternative Non-Directional and Bond families were broadened by the addition of Lux IM Alpha Green and Lux IM Blackrock Credit Defensive Strategies.

In detail, the new strategies cover the following needs:

> *Liquidity management* for **Lux IM Income Target 2023**
  - A strategy characterised by the high creditworthiness of the governmental and corporate issuers included in the portfolio, as confirmed by a concentration of ratings around the BBB level and a geographical focus on the Italian market;

> *Search for value in sustainability* for **Lux IM Alpha Green**
  - A fundamentals-inspired long/short ESG strategy that selects companies whose businesses are driven by strong environmental sustainability trends, and in particular energy efficiency and reduced pollution. A further significant element relates to the industrial partnership with Ambienta, a firm specialised in private equity that has distinguished itself for its alternative approaches to and investments in environmental sustainability and its leadership in environmental ESG issues;

> *Portfolio quality* and *rigorous risk monitoring* for Lux IM **Blackrock Credit Defensive Strategies**
  - A bond strategy with a focus on the European area, characterised by a selection of high-quality bonds and strong risk control. The portfolio is constructed through active management of multiple alpha sources with a focus on credit, directional strategies, and relative value, through arbitrage designed to achieve a return objective while remaining in line with a contained, predefined volatility target.

In accordance with its highly innovative profile focused on customers' needs, the platform has been further enriched by custom-tailored services such as TWIN MIX and PAC. More specifically:

> using the **TWIN MIX** Service, customers may invest the cash balances of their current accounts in low-volatility multi-asset products and plan gradual investment in solutions with strong growth potential, achieving the desired allocation mix over a customisable period;

> through the **PAC** Service, customers can make customised gradual investment plans, reduce the volatility of their portfolios, stabilise returns in the medium/long term and reduce market timing risk.

At 30 June 2020, Lux IM had 67 sub-funds, of which 20 managed by BG Fund Management Luxembourg and 48 under mandate entrusted to leading international investment houses.

Open architecture

With the aim of constantly improving its services, in the first six months of 2020 the Bank forged ahead the expansion and ongoing adjustment of the funds offered by applying the open architecture model.
The theme of sustainability continued to play a central role in the strategy of expanding the catalogue, driving the introduction of a number of new ESG sub-funds differentiated by asset class, investment process, as well as by theme and model for assessing sustainable criteria.
At 30 June 2020, Banca Generali's retail offer included over 60 companies with more than 6,000 UCITS overall.

9.2 Portfolio management

The first six months of 2020 were characterised by its constant expansion in pursuit of a closer focus on the private-banking market.

The BG Solution and BG Solution Top Client range was further expanded to include two new core investment lines (GPM and GPF), both of which feature management policies that combine the search for traditional financial returns with specific environmental, social and governance (ESG) criteria in line with the Sustainable Development Goals promoted by the United Nations.

Overall, Banca Generali offers a full portfolio of actively distributed discretionary mandates, composed of BG Solution (41 management lines) and BG Solution Top Client (43 management lines) and BG Next (2 management lines), which cover all investment strategies, with a strong emphasis on customisation — a need typical of high-net-worth customers and in line with the current economic scenario.

9.3 Insurance products

In the first half of 2020, Banca Generali continued to play a leading role in the field of insurance policies. It stood out in the private insurance sector due to the launch of **Lux Protection Life**, the new Generali Luxembourg multi-line policy designed exclusively for customers interested in investing large portfolios while preserving their lifestyles and planning generational transfer optimally.
Lux Protection Life encapsulates all the Generali Group's finest insurance and financial expertise; this innovative Luxembourg insurance policy offers sophisticated, leading-edge insurance cover and allows for up to 40% of the premium to be invested in a French segregated account designed to ensure solidity and protection of the entire investment.
From a financial standpoint, the policy allows broadly diversified portfolios to be constructed, in line with the customer's risk profile, through an investible universe that is composed of over 350 UCITS of top international asset managers (including the Lux IM and BG Alternative Sicav range and a broad selection of ESG strategies).
In further efforts to meet asset protection needs — above all at times of uncertainty, such as the beginning of the year — distribution of the "February 2020 edition" BG Custody was launched. This is a new traditional LOB I policy that invests in the Ri.Alto BG segregated account. In addition, distribution of BG Stile Libero 2.0, the new single-premium multi-line policy that offers a 5% bonus on subscription for the potion invested in the financial component (UCITS), was also reopened. Finally, recruitment-oriented rang of products were expanded to include two traditional LOB I solutions, BG Custody and BG Valore Ri.Alto.
Through the #BGriparte initiative, specifically designed to guide Financial Advisors in the post-emergency phase, Banca Generali launched BG Custody ed. 02/2020 Promotion, a traditional LOB I policy that, while continuing to meet wealth protection needs, has also been expanded to include new advantages such as reduced exit penalties and a full discount on underwriting fees.
Distribution also continued for BG Stile Libero 50 Plus, the multi-line policy launched in the second half of 2019 that allows up to 50% of the amount subscribed to be invested in a segregated account, while also taking advantage of the flexibility of investing in sub-funds of Lux IM and third companies for the financial component.
In addition, revision of the investible universe for multi-line insurance products also continued, involving a constant renewal of the range of third-party partners, which at the beginning of the year saw, in particular: the enhancement of the themed range with next-generation themes, an increase in the number of UCITS and ETFs with investment processes that integrate ESG criteria and a selection of passive instruments with a focus on the commodities asset class.

9.4 Assets under administration and custody

Implementation of distribution agreements with major new issuers for the issue on the primary market of AUC instruments such as certificates and structured bonds continued in the first half of 2020. These agreements, which will be finalised in the second half of the year, will allow Banca Generali to expand its range with products developed by major local and international players.

9.5 Banking products

In the first half of 2020, in order to keep the level of innovation at the high standard for which all Banca Generali products are known, solutions and initiatives were launched with a focus on seeking to meet private-banking customers' new needs, also within the changed scenario impacted by the Covid-19 emergency.
Specifically, the main solutions/initiatives concerned:

1. Debit card restyling

The full restyling of the Banca Generali range of credit and prepaid cards that began in 2019 was completed, including renewed layouts and revamping of the Premium credit range.
The debit range was rationalised in February 2020, keeping a single type of international e-commerce debit card and completely revising the look and feel, which were brought into line with the graphical style of the other payment cards.

2. Nexi Covid-19 initiatives

In April 2020, Banca Generali joined the "Digital Solidarity Programme" in collaboration with its partner Nexi to support the recovery of commercial businesses. Three acquiring initiatives were launched to simplify and increase the advantages offered by digital payment receipt schemes:

- *Pay by link* – a remote payment receipt service based on the use of links sent by the merchant to the customer. Offered for a monthly fee, with no installation or transaction costs (the latter waived until 31 December 2020);
- *Micropayments rebate* – an initiative supporting merchants involving commission rebates for small digital payments received from 1 March to 31 December 2020;
- *"Nexi Welcome" mobile POS terminal* — range designed for new customers who use the payment acceptance service sporadically and not continuously. There are no fees and the Bank covers the installation costs (promotion valid until 30 June 2020, extended until 31 December 2020). The merchant receives a small, light-weight mobile POS terminal device, which functions together with a smartphone, thus also enabling efficient mobile use.

3. BG Twin Solution

BG Twin Solution was launched at the beginning of June 2020: a solution that allows customers to gradually invest in the financial markets through an automatic investment plan involving Lux IM funds and that guarantees that the sum subject to the investment plan provides the advantageous return offered by the BG TWIN current account dedicated to the initiative, which differs according to whether this sum consists of an existing balance or new funds transferred to Banca Generali.

To ensure customer retention, promotional activity was extended in the area of the exemption from stamp duty for current and new customers who transfer financial instruments to Banca Generali, in addition to confirming the mechanism for determining the bonus (aimed at rewarding, as well as the new transfers, also the assets already included in portfolios). Mortgage lending saw instead the renewal of the referral agreement with the Intesa Sanpaolo Group and the related promotions for customers.

9.6 Securitisations

In the first half of 2020, Banca Generali responded to the constant need for income and the growing focus by customers on investments tied to the real economy by strengthening its presence on the private credit market, and in particular within the segment of illiquid investments backed by high-quality collateral. The following is a description of the main transactions undertaken in the first half of the year:

- Argo, the underlying assets of which are receivables claimed by Italian SMEs from Italy's National Health System and Public Administration. The programme expands investment opportunities for Banca Generali's professional customers, allowing them to invest in both the senior and mezzanine tranches for the first time;
- Credimi #ItaliaNonSiFerma, a programme in support of Italian SMEs implemented with a contribution from Assicurazioni Generali as the junior investor. The programme securitises five-year loans granted by Credimi to a selection of Italian SMEs and guaranteed by the Central Guarantee Fund for a percentage of nearly 90% of the nominal value of each loan;
- Trade Finance Quattro, insured securitisation of policies issued by Export Credit Agency, in accordance with the trade finance concept of preventing the risks inherent in international transactions. This transaction is in line with the previous trade finance transactions.

9.7 Communications and external relations

Media relations

Despite the distancing imposed by the pandemic, in the first half of 2020 Banca Generali maintained a dialogue with the media based on clarity and transparency to inform the market and stakeholders of all initiatives taken in response to the crisis. The top management gave a number of interviews to orient and reassure investors in a crisis of a non-financial nature, while asset management specialists offered the Bank's views of possible market movements. The significant aid plan for Italian SMEs, entitled #ItaliaNonSiFerma, was announced in a joint press release with the Parent Company, Assicurazioni Generali, and specific print and Web communications, in addition to social media channels.

As far as financial communication is concerned, in the first half of 2020 the Bank issued 23 press releases, published in both Italian and English, to keep its stakeholders informed of the business results and developments. The materials relating to the 2019 Financial Statements and Shareholders' Meeting were transmitted to the media and published on the Company's website. The Chairman, Chief Executive Officer and Deputy Chairman Managers were also available to provide further information. Customer funding performance was reported on in monthly press releases and in-depth interviews with the major general interest media outlets.

The Bank's support for the Italian economy's recovery from the Covid-19 crisis thus also took the form of a series of communications initiatives. Among these, the Bank presented "Recipes for the Recovery", a series of digital talks aired live on Facebook, in which Banca Generali's Chief Executive Officer exchanged views with entrepreneurs, asset manages and the media to propose solutions helpful to the national economic recovery.
This and much other content drove the Bank's intense social communication on its official profiles on the platforms Facebook, LinkedIn, YouTube, Instagram and Twitter.

Network, customer and internal communication

During the Covid-19 healthcare emergency period, the Bank intensified all its communications activities to maintain constant, timely contact with its customers, Financial Advisors and head office employees.

A specific section of the commercial website www.bancageneraliprivate.it was created to gather all information and extraordinary initiatives and to promote the digital tools supporting remote activities (Digital Collaboration and Home Banking), including through specific tutorials. In addition, for the first time Banca Generali directly sent all its customers an e-mail signed by its Chief Executive Officer to illustrate the strategy adopted to confront the emergency and support Italy's economy.

Considerable emphasis was placed on the extraordinary fund of 1 million euros that Banca Generali allocated to support companies on the front lines of the struggle against Covid-19, through which four mobile intensive-care units were donated to the Red Cross of Bergamo, Pavia, Monza and Trieste and medical and protective devices were purchased for the hospitals most severely affected by the health emergency.

In March, the monthly newsletters for Financial Advisors and employees were published with weekly frequency to keep head office and network personnel constantly informed of the health emergency and the Bank's decisions regarding the behaviour to be adopted, with regard to both extraordinary commercial initiatives and activities relating to the recovery and the revival of the real economy.

More than 400 articles were published in the weekly newsletters from March to June. Twenty-two ad hoc videos were created, allowing the Bank's top management and other managers to share information and messages of support with their head office and network colleagues.

Finally, the BG4Real project was launched in June through an integrated communications plan designed to convey to customers, Financial Advisors and employees alike Banca Generali's values and commitment to supporting the small and medium-sized enterprises that form the segment of the economy most severely affected by the lockdown period and that can enable many households to get back to work and regain their peace of mind as they look to the future after the emergency. For this occasion, the network was provided access to a full set of marketing tools and materials (brochures, videos, mailing texts, etc.) capable of aiding Financial Advisors in presenting the project and the advantages of investing in private markets completely, simply and clearly.

A section dedicated to the Covid-19 emergency was added to InSite, the Intranet for Banca Generali's employees. The new section hosts all information regarding safety and remote working methods, office access, guides to responsible behaviour and safety protocols. The section also hosts the weekly newsletter and the top management's videos on the subject of safety.

In addition, in late May employee communication materials were expanded to include an engagement plan for the beginning of a gradual return to normality through a motivational communication plan culminating in the digital convention that involved the Bank's top management and all its employees.
In late May, employees also participated in a Pulse Survey conducted at the business unit level, the goal of which was to measure the efficacy of communications activities during the emergency phase and to collect feedback more generally. The Pulse Survey identified strengths and

areas for improvement, on the basis of which the first follow-up actions were launched in June, supported by constant dedicated communications initiatives.

Events

The year kicked off with Banca Generali Private Roadshows held in January 2020. There were three events, two in Milan and one in Rome, involving the participation of all the Bank's Financial Advisors and several partner companies. The days were dedicated to interviews with the top management of Banca Generali Private to circulate the new strategic guidelines and opportunities for 2020.

Then, in February, two events dedicated to the Bank's employees were organised in Milan and Trieste. The Bank's top management presented steps towards achieving objectives helpful to implementing Banca Generali's strategic plan.

The distancing required by the health emergency made it necessary to cancel the events scheduled for March to June, and to rethink methods of meeting and exchanging views, taking advantage of the new technological possibilities.

In March and April, Banca Generali and Reply, in collaboration with MIP Milan Polytechnic University, launched the first edition of the Investment Challenge, designed to introduce students to investing through the advanced trading platform BG Saxo Trader Go. More than 8,000 students at universities throughout Italy participated in the initiative to design the best strategy for protecting a virtual portfolio with an initial value of 1 million euros.

On 28 May, CeTIF and Banca Generali organised the online event "The development of wealth management in view of open innovation". The studies relating to digital wealth management and open banking on the market were presented during the event. The debate centred on the main drivers of change and development of the sector in the form of new technologies, with insights and food for thought leading up to the presentation of national and international use cases. The collaboration that Banca Generali has established in various areas with the scientific community and academe represents concrete support for research, to follow up on specific studies regarding finance and wealth management. Through this collaboration, Banca Generali supports research and has access to the top tools for assessing and adopting leading-edge solutions and services capable of meeting customers' increasingly complex needs.

There were two extraordinary events involving all Banca Generali Financial Advisors and employees in June.

From 8 to 12 June, the Bank organised its first Digital RoadShow, a streamed event involving all 2,000 Financial Advisors throughout Italy: the first part of the sessions was devoted to talks by the top management, followed by room for contributions from the managers of the main management firms partnering with BG.
On 17 June, the Bank's employees took part in BG Digital Meetings: over 750 colleagues connected contemporaneously to Banca Generali's first live-streamed meeting.

Thanks to Banca Generali's focus on the issue of innovation and start-ups, the seventh edition of the Investor Deal Table — a digital event that enabled six selected Italian companies to introduce themselves and explain to an audience of 150 qualified investors the critical factors to the success of their businesses — was held on Tuesday, 16 June.

10. Auditing

Banca Generali's Internal Audit Department, a third-tier control function, carries out independent, objective assurance and advisory activity aimed at improving the organisation's efficacy and efficiency and implementing control measures aimed at mitigating company risks. The Department also promotes an effective governance process in view to the Bank's long-term stability and sustainability.
Internal Audit periodically assesses the overall Internal Control System and ICT system in terms of completeness, adequacy, functionality and reliability, by performing checks and onsite audits of the proper conduct of operations and the evolution of risks; it is also responsible for supporting company bodies, the Board of Directors, the Board of Statutory Auditors, the Internal Audit and Risks Committee and Top Managers in defining the structure of the internal control and corporate governance system.

Audit work is performed in accordance with the methodologies and internal and external standards, including:
> the Bank of Italy's supervisory instructions;
> International professional standards of the Association of Internal Auditors;
> Borsa Italiana's Corporate Governance Code;
> Basel Committee on Banking Supervision, June 2012 and July 2015;
> Consob-Bank of Italy Joint Regulation;
> Evolutions of the new SREP and "Guidelines on common procedures and methodologies for the supervisory review and evaluation process", EBA, 19 December 2014;
> CoSo Report, ERM (Enterprise Risk Management) model and CobiT-Pam methodology.

During the period, Internal Audit's attention was focused on assurance activity involving various topics, such as the ICAAP and ILAAP reports, the Banking Group's remuneration and incentivisation policies, the process of identifying Key Personnel and the review of derivatives transactions. The measures implemented in administrative and accounting processes and the IT applications dedicated to such processes were tested for efficacy.
Among internal audit activity, mention should also be made of privacy-related audits aimed at ensuring proper operational conduct by employees.
Following the health emergency tied to recent events and the resulting massive adoption of remote working by the Banking Group for its employees, Internal Audit determined that it was necessary to examine the remote working process to identify the related risks and assess the need for additional measures to reduce the overall risk level inherent in the Bank's remotely conducted operating processes.
In addition, the Internal Audit Department began a process of tracking the Bank's contingency processes and the concessions made during the period by Regulators, which will make it possible to monitor the risk level of internal processes and their development over time.

During the half-year, Internal Audit proceeded with a Fraud Risk Assessment project that had been launched in 2019 with support from the Company Functions involved in antifraud processes. This involved a refinement of fraud detection and investigation techniques, as well as the implementation of new measures and enhancement of existing controls and internal policies in this area, in order to combat the risk of fraud.

Audit activities also focused on verifying the internal control environment of CSE's IT systems, IT security audits and the analysis of the cyber security incident management.

Auditing activities regarding subsidiaries were also carried out during the half-year, in accordance with the internal audit plan, prepared based on an audit-priority approach relating to mandatory and risk-based processes.

Engagement between Internal Audit and second-tier functions continued with the aim of ensuring a constant analysis of known and emerging risks. The improvement paths for existing controls, which were initiated as a result of previous audits, have been monitored (follow-up activity).

In a constantly evolving scenario characterised by new technologies, an evolving business model and the pursuit of sustainable choices, the audit activity carried out indicates an internal control system largely adequate to managing and monitoring risk level over time.

11. Organisation and ICT

A structured plan of projects has been prepared for 2020 to support the Bank's strategic guidelines and business objectives, with a particular focus on enhancing services, products and support for the benefit of wealth management, in addition to initiatives to increase the Bank's efficiency and further its internal development in pursuit of constant improvement.
The main initiatives undertaken in the first half of the year are discussed below.

Wealth Management

Digital Experience

In line with activities aimed at facilitating the use of the digital platforms and tools available to Financial Advisors, a specific project initiative was launched to design a new ecosystem (platform and processes), custom-tailored to the needs of BG's Financial Advisors, and the advisory services that they provide to clients. In addition to broader projects, possible short-term actions will also be identified to improve the digital tools currently available to the sales network.

RO4AD

The service supporting advanced advisory continued to be developed, extending quality and risk alerts to encompass Stile Libero. The implementation of a new feature supporting Financial Advisors in maintaining model portfolios and the related rebalancing on the basis of the solutions proposed by the Bank's advisory service is in the advanced stages of development.

Development of the credit platform and products

The credit platform continued to evolve in support of the electronic loan application procedure, in particular through automation of the rules for the financial instruments eligible as collateral, throughout the various phases of the credit-granting process. The credit platform has also been adapted to support, and in some cases to enhance, the efficacy of the government's Liquidity Decree measures relating to the Covid-19 emergency, thus facilitating credit conditions for businesses.
During the first quarter, Lombard loan operations were also extended to include a new product module (known as "Lombard Plus") allowing drawdowns to purchase financial instruments and/or products using leverage, subject to specific safeguards and controls established in accordance with MiFID.

BG International Advisory

In continuity with the project that in late 2019 resulted in the launch of the new BG International Advisory service, designed to allow geographical diversification of asset custody through a partnership with a Swiss bank, in the first half of 2020 the working group focused on expanding the service, currently available for shares, bonds and ETFs, to also include UCITS in the investible universe.

New BG 4 Real products

To connect private investors with the real economy, Banca Generali launched the **project BG4Real**, which in June 2020 began to distribute the 8a+ Real Innovation fund, the result of collaboration with 8a+ Investimenti SGR S.p.A., thus offering an alternative investment fund (AIF) capable of exploiting the potential of private markets.
In addition, Banca Generali is finalising the extension of the range of products distributed to include ELTIFs (European Long Term Investments Funds), medium-to-long-term alternative funds that also meet the requirements set by the "Relaunch Italy" Decree, with minimum investments accessible to affluent and private-banking customers.

Training Innovation Hub

The Milan Training & Innovation Hub was inaugurated; it is intended to serve as a physical touch point supporting training activity for Financial Advisors and bank personnel, event organisation and community outreach initiatives.

Platforms for customers

New internet banking

An initiative involving the planning and development of a **new home-banking platform** was launched, with implementation activities set to continue into 2021.
The new PIB (Personal Internet Banking) will ensure an improved end-user experience through a simple, intuitive interface, thus offering an innovative solution compatible with the latest te-

chnological trends and new digital frontiers, also made possible by upgrading of the underlying IT platform.

Mobile banking
Several project initiatives are also in progress with the aim of developing and optimising the new mobile banking app launched in 2019, such as inclusion of the Digital Collaboration and mobile token features, previously offered through dedicated apps.

BG Saxo
The BG Saxo project (involving a brokerage firm in partnership between Banca Generali and Saxo Bank) continued with new instruments and services for customers. A specific BG Saxo app was made available in the first half of 2020. Through a simple new interface, it allows customers to monitor the distribution of their portfolios and open positions, including via mobile devices. Projects are also continuing with the aim of expanding the range of financial services and instruments offered to customers, such as the ability to trade derivative financial instruments (CFDs, forex, etc.), jointly held accounts and the integration of the ordinary current account features annexed to the BG Saxo RTO.

Regulatory measures

IVASS 44 updates
IT and organisational measures were taken to apply the rules deriving from IVASS Regulation No. 44 to the distribution of insurance products. The Regulation requires that more detailed information be gathered regarding clients and the related instructions for the purposes of anti-money laundering controls and customer due diligence. Implementation of the measures was spread out over time according to an "update process" designed above all to bring company processes in line with the new rules, while reserving further efficiency gains and full automation for the next phase of implementation.

New customer due diligence rules
IT and organisational measures were taken in response to the rules set out in the "Provisions for customer due diligence to combat money-laundering and terrorist financing" issued by the Bank of Italy. Implementation of the measures was spread out over time according to an "update process" designed above all to bring company processes in line with the new rules, while reserving further efficiency gains and full automation for the next phase of implementation.

Additional initiatives

Data and reporting project
A project involving the implementation of a **new data architecture** capable of supporting Banca Generali's evolution to become a data-driven company was launched at the beginning of the year.
The project will enable the Bank to implement a more modern data architecture capable of facilitating the use of IT assets through centralised access to information, in addition to improving and automating reporting and analytics processes in support of the business and reinforcing data governance and data quality processes.

Ibor transition
Activities instrumental to managing the revision of rates continued, with a particular focus on the transition from EONIA to the new €STR rate, which will be further diversified in 2020 by products and areas of application, in addition to communications with customers for the management of new and existing contracts.

Fair value policy automation
The project was designed to integrate a new application used to manage the Bank's pricing policy automatically. According to a sophisticated prioritisation scheme, diversified by asset class, the application manages the daily receipt of quotations of financial instruments from the providers used by the Bank such as Bloomberg, Telekurs and CED Borsa. The automation process also extended to the input of prices supplied by Saxo Bank for the OTC derivatives it issues. Phase 1 of the project involved delivering a sizeable first batch of automation at the end of May, designed to enable automatic management of financial instrument pricing in view of the 30 June reporting date, but the benefits of this automation also encompass the uniform input of data into the front-end applications used by clients (Internet banking) and Financial Advisors (Financial Advisor and BGPA front-end).

Additional sets of automation and services, including, but not limited to, the following are planned for the second half of the year:

> - refinement of pricing of particular assets (above all illiquid instruments) through various contributors;
> - automatic daily calculation of the liquidation value (complementing the values supplied by Prometeia);
> - preparation of diagnostic and reporting documents to expedite the control activities performed by the Bank's operating functions and risk functions.

New WebContoC platform

WebContoC is the new interbank corporate banking service offered to all customers with business accounts. BG Corporate Web — the name under which the product was presented to clients — is a Web platform that is fully integrated into the IT system used by the Bank, through which customers may benefit from some dedicate features of the home-banking service (balance and activity in real time and unlimited archives of past activity for accounts held with BG), in addition to typical corporate banking services (ability to order payments and collections via all banks with which relationships are in place using a single application).

12. Main risks and uncertainties

The Covid-19 pandemic has profoundly changed the economic outlook for the current year: the resulting decline in consumption and effects of the containment measures for the Covid-19 epidemic that began in March have significantly impacted the economic and financial conditions of households and companies.
Financial market tensions relented in the second half of March, in the wake of the massive expansionary measures adopted by the fiscal and monetary authorities.

The uncertainty tied to the current macroeconomic scenario and financial market volatility require constant monitoring of the main risk factors to which the Banking Group is exposed, as summarised below.

> The Bank's exposure to **credit** risk mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost and financial assets at fair value through other comprehensive income, and loans to customers (both corporate and retail). Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure.
  Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management Function and established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors. Customer loans include a low percentage of NPLs in the overall portfolio, considering their value net of provisions and the guarantee provided, in particular financial collaterals in the form of pledge of securities and personal guarantees issued, for a significant part of the portfolio, by a primary credit institution.
  The advent of the Covid-19 pandemic has yet to have significant effects on the quality of loans to customers. The main effect of the pandemic was seen in March and April, when extreme market volatility reduced the value of financial collateral. This trend was then reversed, resulting in growth already in June.
  The Bank responded to the pandemic by monitoring the risk profile of its customer loan portfolio daily and participated in the relief measures implemented by the "Italy Decree", enabling its customers to apply for a moratorium on their loans and including in their plan funds dedicated to loans secured by the SME Fund, in accordance with the "Liquidity Decree".

> The exchange **risk** exposure arises from changes in the value of assets and liabilities, the valuation of which is sensitive to changes in the term structure of interest rates or interest rate volatility.
  In light of the Bank's significant position in government securities (about 85% of the portfolio owned), the same is particularly sensitive to the spread/country risk, which is constantly monitored using sensitivity analyses.

> The Bank's exposure to **market** risk — which is currently limited and residual — stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).
  In particular, securities measured at fair value and classified in the portfolios of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are exposed to market risk, as fluctuations in their prices impact the Group's Profit and Loss Account and net equity.
  Market risks are maintained within appropriate limits, which are monitored by the Risk Management function. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

> The Bank's exposure to **operating** risks across the various legal entities in the Group is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advi-

sors) and the direct involvement of all personnel in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, *inter alia*, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.
The Risk Management function carries out risk assessment and scoring activities and Loss Data Collection processes; it monitors the action plans adopted to mitigate material risks, and controls KRIs (Key Risk Indicators) instrumental to monitoring of the areas of highest risk.
Moreover, the Banca Generali Group has adopted an insurance coverage for operating risks deriving from acts of third parties or caused to third parties, as well as adequate clauses covering damages caused by providers of infrastructure and services; it also approved a Business Continuity Plan.
The Group reported no operating losses linked to the health emergency, during which the Bank was able to constantly guarantee its service level.

> Exposure to the risk of **excessive leverage** is caused by a particularly high level of debt, with the resulting risk that any decreases in the value of an asset (e.g., impairment of securities) may result in the high erosion of capital.
The level of the leverage risk indicator (the ratio of net equity to assets) is periodically monitored by the Risk Management function in order to ensure that the Bank's targets are met and the legal limits are observed.

> In relation to the **concentration risk**, resulting from the exposure to groups of related counterparties and counterparties operating in the same sector/geographical area, the Bank reports a good level of diversification. In addition, the Bank guarantees ex-ante compliance with the regulatory limits regarding the level of exposure towards related parties and major risks.

> The Bank's exposure to **liquidity** risk derives from funding and lending transactions in the course of the Group's ordinary business, as well as from the presence of unlisted financial instruments in its owned portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.
The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, to a secondary degree, where available, through the measures proposed by the ECB. In addition, the Group maintains a portfolio of listed, highly liquid financial instruments in order to respond to potential crisis scenarios characterised by a sudden interruption of net inflows.
Liquidity risk is managed through appropriate short-term and structural (beyond one year) operating limits, monitored by the Risk Management function, aimed at maintaining a level of risk deemed consistent with the strategies and risk appetite set by the Board of Directors.
The Group also implemented a Contingency Funding Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

In addition to the aforementioned risks, the Group also ensures monitoring of the following risks:

> **strategic risk**: the actual or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario.
The strategic risk is tackled first and foremost by policies and procedures in which the most important decisions are reported to the Board of Directors and supported by specific preventive impact analyses in terms of capital adequacy and liquidity, consistency with the Risk Appetite Framework and sustainability of the business model;

> **reputational risk**: the current or prospective risk of a decrease in profits or capital arising from a negative perception of the corporate image by clients, counterparties, shareholders, investors or regulatory authorities.
The Banca Generali Group is structurally exposed to reputational risk due to the Group's distinctive trading operations, which focus on offering and placing asset management products with its retail customers through its own Financial Advisor Network.
To monitor this risk, the Bank has adopted specific codes of conduct and codes of ethics that govern the Group's operations and its dealings with its main stakeholders. In addition, specific organisational structures exist inside the Bank to safeguard the corporate image, each one responsible for the areas within its remit (presentations to the financial community and investors, new product launch, complaints and dispute management, etc.).

13. Outlook for the second half of 2020

The second half of 2020 will continue to be marked by the abrupt slowing and contracting of global growth caused by the lockdown measures necessitated by the global spread of the coronavirus pandemic, countered by expansionary fiscal and monetary policy measures designed to support the economy.
Within the Euro Area, very significant expansionary economic policy measures are expected in support of the economy, which in the second half of 2020 will attempt to stem the decline in economic growth recorded in the first half of the year, including through measures by the ECB in support of the growth action induced by the aforementioned policies.
Within this environment of extreme difficulty for the country on the healthcare, economic and social fronts, in the second half of the year Banca Generali will continue not only to ensure security and protection for savings, but also to assume social responsibility through a series of concrete initiatives, including those relating to the creation of new products in support of Italy's SMEs.

Moreover, choices focusing on service and product innovation, implementation of stronger financial planning and advisory skills, the increased quality of the Bank's network and the emphasis on internationalisation will prove the winning elements for ensuring that Banca Generali enjoys sustainable growth capable of allowing it to continue to gain market share in the asset management sector in Italy, even in such a complex context.

In the second half of 2020, in continuity with its industrial plan — whose objectives and strategic guidelines are confirmed — the Banking Group will aim to focus its attention on households, strengthening its position as a private bank and increasing its commitment towards sustainability themes, while constantly ensuring greater dedication to developing bespoke solutions in both investment products and advisory services.

In detail, the main measures, which have been partly already launched in the first half of 2020, will include:

- **improvement of the quality of the Financial Advisor network**, through both professional training for the existing network thanks to the ongoing implementation of BG Training & Innovation Hub, which is a centre devoted to the acquisition of new skills and professional growth, and the recruitment of high-profile, experienced professionals on the market;
- **product innovation**, which will continue in the second half with the development of the Lux IM products and wrapper solutions, also with the aim of supporting the real economy through the promotion of Alternative Funds (AIFs and ELTIFs), in addition to the issue and placement of new tranches of certificates;
- **development of new lines of business** through the growth of AUC solutions, leveraging on the partnership with Saxo Bank in online trading and the expansion of lending, primarily in the form of the Lombard loan, to be accompanied by new loans secured by the SME guarantee fund within the framework of Covid-19 measures, in addition to trade finance transactions with a guarantee from SACE;
- **reinforcement of the Bank's management capacities** by completing the integration of the Nextam Group and through its investment in 8A+, firm specialised in managing funds that invest in SMEs;
- **international expansion in Switzerland** through the partnerships formed with various Swiss institutions to assist Italian customers with assets held in the country and the launch of a private banking activity for customers residing in Switzerland through the development of BG Valeur;
- **promotion of the advanced advisory service** covering all of the customer's wealth-related needs, in addition to advice concerning securities. Thanks to several exclusive partnerships, the Bank can provide advice concerning Real Estate, Wealth Planning and Generational Transfer, Corporate Finance and Family Office issues. In the second half of the year, particular attention will also be given to wealth management services for business customers through an ecosystem of major, innovative partners capable of meeting the key needs of such customers in the various phases of the life cycles of households and family-owned businesses;
- **digital innovation**, which will allow, including through the development of an integrated system of apps in support of financial advisory activity, to improve the Financial Advisor's digital experience and to implement the gradual extension of digital collaboration;

- **enhancement of the communication** of a solid, innovative brand, including through the new social channels;
- continuation of the **project for a complete overhaul** of the Bank-Client-Financial Advisor relationship to simplify and expedite administrative processes through digitalisation and automation designed to improve the relationship.

The Banca Generali Group is therefore committed towards the targets set by the 2019–2021 Strategic Plan and is confident that it will succeed in achieving them, albeit in a more challenging and complex context than that originally forecast, chiefly attributable to the consequences of the Covid-19 pandemic.

Trieste, 29 July 2020

The Board of Directors

03

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
at 30 June 2020

BOARD OF DIRECTORS
29 JULY 2020

Consolidated Accounting Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)			30.06.2020	31.12.2019
10.	Cash and deposits		613,230	525,400
20.	Financial assets at fair value through profit or loss:		46,448	64,998
	a)	HFT financial assets	3,621	18,298
	c)	other financial assets mandatorily measured at fair value	42,827	46,700
30.	Financial assets measured at fair value through other comprehensive income		2,430,834	2,778,836
40.	Financial assets at amortised cost:		8,519,503	7,703,082
	a)	loans to banks	759,782	627,247
	b)	loans to customers	7,759,721	7,075,835
50.	Hedging derivatives		8,890	4,727
70.	Equity investments		1,959	2,061
90.	Property and equipment		157,893	164,219
100.	Intangible assets		128,262	134,135
	of which:			
	–	*goodwill*	*86,943*	*86,919*
110.	Tax receivables:		47,735	51,168
	a)	current	698	3,673
	b)	prepaid	47,037	47,495
130.	Other assets		367,920	336,950
	Total assets		**12,322,674**	**11,765,576**

NET EQUITY AND LIABILITIES

(€ THOUSAND)			30.06.2020	31.12.2019
10.	Financial liabilities at amortised cost:		10,788,256	10,503,986
	a)	due to banks	580,630	94,807
	b)	due to customers	10,207,626	10,409,179
20.	HFT financial liabilities		1,617	1,204
40.	Hedging derivatives		25,626	7,481
60.	Tax liabilities:		27,094	13,618
	a)	current	16,706	1,690
	b)	deferred	10,388	11,928
80.	Other liabilities		472,417	147,097
90.	Employee termination indemnities		4,840	5,153
100.	Provisions for liabilities and contingencies:		171,496	169,369
	a)	commitments and guarantees issued	121	108
	b)	pensions and similar obligations	3,853	3,854
	c)	other provisions	167,522	165,407
120.	Valuation reserves		877	3,813
140.	Equity instruments		50,000	50,000
150.	Reserves		507,834	454,465
160.	Share premium reserve		57,202	57,729
170.	Share capital		116,852	116,852
180.	Treasury shares (-)		-33,395	-37,356
190.	Net equity attributable to minority interests (+/-)		10	26
200.	Net profit (loss) for the period (+/-)		131,948	272,139
	Total net equity and liabilities		**12,322,674**	**11,765,576**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)	30.06.2020	30.06.2019
10. Interest income and similar revenues	45,445	38,506
20. Interest expense and similar charges	-3,045	-4,924
30. Net interest income	**42,400**	**33,582**
40. Fee income	455,196	424,469
50. Fee expense	-197,293	-184,439
60. Net fees	**257,903**	**240,030**
70. Dividends and similar income	1,696	2,157
80. Net income (loss) from trading activities	3,157	3,226
90. Net income (loss) from hedging	83	16
100. Gain (loss) on disposal or repurchase of:	6,333	1,370
a) financial assets at amortised cost	8,989	60
b) financial assets at fair value through other comprehensive income	-2,656	1,310
110. Net income (loss) from financial assets and liabilities at fair value through profit and loss:	-2,869	-723
b) other financial assets mandatorily measured at fair value	-2,869	-723
120. Net banking income	**308,703**	**279,658**
130. Net adjustments/reversals due to credit risk relating to:	-4,662	-1,143
a) financial assets at amortised cost	-4,309	-2,431
b) financial assets at fair value through other comprehensive income	-353	1,288
150. Net income (loss) from trading activities	**304,041**	**278,515**
190. General and administrative expenses:	-131,042	-116,433
a) staff expenses	-51,255	-45,011
b) other general and administrative expenses	-79,787	-71,422
200. Net provisions for liabilities and contingencies:	-20,889	-16,292
a) commitments and guarantees issued	-14	34
b) other net provisions	-20,875	-16,326
210. Net adjustments/reversals of property and equipment	-10,466	-9,525
220. Net adjustments/reversals of intangible assets	-5,043	-4,267
230. Other operating expenses/income	33,147	29,363
240. Operating expenses	**-134,293**	**-117,154**
250. Gains (losses) from equity investments	-99	-52
280. Gains (losses) on disposal of investments	24	-33
290. Net profit before income taxes	**169,673**	**161,276**
300. Income taxes for the period on operating activities	-37,732	-28,476
310. Net profit after income taxes	**131,941**	**132,800**
330. Net profit for the period	**131,941**	**132,800**
340. Net profit (loss) for the period attributable to minority interests	-7	-
350. Net profit (loss) for the period attributable to the Parent Company	**131,948**	**132,800**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)		30.06.2020	30.06.2019
10.	**Net profit for the period**	**131,941**	**132,800**
	Other income net of income taxes, without transfer to Profit and Loss Account		
20.	Equity securities at fair value through other comprehensive income	-18	-
70.	Defined benefit plans	-172	-129
	Other income net of income taxes, with transfer to Profit and Loss Account		
110.	Exchange differences	-3	1
140.	Financial assets (other than equity securities) at fair value through other comprehensive income	-2,746	10,065
170.	**Total other income net of income taxes**	**-2,939**	**9,937**
180.	**Comprehensive income**	**129,002**	**142,737**
190	Consolidated comprehensive income attributable to minority interests	-10	-
200.	**Consolidated comprehensive income attributable to the Parent Company**	**129,012**	**142,737**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ITEMS

(€ THOUSAND)	SHARE CAPITAL A) ORDINARY SHARES	SHARE CAPITAL B) OTHER	SHARE PREMIUM RESERVE	RESERVES A) RETAINED EARNINGS	RESERVES B) OTHER	VALUATION RESERVES	EQUITY INSTRU-MENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	GROUP NET EQUITY	NET EQUITY ATTRIBU-TABLE TO MINORITY INTERESTS
Net equity at 31.12.2019	**116,879**	**-**	**57,729**	**430,459**	**24,013**	**3,822**	**50,000**	**-**	**-37,356**	**272,122**	**917,668**	**917,642**	**26**
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2020	116,879	-	57,729	430,459	24,013	3,822	50,000	-	-37,356	272,122	917,668	917,642	26
Allocation of net profit for the previous year:	-	-	-	55,947	-	-	-	-	-	-272,122	-216,175	-216,175	-
Reserves	-	-	-	55,947	-	-	-	-	-	-55,947	-	-	-
Dividends and other allocations	-	-	-	-	-	-	-	-	-	-216,175	-216,175	-216,175	-
Change in reserves	-	-	-	-142	104	-	-	-	-	-	-38	-32	-6
Transactions on net equity:	-	-	-527	-1,125	-1,437	-	-	-	3,961	-	871	871	-
Issue of new shares	-	-	-527	-	-3,433	-	-	-	3,961	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-1,125	-	-	-	-	-	-	-1,125	-1,125	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	1,996	-	-	-	-	-	1,996	1,996	-
Change in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-2,939	-	-	-	131,941	129,002	129,012	-10
Net equity at 30.06.2020	**116,879**	**-**	**57,202**	**485,139**	**22,679**	**883**	**50,000**	**-**	**-33,395**	**131,941**	**831,328**	**831,318**	**10**
Group net equity	**116,852**	**-**	**57,202**	**485,155**	**22,679**	**877**	**50,000**	**-**	**-33,395**	**131,948**	**831,318**	**-**	**-**
Net equity attributable to minority interests	**27**	**-**	**-**	**-16**	**-**	**6**	**-**	**-**	**-**	**-7**	**10**	**-**	**-**

(€ THOUSAND)	SHARE CAPITAL A) ORDINARY SHARES	SHARE CAPITAL B) OTHER	SHARE PREMIUM RESERVE	RESERVES A) RETAINED EARNINGS	RESERVES B) OTHER	VALUATION RESERVES	EQUITY INSTRU-MENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	GROUP NET EQUITY	NET EQUITY ATTRIBU-TABLE TO MINORITY INTERESTS
Net equity at 31.12.2018	**116,852**	**-**	**57,889**	**395,222**	**19,146**	**-11,636**	**-**	**-**	**-22,724**	**180,126**	**734,875**	**734,875**	**-**
Change in opening balances	-	-	-	-9	-	-	-	-	-	-	-9	-9	-
Amount at 01.01.2019	116,852	-	57,889	395,213	19,146	-11,636	-	-	-22,724	180,126	734,866	734,866	-
Allocation of net profit for the previous year:	-	-	-	35,219	-	-	-	-	-	-180,126	-144,907	-144,907	-
Reserves	-	-	-	35,219	-	-	-	-	-	-35,219	-	-	-
Dividends and other allocations	-	-	-	-	-	-	-	-	-	-144,907	-144,907	-144,907	-
Change in reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions on net equity:	-	-	-298	-	268	-	-	-	2,047	-	2,017	2,017	-
Issue of new shares	-	-	-298	-	-2,780	-	-	-	3,078	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-1,031	-	-1,031	-1,031	-
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	3,048	-	-	-	-	-	3,048	3,048	-
Comprehensive income	-	-	-	-	-	9,938	-	-	-	132,800	142,738	142,738	-
Net equity at 30.06.2019	**116,852**	**-**	**57,591**	**430,432**	**19,414**	**-1,698**	**-**	**-**	**-20,677**	**132,800**	**734,714**	**734,714**	**-**
Group net equity	**116,852**	**-**	**57,591**	**430,432**	**19,414**	**-1,698**	**-**	**-**	**-20,677**	**132,800**	**734,714**	**-**	**-**
Net equity attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT INDIRECT

(€ THOUSAND)		30.06.2020	30.06.2019
A.	**OPERATING ACTIVITIES**		
1.	**Operations**	**157,411**	**108,224**
	Net profit (loss) for the period	131,941	132,800
	Gain/loss on HFT financial assets and other assets and liabilities at fair value through profit or loss	3,990	1,188
	Gain/loss on hedging assets	-83	-16
	Net adjustments/reversals due to credit risk	4,662	1,143
	Net adjustments/reversals of property, equipment and intangible assets	15,509	13,792
	Net provisions for liabilities and contingencies and other costs/revenues	2,080	-11,015
	Taxes, duties and tax credits not paid	18,552	11,891
	Adjustments/reversals of discontinued operations	-	-
	Other adjustments	-19,240	-41,559
2.	**Liquidity generated by/used for financial assets (+/-)**	**-477,604**	**-1,494,741**
	HFT financial assets	14,540	14,571
	Financial assets at fair value	-	-
	Other financial assets mandatorily measured at fair value	1,322	-3,428
	Financial assets at fair value through other comprehensive income	339,519	-429,957
	Financial assets at amortised cost	-808,221	-994,576
	- Loans to banks	-130,069	-227,598
	- Loans to customers	-678,151	-766,978
	Other attività	-24,764	-81,351
3.	**Liquidity generated by/used for financial liabilities (+/-)**	**409,759**	**1,014,393**
	Financial liabilities at amortised cost:	297,423	972,073
	Due to banks	485,820	-28,674
	Due to customers	-188,397	1,000,747
	Securities issued	-	-
	HFT financial liabilities	3	-70
	Financial liabilities at fair value	-	-
	Other liabilities	112,333	42,390
Net liquidity generated by/used for operating activities		**89,566**	**-372,124**

(€ THOUSAND)	30.06.2020	30.06.2019
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**-289**	**-**
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-289	-
2. Liquidity used for	**-322**	**-5,531**
Purchase of equity investments	-	-
Purchase of property and equipment	-275	-5,520
Purchase of intangible assets	-47	-11
Purchase of business units and equity investments in subsidiaries	-	-
Net liquidity generated by/used for investing activities	**-611**	**-5,531**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-	-1,031
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-1,125	-144,907
Net liquidity generated by/used for funding activities	**-1,125**	**-145,938**
NET LIQUIDITY GENERATED/USED IN THE PERIOD	**87,830**	**-523,593**
Reconciliation		
Cash and cash equivalents at period-start	**525,400**	**1,012,891**
Total liquidity generated/used in the period	87,830	-523,593
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at period-end	**613,230**	**489,298**

Legend:
(+) Liquidity generated
(-) Liquidity used

Notes and Comments

PART A – ACCOUNTING POLICIES

Part A.1 – General

The consolidated half-year financial statements have been drawn up in compliance with Article 154-*ter* of Italian Legislative Decree No. 58/98, enacted by Legislative Decree No. 25 dated 15 February 2016.

In particular, paragraphs 2, 3 and 4 of the Article require that, within three months from the end of the first half of the financial year, listed companies having Italy as their member state of origin publish a half-year financial report including:
> the **Condensed Half-year Financial Statements** prepared in a consolidated form, if the listed company is required to prepare Consolidated Financial Statements in compliance with the international accounting standards;
> an **Interim Report on Operations**, including a description of important events occurred during the half-year period and their impact on the condensed half-year financial statements, the main risks and uncertainties for the remaining six months of the year and information on related parties;
> an **Attestation by the Manager in charge** of preparing the Company's financial reports as per paragraph 5 of Article 154-*bis*;
> a **Report by the independent auditing firm** on the Condensed Half-year Financial Statements, to be published within the same time limit.

Section 1 – Declaration of compliance with International Accounting Standards

These consolidated condensed half-year financial statements have been drawn up in compliance with Italian Legislative Decree No. 38 of 28 February 2005, based on the International Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretation of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed by the European Commission with Regulation No. 1606 of 19 July 2002.

In preparing the Consolidated Condensed Half-year Financial Statements, Banca Generali adopted the IASs/IFRSs in force at the reference date of the report (including SIC and IFRIC interpretations), as endorsed by the European Union.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2020, several amendments to the IASs/IFRSs, and IFRICs were adopted and new IFRICs were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2020

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	2019/2075	06.12.2019	01,01,2020
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	2019/2104	10.12.2019	01,01,2020

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2020 AND EFFECTIVE AS OF 2020

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 3 Business Combinations (issued on 22 October 2018)	2020/551	22,04,2020	01,01,2020
Amendments to IFRS 9. IAS 39 and IFRS 17: Interest Rate Benchmark Reform (issued on 26 September 2019)	2020/734	16,01,2020	01,01,2020

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.

Section 2 – Preparation Criteria

The Condensed Consolidated Half-Year Financial Statements are comprised of:
> a **Balance Sheet** as of the end of the interim period under review and a comparative balance sheet as of the end of the previous financial year;

- a **Profit and Loss Account** for the interim reporting period, with a comparative profit and loss account for the same interim period of the previous financial year;
- the **Other Comprehensive Income (OCI) statement**, which includes the profit and loss items for the period recognised directly in net equity, for the interim reporting period as compared to the same period of the previous year;
- a **Statement of Changes in Equity** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the previous year;
- a **Cash Flow Statement** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the previous year;
- **Notes and Comments** containing references to the accounting standards used and other notes explaining transactions carried out during the period.

The Consolidated Condensed Half-year Financial Statements are prepared by applying IAS 34 on interim disclosures, the general standards set out in IAS 1 and the specific accounting standards approved by the European Commission, as illustrated in Part 2 of these Notes and Comments, and in line with the general assumptions set out in the *Framework for the Preparation and Presentation of Financial Statements* drafted by the IASB. There were no derogations of the application of international accounting standards (IASs/IFRSs).

In detail, IAS 34 on interim financial reporting states that, in the interest of time, the interim financial statements can contain a condensed version of the information provided in the annual report ("condensed financial statements") that provides an update to the latest complete annual report.
In application of this principle, the option to prepare the financial statements for the period in a condensed form has been therefore exercised instead of presenting the complete financial statements as those prepared for the full year.

In compliance with the requirements of Article 5 of Legislative Decree No. 38/2005, the Condensed Consolidated Half-year Financial Statements were prepared in euros. The amounts included in the Financial Statements and the figures in the Notes and Comments are expressed in thousand of euro. Unless otherwise stated, the amounts reported in the interim Report on Operations are given in thousand of euro.

The measurement criteria have been adopted on a going-concern basis and are shaped by the principles of accrual-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.
In further detail, the Directors are reasonably certain that the Bank will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Content of the Financial Statements and the Notes and Comments

The Financial Statements and the Notes and Comments have been prepared in accordance with Bank of Italy's Circular No. 262/2005 and the 6th update published on 30 November 2018 and effective as of 1 January 2019, which endorsed the changes introduced by IFRS 16 — *Leases*.

Accounts that do not include items pertaining to the period under review or the previous period are not stated in the balance sheet and profit and loss account. In the consolidated profit and loss account, net profit attributable to minority interests is presented with a negative sign, whereas losses attributable to minority interests are presented with a positive sign.
The Notes and Comments include only the most significant sections and tables. Sections or tables which include no values are not included in the Notes and Comments.

The Statement of Other Comprehensive Income consists of items that present changes in the value of assets reported during the half-year through valuation reserves, net of the associated tax effect and distinguishing between any income attributable to the Parent Company and minority interests.
The amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income* also requires the separate recognition in the Statement of the components and the relevant taxes that may or may not be reclassified to profit or loss.
As for the balance sheet and profit and loss account, items with nil amounts in both the reporting period and previous period are not presented.

The Consolidated Statement of Changes in Equity is presented by inverting the rows and columns with respect to the presentation requested by the Bank of Italy's Circular No. 262/2005.
The statement presents changes in total consolidated net equity, showing separately the final carrying amounts of the net equity attributable to the Group and minority interests and aggregate changes in those items.

The Cash Flow Statement was prepared using the indirect method, according to which cash flows from operating activities are derived by adjusting net profit for the effects of non-cash transactions.

Cash flows are broken down into:
> cash flows from operating activities, including cash flows from operations and cash flows from increases and decreases in financial assets and liabilities;
> cash flows generated by (used for) investing activities involving fixed assets;
> cash flows generated by (used for) funding activities that alter the company's capital and its remuneration.

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.
Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected fees; these items have been disclosed separately and classified under operating activities.
Moreover, these cash flows also do not include changes in operating assets and liabilities, but include those relating to financing activities, such as changes in operating loans and amounts payable to Financial Advisors and employees and any related advance payments.

Section 3 – Scope of consolidation and business combinations

1. Scope of consolidation

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 INVESTOR	% OF OWNERSHIP INTEREST	% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
Banca Generali S.p.A.	Trieste	Trieste, Milan		Parent Company		
BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
Nextam Partners 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 S.p.A.	London	London	1	Nextam Partners S.p.A.	100.00%	100.00%
BG Valeur S.A.	London	Lugano	1	Banca Generali	90.10%	90.10%

Legend: type of control:
(1) Control pursuant to Article 2359, paragraph 1(1), of the Italian Civil Code (majority of voting rights at General Shareholders' Meeting).

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 June 2020, reclassified and adjusted where necessary to take account of consolidation requirements. The most important 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.

With regard to the consolidated Profit and Loss Account, the Group's consolidation scope changed compared to the situation in place in the first half of 2019 as a result of the acquisition of the Nextam Group and Valeur performed in the second half of 2019. The Interim Report on Operations analyses the most significant impacts on the various items of the Profit and Loss Account.

2. Significant judgements and assumptions used in determining the scope of consolidation

2.1 Subsidiaries

Entities, including structured entities, over which the Group has a direct or indirect control, are subsidiaries.
Control over an entity exists when the Group has the power to influence the variable returns to which the Group is exposed from its involvement with the investee.

To determine that control exists, the Group considers the following factors:
> the investee's purpose and design, to identify the entity's purpose, the activities that determine its returns and how decisions about such activities are made;
> power, to understand whether the Group has contractual rights that give the Group the ability to direct the relevant activities; for this purpose, only substantive rights entailing practical ability to direct the investee are considered;
> exposure in the investee, to establish whether the Group has relations with the investee whose returns can vary based on changes in the investee's performance;
> existence of possible principal/agent relationships.

Where relevant activities are directed through voting rights, the following factors are evidence of control:
> ownership, direct or indirect through subsidiaries, of more than half of the voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control;
> ownership of half or less of the votes that can be exercised in the General Shareholders' Meeting and the effective power to unilaterally govern significant activities through:
  - control of more than half of the voting rights by virtue of an agreement with other investors;
  - the power to determine the financial and operating policies of the entity under a statute or an agreement;
  - the power to appoint or remove the majority of the members of the board of directors or equivalent governing body, and the entity is managed by that board or body;
  - the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and the entity is controlled by that board or body.

The existence and effect of potential voting rights, if substantive, are taken into consideration when assessing whether a party has the power to direct the financial and management policies of another entity.

Subsidiaries may also include "structured entities" in which voting rights are not significant in assessing the existence of control, including special purpose entities (SPEs) and investment funds.

Structured entities are considered as subsidiaries when:
> the Group has power arising from contractual rights to direct relevant activities;
> the Group is exposed to variable returns arising from such activities.

2.2 Associate companies
An associate company is one over which the investor has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is assumed when the investor:
> holds, directly or indirectly, 20% or more of the share capital in the investee, or
> has significant influence over the investee, also by way of shareholders' agreements, through:
  a) representation on the governing body of the investee;
  b) participation in policy making processes, including with regard to decisions on dividends and other distributions;
  c) material transactions;
  d) interchange of management personnel;
  e) provision of essential technical information.

Equity investments in associates are valued using the equity method.

As of 30 June 2020, the only associative shareholding included in the scope of consolidation of the Banking Group is IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali acquired a 35% interest in 2015.

2.3 Joint arrangements
A joint arrangement is an arrangement of which two or more parties have joint control.
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture based on the Group's contractual rights or obligations:
> a joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement;
> a joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

Equity investments in joint arrangements are valued using the equity method.

Banca Generali – Saxo Bank A/S joint venture
As at 30 June 2020, the scope of the Banking Group included a single equity investment in a company subject to joint control:
> BG Saxo Sim S.p.A., an investment firm formed as part of the joint venture with Saxo Bank, in which Banca Generali acquired a 19.9% stake on 31 October 2019 for 1,995 thousand euros, plus additional costs.

The process for creating the joint venture began on 9 March 2018, when the Board of Directors of Banca Generali approved the final agreements with Saxo Bank to set up a joint arrangement for the development of online trading market and related digital services in Italy.

The objective of the partnership, which has a duration of eight years and may be renewed upon expiry, is to offer clients, on an exclusive basis for the Italian market, access to an innovative platform for advanced trading based on Saxo Bank's technology.

Banca Generali makes available its banking platform and its leading market position in private banking to foster synergies and develop new opportunities for its Financial Advisors and clients, who will thus enjoy access to one of the most comprehensive suites of global trading tools.
The Bank also provides outsourced services to the new brokerage firm (Sim), specifically various back-office activities relating to customer order receipt and execution services.
Saxo Bank instead provides the new Sim with its multi-assets platform that enhances the range of trading and dynamic hedging services, with a particular expertise in FX.

Under the terms of the agreements, the new venture is to be conducted through a newly formed company, BG Saxo Sim, of which Banca Generali is a co-owner with a 19.9% stake.
After being authorised by Consob and entered into the Register of Securities Brokerage Firms on 28 December 2018, the new brokerage firm became operational in 2019.

After an initial test phase, in June 2019 the company officially began to operate with the Banca Generali's customers who decided to open the new account BG Extra, associated with the contract that such customers had entered into with BG Saxo Sim for own account trading services, execution of orders on account of customers and order receipt and transmission.

The process of establishing the joint venture was concluded on 31 October 2019, when, at the end of a long authorisation procedure, Banca Generali was allowed to acquire the aforementioned 19.9% stake from Saxo Bank A/S for 1,995 thousand euros, plus the additional costs associated with the transfer.

CFD trading is currently in the launch phase with the aim of completing the company's range of trading services.

According to the assessment conducted, it is believed that BG Saxo Sim may qualify under IFRS 11 as a joint arrangement, and in particular as a joint venture. As a result, in accordance with paragraphs 24 and 26 of IFRS 11, Banca Generali will have to recognise its 19.90% equity investment in the company's share capital as follows:
a) in the consolidated financial statements by applying the equity method in accordance with IAS 28;
b) in the separate financial statements, in accordance with IAS 27, paragraph 10, using the cost method as provided for by IFRS 9, or by applying the equity method as provided for by IAS 28.

3. Significant non-controlling interests subsidiaries

As at 30 June 2020, all the Group's equity investments were in wholly owned subsidiaries, which the exception of BG Valeur S.A., in which the previous shareholders retain a non-controlling interest of 9.9%.
Accordingly, there are no significant non-controlling interests in subsidiaries.

3.1 Non-controlling interests, potential voting rights and dividends distributed to third parties

COMPANY NAME	NON-CONTROLLING INTERESTS %	POTENTIAL VOTING RIGHTS %	DIVIDENDS DISTRIBUTED TO THIRD PARTIES
BG Valeur S.A.	9.9%	9.9%	-

4. Significant restrictions

As of 30 June 2020, there were no significant restrictions of a legal, contractual, or statutory nature on the Parent Company's ability to access or use the Group's assets and settle the Group's liabilities.

5. Other information

None of the financial statements of the subsidiaries used in preparing the Consolidated Financial Statements have a different reporting date than the consolidated financial statements.

Consolidation methods

Full consolidation method

Subsidiaries are included in the accounts using the full consolidation method, whereby the balance sheet and profit and loss items are consolidated on a line-by-line basis.
After the attribution to minority interests of any portion of net equity and profit and loss results, the value of the equity investment is cancelled due to the residual value of the subsidiary's net equity.
The resulting differences are allocated to the assets or liabilities — including intangible assets — of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Negative differences are charged to the profit and loss account.

The most important intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

Dividends distributed by subsidiaries were eliminated from the consolidated profit and loss account and a corresponding adjustment was made to income reserves.

Equity method

Associate companies are consolidated according to the concise equity method.
Under the equity method, an equity investment is initially recognised at acquisition cost, inclusive of goodwill, and subsequently adjusted according to the investor's share in the investee's net equity.

Upon acquisition, the difference between the cost of the equity investment and the share of the net fair value of the investee's identifiable assets and liabilities must be determined and recognised as goodwill, if positive, or as income, if negative.

The carrying amount is then increased or decreased to recognise the investor's share of the profits or losses of the investee recorded after the acquisition date under item 220 "Gains (losses) from equity investments" of the profit and loss account.

That share is adjusted to reflect:
- gain and loss on transactions with the associate company, in proportion to the percent interest in the associate company;
- depreciation and amortisation of depreciable assets at their respective fair values at the acquisition date and impairment losses on goodwill and any other non-monetary elements.

Dividends received from an investee reduce the carrying amount of the equity investment.

Changes in the valuation reserves of associate companies are presented separately in the statement of comprehensive income.
If the associate company prepares its financial statements in a foreign currency, the translation differences at the reporting date are recognised in a specific valuation reserve for monetary conversion in other comprehensive income.

When there is indication of a possible loss in value of an equity investment, the recoverable amount of the investment is estimated based on the present value of future cash flows that the company could generate, including the disposal value of the equity investment. If the recoverable amount is less than the carrying amount, the difference is recognised in profit or loss.

Translation of financial statements denominated in currencies other than the euro

The financial statements of companies operating in areas other than the Euro Area are translated into euro by applying the current exchange rates at period-end to assets and liabilities and average exchange rates for the year to items of profit and loss. The foreign exchange differences of the financial statements of such companies on the application of different exchange rates to assets and liabilities and profit and loss are recognised among Valuation reserves in net equity. Foreign exchange differences on investees' net equity are also recognised among Valuation reserves.

Section 4 – Events Occurred After the Reporting Date

The Consolidated Half-year Financial Statements were approved by the Board of Directors of Banca Generali on 29 July 2020 and its publication was authorised, pursuant to IAS 10, as of the same date.
No events occurred after 30 June 2020 and until the date of approval of the Consolidated Half-year Financial Statements that would make it necessary to adjust the results presented in the consolidated half-year report at that date.

On 1 July 2020, the merger of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR S.p.A. into the parent company Banca Generali S.p.A. became effective.

On 16 July 2020, through Italy's order No. 971244/20, Banca Generali was authorised to launch the plan to buy-back treasury shares in service of the 2020 Remuneration Policy.

On 27 July 2020, the European Central Bank issued a new Recommendation (ECB 2020/35) regarding the distribution of dividends in the context of the Covid-19 pandemic which replaces the previous Recommendation of 27 March 2020 (ECB 2020/19) and extends, for the institutions subject to its supervision, the request to refrain from paying dividends, or from entering into irrevocable payment commitments, from 1 October 2020 to at least 1 January 2021, thus establishing that the risk conditions deriving from the health emergency will not be overcome until at least the end of 2020.
The Bank of Italy extended the new recommendation, like the previous one, to the less significant credit institutions subject to its supervision on 28 July 2020.

In this regard, it should be noted that, in accordance with the supervisory authorities' previous recommendation, Banca Generali resolved to postpone the distribution of the 2019 dividend in two tranches: the first of 1.55 euros per share between 15 October and 31 December 2020 and the second of 0.30 euros per share between 15 January and 31 March 2021.

In addition, the actual dividend distribution was also subject to the prior verification by the Bank's Board of Directors that some requirements were met, such as the compliance, at the time of distribution, with the supervisory regulations and guidelines applicable from time to time. Finally, it had been decided that, if the above conditions failed to be met, the Board of Directors would direct that the unpaid dividend be reallocated to an equity reserve.

Since any cancellation of the approved dividend would be conditional on a specific resolution by the Board of Directors finding that the conditions for payment had not been met, prior to the established time period, and in any event after the end of the half-year of reference, pursuant to IAS 10, paragraph 12, the publication of new Recommendations by the supervisory authorities is deemed to constitute a subsequent event that does not require the adjustment of these condensed Consolidated Half-yearly Financial Statements.

It should be noted that, if the first instalment of the dividend, authorisation of payment of which was deferred until October 2020, were to be cancelled, the financial liabilities for amounts due to shareholders included in the item "Other liabilities" would decrease by 181,120 thousand euros and equity reserves would increase symmetrically by the same amount.

For prudential supervisory purposes, the same change would apply to the Banking Group's Own Funds, raising the Bank's CET1 ratio from 14.3% to 19.3% and its Total Capital Ratio from 15.7% to 20.7%.

Section 5 – Other information

Use of estimates and assumptions in the preparation of the Consolidated Financial Statements

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that could influence the amounts reported in the consolidated balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.

The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.
Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:
- determining the amount of provisions for liabilities and contingencies;
- determining the expenses of personnel productivity bonuses;
- determining the amount of incentive fees to be paid to the sales network as an annual incentive and of incentives related to recruitment plans;
- determining the deferred incentives granted to the sales network, when linked to defined net inflow targets;
- determining the fair value of cash financial instruments and derivatives to be used in financial statement, when not based on current prices drawn from active markets;
- determining the analytical and collective impairment of financial instruments;
- determining the value adjustments and reversals of non-performing loans and the collective provision for performing loans;
- preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- the assumptions made regarding situations of uncertainty relating to taxation and the outcome of ongoing tax disputes;
- preparing estimates and assumptions on the recoverability of deferred tax assets;
- evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Covid-19 epidemic

The Covid-19 pandemic unleashed particularly severe effects of a health and economic nature at the global level. In particular, the expansion of the epidemic and the resulting measures taken by the governments of the various countries to halt it resulted in a significant slowing of global economic activity which in turn led to recession in the most developed economies and triggered a situation of extreme financial market volatility.
The overall impact of the pandemic on the Banking Group's operations, personnel, operating results for the period and financial position, in addition to the initiatives taken to mitigate the effects of the crisis, are analysed in a dedicated chapter of the consolidated interim report on operations, whereas expectations regarding future impacts, while characterised by a high level of uncertainty, have been presented in a chapter dedicated to the business outlook.

In accordance with instructions from market and sector regulators, Banca Generali has also reflected the changed economic scenarios in its assessments, with particular regard to:

> the accounting treatment of moratoria granted by law and individually for customers, which did not generally result in the emergence of non-performing positions;
> the assessment of expected credit losses on the loan portfolio, for which forward-looking PDs were recalibrated on the basis of the most recent macroeconomic forecasts.

The adequacy of the carrying amounts of goodwill and other intangible assets recognised at the consolidated level has also been assessed. A more detailed analysis is presented in Part B of these Notes and Comments.

Non-recurring significant events and transactions

During the reporting period, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account, except the following business combination, for which reference should be made to Part G of the Notes and Comments to the 2019 Consolidated Financial Statements:

> 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, performed on 30 June 2020;
> the subsequent merger of Nextam Partners S.p.A. (“NP SPA”) and Nextam Partners SGR (“NP SGR”) into the parent company Banca Generali, effective 1 July 2020.

In addition, no atypical and unusual transactions were undertaken, i.e., all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and/or timing of occurrence (near the end of the reporting period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders (Consob Communication No. DEM/6064293 of 28 July 2006).

National Tax Consolidation option

As of 2004, the Parent Company, Assicurazioni Generali, and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy’s income tax code), which was introduced into Italy’s fiscal legislation by Italian Legislative Decree No. 344/2003.
Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the parent company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or a single tax loss) for the Group as the sum of the profits and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Formation of the Assicurazioni Generali VAT Group

On 23 September 2019, as Representative of the Group’s Italian subsidiaries, Assicurazioni Generali exercised the option to adopt the Group’s VAT rules (set out in Articles 70-*bis et seqq.* of Presidential Decree No. 633/72) with effect from 1 January 2020.
Accordingly, with effect from that date all companies included in the VAT Group will use only the VAT registration number assigned by the Italian Agency of Revenue to the Group: 01333550323.

Relations between the individual participants and the Group’s Representative (Assicurazioni Generali S.p.A.) will be governed by a specific contract. In particular, obligations to document and register VAT input and/or output transactions will continue to be discharged by the individual participants, whereas the additional obligations relating to “management” of the tax will be discharged solely by the Group Representative, in its capacity as single VAT-liable entity.
Indeed, by express provision of law, the Group VAT Representative will be required to file periodic VAT returns and make the related payments, submit the periodic VAT filings (LIPE), file the annual VAT return and submit the other information required by the relevant legislation (e.g., Esterometro and Intrastat statistics).

Audit

The Consolidated Half-Year Financial Statements were subjected to limited review by BDO Italia S.p.A.

Part A.2 – Accounting Standards adopted by the Banca Generali Group

During the first half of 2020, the accounting policies adopted by the Group underwent no significant amendments and supplementations.
Accordingly, the accounting policies used for preparing the Consolidated Condensed Half-year Financial Statements at 30 June 2020, with particular reference to the classification, recognition, measurement and derecognition of assets and liabilities, as well as the methods used for recognising revenues and expenses, are the same as those adopted for the Annual Integrated Report at 31 December 2019, to which the reader is referred to for comprehensive details.
The accounting statements and the Notes and Comments presented herein must therefore be read together with the Accounting Standards listed in the Annual Report.

Part A.3 – Information on fair value

IFRS 13 requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:

1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2) any significant transfers between Level 1 and Level 2 during the year;
3) for instruments measured in Level 3, a reconciliation from the opening balances to the closing balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

The criteria and procedures for determining fair value used to measure portfolios of financial assets and liabilities in these Consolidated Half-Year Financial Statements are the same as those applied in the preparation of the Annual Integrated Report at 31 December 2019, as illustrated in Part A, Section 4, of the relevant Notes and Comments.

Fair value hierarchy

IFRS 13 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation.

> **Level 1:** quoted prices in active markets, as defined in IFRS 13, for identical instruments;
> **Level 2:** inputs other than the price quotations indicated above, observable on the market either directly (prices) or indirectly (price-derived data);
> **Level 3**: inputs not based on observable market data.

Transfers between levels refer to the end of the accounting period of reference (half-yearly or annual), in an independent manner, and generally enter into effect from the beginning of the year of reference. Transfers to and from Level 3 are infrequent and primarily involve the occurrence of situations of default, in which the Bank's subjective assessment of debt recoverability takes preeminence.

A.3.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair-value levels

	30.06.2020				
ASSETS/LIABILITIES AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss					
a) HFT financial assets	1,947	1,674	-	-	3,621
b) financial assets at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	5,642	37,185	-	-	42,827
2. Financial assets at fair value through other comprehensive income	2,376,017	41,470	198	13,149	2,430,834
3. Hedging derivatives	-	8,890	-	-	8,890
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,383,606**	**89,219**	**198**	**13,149**	**2,486,172**
1. HFT financial liabilities	-	1,617	-	-	1,617
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	25,626	-	-	25,626
Total	**-**	**27,243**	**-**	**-**	**27,243**

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2019 L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss					
a) HFT financial assets	1,974	16,324	-	-	18,298
b) financial assets at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	6,163	40,537	-	-	46,700
2. Financial assets at fair value through other comprehensive income	2,742,474	24,003	122	12,237	2,778,836
3. Hedging derivatives	-	4,727	-	-	4,727
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,750,611**	**85,591**	**122**	**12,237**	**2,848,561**
1. HFT financial liabilities	-	1,204	-	-	1,204
2. Financial liabilities at fair value	-	-	-	-	-
3. Hedging derivatives	-	7,481	-	-	7,481
Total	**-**	**8,685**	**-**	**-**	**8,685**

A.3.2 Year changes in assets measured at fair value on a recurring basis (Level 3)

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
	TOTAL	OF WHICH: A) HFT FINANCIAL ASSETS	OF WHICH: B) FINANCIAL ASSETS AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
1. Amount at period-start	**-**	**-**	**-**	**-**	**12,359**
2. Increases	**-**	**-**	**-**	**-**	**1,104**
2.1 Purchases	-	-	-	-	1,104
2.2 Gains through:	-	-	-	-	-
2.2.1 Profit and loss	-	-	-	-	-
- *of which: capital gains*	-	-	-	-	-
2.2.2 Net equity	-	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-
2.4 Other increases	-	-	-	-	-
3. Decreases	**-**	**-**	**-**	**-**	**116**
3.1 Disposals	-	-	-	-	-
3.2 Redemptions	-	-	-	-	116
3.3 Losses through:	-	-	-	-	-
3.3.1 Profit and loss	-	-	-	-	-
- *of which: capital losses*	-	-	-	-	-
3.3.2 Net equity	-	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-
4. Amount at period-end	**-**	**-**	**-**	**-**	**13,347**

A.3.3 Breakdown by fair-value levels of assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	30.06.2020			
	BV	L1	L2	L3
1. Financial assets at amortised cost	8,519,503	5,843,784	1,900,970	879,774
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**8,519,503**	**5,843,784**	**1,900,970**	**879,774**
1. Financial liabilities at amortised cost	10,788,256	-	10,788,256	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**10,788,256**	**-**	**10,788,256**	**-**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2019			
	BV	L1	L2	L3
1. Financial assets at amortised cost	7,703,082	5,059,495	1,979,079	819,780
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**7,703,082**	**5,059,495**	**1,979,079**	**819,780**
1. Financial liabilities at amortised cost	10,503,986	-	10,503,986	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**10,503,986**	**-**	**10,503,986**	**-**

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

1. Assets

1.1 Cash and deposits - Item 10

1.1.1 Breakdown of cash and deposits

ITEMS/VALUES	30.06.2020	31.12.2019
a) Cash	25,695	21,957
b) Demand deposits with Central Banks	587,535	503,443
Total	**613,230**	**525,400**

Item b) "Demand deposits with Central Banks" represents the portion of the balance of the settlement account held with the Bank of Italy that is not restricted according to the mandatory reserve rules.

1.2 Financial assets, measured at fair value through profit or loss - Item 20

1.2.1 HFT financial assets: debtors/issuers/counterparties

ITEMS/VALUES	30.06.2020	31.12.2019
A. Cash assets		
1. Debt securities	**1,992**	**17,080**
a) Central Banks	-	-
b) Public administration bodies	46	52
c) Banks	1,945	17,028
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	1	-
2. Equity securities	**-**	**-**
a) Banks	-	-
b) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**1,992**	**17,080**
B. Derivatives		
a) Central counterparties	-	-
b) Other	1,629	1,218
Total B	**1,629**	**1,218**
Total (A + B)	**3,621**	**18,298**

1.2.2 Other financial assets mandatorily measured at fair value: debtors/issuers

ITEMS/VALUES	30.06.2020	31.12.2019
1. Equity securities	**827**	**1,141**
of which:		
– *banks*	-	-
– *other financial companies*	*827*	*1,141*
– *other non-financial companies*	-	-
2. Debt securities	**3,047**	**3,045**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	3,047	3,045
d) Other financial companies	-	-
of which:		
– *insurance companies*	-	-
e) Non-financial companies	-	-
3. UCITS units	**21,825**	**25,180**
4. Loans	**17,128**	**17,334**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	17,128	17,334
of which:		
– *insurance companies*	*17,128*	*17,334*
e) Non-financial companies	-	-
f) Households	-	-
Total	**42,827**	**46,700**

The UCITS portfolio included 11,100 thousand euros related to an interest of about 8% in Tyndaris European Real Estate Finance S.A. (TECREF), an alternative fund under Luxembourg law, which through the master/feeder fund invests in financial instruments linked to the European business real-estate market, particularly in mezzanine instruments.
The residual UCITS portfolio is comprised for 2,683 thousand euros of the investment in the Luxembourg vehicle Algebris, for 1,980 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., for 1,247 thousand euros of the closed alternative real-estate investment fund managed by Milano Investment Partners SGR S.p.A., and for the remainder of investments in the Lux IM Sicav.
Equity securities include all equity shares of the parent company, Assicurazioni Generali (827 thousand euros).

1.3 Financial assets measured at fair value through other comprehensive income - Item 30

1.3.1 Financial assets measured at fair value through other comprehensive income: debtors/issuers

ITEMS/VALUES	30.06.2020	31.12.2019
1. Debt securities	**2,417,488**	**2,766,477**
a) Central Banks	-	-
b) Public administration bodies	1,953,684	2,278,815
c) Banks	287,245	262,781
d) Other financial companies	154,363	179,219
of which:		
- *insurance companies*	-	-
e) Non-financial companies	22,196	45,662
2. Equity securities	**13,346**	**12,359**
a) Banks	-	-
b) Other issuers:	13,346	12,359
- other financial companies	3,027	2,231
of which:		
- *insurance companies*	-	-
- non-financial companies	10,312	10,121
- other	7	7
3. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**2,430,834**	**2,778,836**

The equity securities portfolio included 11,481 thousand euros referring to “minor equity investments” and largely related to service agreements concluded by the Group (CSE, GBS Tosetti Value Sim, Caricese, SWIFT, etc.), usually non-negotiable. Those interests are measured at purchase cost in the absence of reliable estimates of fair value.
Capital contributions relating to film partnership contracts, with no expiry date, for a total amount of 755 thousand euros at 30 June 2020 are also classified in this portfolio.

1.3.2 Financial assets measured at fair value through other comprehensive income: gross value and total adjustments

	GROSS VALUE		TOTAL ADJUSTMENTS	
	STAGE 1 AND STAGE 2	STAGE 3	STAGE 1 AND STAGE 2	STAGE 3
Debt securities	2,418,586	-	1,098	-
Loans	-	-	-	-
Total at 30.06.2020	**2,418,586**	**-**	**1,098**	**-**
Total at 31.12.2019	**2,767,542**	**-**	**1,065**	**-**

1.4 Financial assets measured at amortised cost - Item 40

1.4.1 Financial assets measured at amortised cost: categories of loans to banks

TYPE OF TRANSACTIONS/VALUES	30.06.2020 BOOK VALUE	31.12.2019 BOOK VALUE
A. Loans to Central Banks	**104,382**	**101,063**
1. Term deposits	-	-
2. Mandatory reserve	104,382	101,063
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**655,400**	**526,184**
1. Financing	322,774	281,068
1.1 Current accounts and demand deposits	129,649	95,660
1.2 Term deposits	35,847	22,395
1.3 Other loans:	157,278	163,013
- repurchase agreements	137,026	152,969
- lease loans	-	-
- other	20,252	10,044
2. Debt securities	332,626	245,116
2.1 Structured securities	-	-
2.2 Other debt securities	332,626	245,116
Total	**759,782**	**627,247**

1.4.2 Financial assets measured at amortised cost: categories of loans to customers

	30.06.2020	31.12.2019
Loans	**1,976,003**	**2,118,873**
Current accounts	1,185,732	1,112,437
Mortgages and personal loans	787,995	798,111
Other financing and loans not in current accounts	2,276	2,256
Repurchase agreements	-	206,069
Debt securities	**5,590,256**	**4,768,363**
Other transactions	**193,462**	**188,599**
Operating loans to management companies	135,122	141,906
Sums advanced to Financial Advisors	18,939	18,415
Stock exchange interest-bearing daily margin	25,636	14,091
Charges to be debited and other loans	13,765	14,187
Total loans to customers	**7,759,721**	**7,075,835**

1.4.3 Doubtful loans

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUST-MENTS	NET EXPOSURE 2020	NET EXPOSURE 2019	CHANGE AMOUNT	CHANGE %	SECURED EXPOSURE INDEMNITY 2020	EXPOSURE NET OF INDEMNITY 2020	INDEMNITY 2019
Bad loans	52,210	-22,520	29,690	29,527	163	0.6%	20,465	9,225	20,239
Financing	31,762	-10,023	21,739	21,572	167	0.8%	20,465	1,274	20,239
Debt securities	17,936	-11,197	6,739	6,739	-	-	-	6,739	-
Operating loans	2,512	-1,300	1,212	1,216	-4	-0.3%	-	1,212	-
Unlikely to pay	4,017	-1,328	2,689	3,621	-932	-25.7%	-	2,689	-
Past-due exposures - over 90 days	10,317	-505	9,812	1,718	8,094	n.a.	-	9,812	-
Total non-performing loans	**66,544**	**-24,353**	**42,191**	**34,866**	**7,325**	**21.0%**	**20,465**	**21,726**	**20,239**
Performing debt securities	5,589,295	-5,778	5,583,517	4,761,624					
Performing financing and loans	2,138,264	-4,251	2,134,013	2,279,345					
Total loans to customers	**7,794,103**	**-34,382**	**7,759,721**	**7,075,835**					

Net non-performing loans amounted to 42.2 million euros, equal to 0.54% of total loans to customers, and up compared to the previous year (+7.3 million euros).

They are attributable to:
> 34,240 thousand euros of financing;
> 6,739 thousand euros of debt securities;
> 1,212 thousand euros of operating loans.

Financing

The positions reclassified as a result of this process are mostly revocable account credit exposures secured by financial collateral in the form of pledges of financial instruments and/or financial products; there are only a few cases of mortgage loans with real estate as collateral or unsecured account overdraft facilities, or covered only by personal guarantees.

In the first half of 2020, the exposure increased by 7.3 million euros compared to 31 December 2019. The most significant change occurred in the category of exposures past due by over 90 days (+8.1 million euros) and was essentially attributable to a position classified as past due in June owing to a credit facility that expired and is in the process of being renewed.

At the end of the period, non-performing loans included 20.5 million euros referring to 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 mainly secured to that end by cash collateral payments by the counterparty. Net of this portfolio, which accounted for over 48% of net non-performing exposures, the weight of non-performing exposures to total loans to customers decreased to 13.8 million euros.

At the end on the first half of the year, the forborne positions stood at approximately 30.0 million euros, of which 2.2 million euros referring to non-performing positions.

Debt securities

The item relating to non-performing debt securities (Stage 3) referred for 6,739 thousand euros to the Tyndaris securities, and for an original amount of 2,642 thousand euros to the Alitalia bond known as “Dolce Vita”, written down in the previous years.

Operating loans

Net non-performing exposures relating to operating loans amounted to 1,212 thousand euros and referred primarily to litigation or pre-litigation positions of former Financial Advisors.

1.4.4 Financial assets measured at amortised cost: gross value and total adjustments

	GROSS VALUE		TOTAL ADJUSTMENTS	
	STAGE 1 AND STAGE 2	STAGE 3	STAGE 1 AND STAGE 2	STAGE 3
Debt securities banks	333,089	-	463	-
Debt securities customers	5,589,295	17,936	5,778	11,197
Loans a banks	427,266	-	110	-
Loans to customers	2,138,264	48,608	4,251	13,156
Total 30.06.2020	**8,487,914**	**66,544**	**10,602**	**24,353**
Total 31.12.2019	**7,676,669**	**57,051**	**7,237**	**23,401**

In respect of the model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 30 June 2020 performing loans at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 10,602 thousand euros, of which:
> 6,241 thousand euros relating to the debt securities portfolio;
> 4,361 thousand euros relating to other loans.

Within this item, total value adjustments of exposures to banks amounted to 573 thousand euros, of which 463 thousand euros on debt securities and 110 thousand euros on other loans.

The provision for expected losses on debt securities refers instead to the government bond portfolio in the amount of 4,564 thousand euros.

1.5 Hedging derivatives - Item 50

1.5.1 Hedging derivatives: breakdown by type of hedge and hierarchy levels

	30.06.2020				31.12.2019			
	FAIR VALUE			NOTIONAL VALUE	FAIR VALUE			NOTIONAL VALUE
TYPE OF TRANSACTIONS/VALUES	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**8,890**	**-**	**570,000**	**-**	**4,727**	**-**	**401,000**
1) Fair value	-	8,890	-	570,000	-	4,727	-	401,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**8,890**	**-**	**570,000**	**-**	**4,727**	**-**	**401,000**

1.5.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

	FAIR VALUE							CASH FLOWS		
	SPECIFIC									
HEDGING TRANSACTIONS/TYPE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND STOCK INDICES	CURRENCIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVEST-MENTS
1. Financial assets at fair value through other comprehensive income	688	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	8,202	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**8,890**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

1.6 Equity investments - Item 70

1.6.1 Equity investments: disclosure on type of relations

				SHAREHOLDING		
COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF RELATION	INVESTOR COMPANY	% HELD	% OF VOTING RIGHTS
A. Subsidiaries under common control						
1. BG Saxo Sim S.p.A.	Milan	Milan	Associate	Banca Generali	19.9%	19.9%
B. Companies subject to significant influence						
1. IOCA Entertainment Limited	United Kingdom - London	United Kingdom - London	Associate	Banca Generali	35%	35%

At 30 June 2020, two equity investments were reported:

> IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali acquired a 35% interest for a total of GBP 1,616,125, equivalent to approximately 2.2 million euros at the acquisition date, 19 October 2015. The equity investment was tested for impairment at the end of the previous year and the share of loss attributable to Banca Generali as at 30 June 2020 amounted to approximately 12 thousand euros.

> BG Saxo Sim S.p.A., an investment firm formed as part of the joint venture with Saxo Bank, in which Banca Generali acquired a 19.9% stake on 31 October 2019 for 1,995 thousand euros, plus additional charges. At 30 June 2020, the portion of loss for the period recognised by Banca Generali amounted to approximately 88 thousand euros.

1.6.2 Non-significant investments: accounting information

COMPANY NAME	BOOK VALUE OF EQUITY INVEST-MENTS	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL REVENUES	PROFIT (LOSS) FROM CURRENT OPERATIONS NET OF TAXES	PROFIT (LOSS) FROM OPERATING ACTIVITIES NET OF TAXES	NET PROFIT (LOSS) FOR THE PERIOD (1)	OTHER INCOME COMPO-NENTS NET OF TAXES (2)	COMPRE-HENSIVE INCOME (3) = (1) + (2)
A. Subsidiaries under common control									
1. BG Saxo Sim S.p.A.	1,846	5,259	1,729	91	-433	-	-433	-	-433
B. Companies subject to significant influence									
1. IOCA Entertainment Limited	113	353	29	2	-33	-	-33	-	-33
Total	**1,959**	**5,612**	**1,758**	**93**	**-466**	**-**	**-466**	**-**	**-466**

1.6.3 Equity investments: year changes

	30.06.2020	31.12.2019
A. Amount at period-start	**2,061**	**1,661**
B. Increases	**-**	**2,005**
B.1 Purchases	-	2,002
B.2 Reversals	-	-
B.3 Revaluations	-	3
B.4 Other changes	-	-
C. Decreases	**102**	**1,605**
C.1 Sales	-	-
C.2 Adjustments	100	1,605
C.3 Write-downs	2	-
C.4 Other changes	-	-
D. Amount at period-end	**1,959**	**2,061**
E. Total revaluations	**-**	**-**
F. Total adjustments	**102**	**1,605**

1.7 Property, equipment and intangible assets - Items 90 and 100

1.7.1 Breakdown of property, equipment and intangible assets

(€ THOUSAND)	30.06.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
A. Property and equipment				
1. Operating	**157,893**	**164,219**	**-6,326**	**-3.9%**
1.1 Owned assets	**7,652**	**8,225**	**-573**	**-7.0%**
- furniture and fittings	6,434	6,841	-407	-5.9%
- EAD machines and equipment	315	361	-46	-12.7%
- Miscellaneous machines and equipment	903	1,023	-120	-11.7%
1.2 Leased assets	**150,241**	**155,994**	**-5,753**	**-3.7%**
- buildings	149,499	155,091	-5,592	-3.6%
- other	742	903	-161	-17.8%
Total property and equipment	**157,893**	**164,219**	**-6,326**	**-3.9%**
B. Intangible assets				
With unspecified maturity	**86,943**	**86,919**	**24**	**-**
- goodwill	86,943	86,919	24	-
With specified maturity – at cost	**41,319**	**47,216**	**-5,897**	**-12.5%**
- relationship with former customers	22,073	23,957	-1,884	-7.9%
- trademarks (Nextam S.p.A. Group, BG Valeur S.A.)	698	730	-32	-4.4%
- charges for legacy systems	10,564	13,837	-3,273	-23.7%
- other software costs	223	223	-	-
- other intangible assets	377	519	-142	-27.4%
- assets in progress	7,384	7,950	-566	-7.1%
Total intangible assets	**128,262**	**134,135**	**-5,873**	**-4.4%**
Total property, equipment and intangible assets	**286,155**	**298,354**	**-12,199**	**-4.1%**

1.7.2 Changes in property, equipment and intangible assets

	GOODWILL	INTANGIBLE ASSETS	PROPERTY AND EQUIPMENT – OWNED	RIGHTS OF USE ACQUIRED THROUGH LEASES	30.06.2020	31.12.2019
Net amount at period-start	**86,919**	**47,216**	**8,225**	**155,994**	**298,354**	**101,834**
Increases	**24**	**49**	**299**	**4,110**	**4,482**	**226,547**
Purchases	-	49	299	3,851	4,199	87,644
Other changes	24	-	-	259	283	138,903
of which:						
- *adjustment for IFRS 16 FTA*	-	-	-	-	-	*138,715*
Decreases	**-**	**5,946**	**872**	**9,863**	**16,681**	**30,027**
Sales	-	-	-	-	-	-
Adjustments	-	5,043	872	9,594	15,509	29,954
of which:						
a) *amortisation/depreciation*	-	*5,043*	*872*	*9,594*	*15,509*	*29,954*
b) *write-downs*	-	-	-	-	-	-
Other changes	-	903	-	269	1,172	73
of which:						
- *business combinations*	-	*869*	-	-	*869*	-
Amount at period-end	**86,943**	**41,319**	**7,652**	**150,241**	**286,155**	**298,354**

1.7.3 Breakdown of consolidated goodwill

(€ THOUSAND)	30.06.2020	31.12.2019
Prime Consult and INA Sim	2,991	2,991
BG Fiduciaria Sim S.p.A.	4,289	4,289
Banca del Gottardo Italia	31,352	31,352
Credit Suisse Italy	27,433	27,433
Nextam Group	12,202	12,202
Valeur S.A.	8,676	8,652
Total	**86,943**	**86,919**

1.7.4 Breakdown of customer relationships

(€ THOUSAND)	30.06.2020	31.12.2019
Nextam Group	8,398	9,545
Credit Suisse Italy	10,752	11,328
Valeur S.A.	2,923	3,084
Total	**22,073**	**23,957**

1.7.5 Impairment test on goodwill and intangible assets

During the preparation of the 2019 Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate.
However, the economic crisis unleashed by the Covid-19 emergency exerted a significant impact on the economic scenario of reference used in the assessment process at the end of 2019.
In particular, in its Public Statement of 20 May (Implications of the Covid-19 outbreak on the half-yearly financial reports), ESMA emphasises that the crisis has brought to light a number of internal and external impairment indicators that require a thorough assessment of whether the impairment test required by IAS 36 should also be performed on a half-yearly basis for various classes of non-financial assets, and above all for goodwill.

With regard to external factors in particular, the following should be noted:
> the change in market rates and increase in risk premium, which result in a significant increase in discount rates;
> the greater financial market volatility, which initially resulted in a significant decline in the Group's AUM, subsequently recovered to a large extent, owing in part to the positive performance of direct net inflows.

At the level of internal factors, it should be noted that Banca Generali, on the basis of an assessment of its situation at 30 June 2020, decided not to modify the strategic guidelines previously outlined and the main 2021 objectives already disclosed to the market, also in view of the following elements:
> the decline in assets under management, which reached its highest level in in March (-7.6% of the total, with peaks of nearly -12% for managed components), has been in large part recovered, bringing the figures at the end of the half-year to +0.4% of the total and -4.4% of managed assets;
> net inflows for the half-year amounted to 2.8 billion euros, confirming a very robust uptrend, and began to show a greater shift towards managed assets following the peak of the crisis;
> at the level of the profit and loss account, net profit for the first six months of the year amounted to 132 million euros, substantially stable on the first half of the previous year;

A summary of the key elements of the method used by the Bank is provided below; for a more detailed analysis, see the 2019 Consolidated Financial Statements (Part G, Section 2).

To assess the value in use the Bank applied the Dividend Discount Model (DDM), specifically the Excess Capital variant of said model, on the basis of which the value of an asset is a function of:
a) current value of future cash flows generated within a specific time period and available for distribution to shareholders (dividends);
b) the perpetual capitalisation of the expected normalised dividend from the final year of the financial plan of reference, on the basis of a payout consistent with ordinary profitability.

For the purposes of the IAS 36 impairment test, the Banking Group identifies the cash-generating units (CGUs) set out below, in accordance with the limitation on the maximum level of aggregation, which may not exceed the "operating segment" identified pursuant to IFRS 8 for management reporting purposes:
> the Wealth Management CGU ("WM CGU") consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of more than 50 million euros and the respective clients;

> the Private Banking CGU ("PB CGU") consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of less than 50 million euros, as well as the assets attributable to Relationship Managers and the respective clients.

In accordance with this arrangement, the estimated recoverable value determined at 31 December 2019 was therefore updated according to the "value in use" method, while taking account of the following factors:

> the greater cost of equity capital (Ke) associated with the increase in market rates and the risk premium;
> the greater uncertainty regarding the long-term terminal growth rate ("g" rate) in the new economic scenario;
> a broader range of fluctuation of the cost of equity capital and long-term terminal growth rate values.

In detail, the cost of capital used to discount cash flows was increased from **7.46%** to **10.2%** both for the PB CGU and the WM CGU. This ratio was established applying the Capital Asset Pricing Model, on the basis of the following assumptions:

a) risk free rate of **3.00%**, equivalent to the annual gross return on 10-year BTPs (Italian government bonds), over the last 12 months;
b) market risk premium of **6.0%**, established on the basis of the difference in long-term yields between equity securities and bonds on international financial markets;
c) a value increased from **1.00 to 1.20** assigned to the Beta coefficient measuring the extent to which the performance of any given stock is likely to depart from market trends, and determined on the basis of a sample of comparable companies, duly weighted for their respective market capitalisation values.

The long-term growth rate expected after the explicit forecast period, used to calculate the terminal value (perpetual cash flow), has been set at 0%, in order to reflect the uncertainty regarding the development of longer-term economic scenarios, in line with the most recent inflation projections (at 31 December 2019 a rate of 1.2% had instead been used, in accordance with inflation projections).

The carrying amount of the PB and WM CGUs was calculated on the basis of the figurative capital, equal to 11.84% of RWAs, in line with the capital ratio required to Banca Generali by the Supervisory Authority following the SREP with a view to reaching the fully loaded ratio.

	FIGURATIVE CAPITAL	GOODWILL	OTHER INTANGIBLE ASSETS	CARRYING AMOUNT
PB CGU	150.0	51.7	4.5	206.2
WM CGU	75.5	35.2	18.3	129.0
Total	**225.5**	**86.9**	**22.8**	**335.2**

In accordance with the requirements of IAS 36, paragraph 134(f), a sensitivity analysis was conducted on both PB and WM CGUs as a function of the parameters "cost of capital" (Ke) and "long-term growth rate", using a range of variation of 9.2%-13.2% and -0.25%-+0.25%, respectively.

In the table, the carrying amounts of the CGUs are compared with the respective bounds of the range of values in use, recalculated according to the results of the sensitivity analysis.

	CGU VALUE – SENSITIVITY ANALYSIS		
	MIN	MAX	CARRYING AMOUNT
PB CGU	625.2	787.0	206.2
WM CGU	452.2	577.1	129.0

The results of the sensitivity analysis confirm — even in a situation of particular stress — the stability of the carrying amounts of both the CGUs identified by the Bank, albeit in a context of general reduction of prospective values in use[1].

[1] In this regard, it should be noted that the impairment test conducted at 31 December 2019 found:

> a range of values in use of the Private Banking CGU of 1,015 to 1,180, with a central value of 1,096 million;
> a range of values in use of the Wealth Management CGU of 715 to 966, with a central value of 820 million.

1.8 Tax assets and liabilities - Item 110 (Assets) and Item 60 (Liabilities)

1.8.1 Breakdown of item 110 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	30.06.2020	31.12.2019
Current taxation	**698**	**3,673**
Sums due for taxes to be refunded	78	176
IRES arising on National Tax Consolidation scheme	-	2,903
IRES and foreign direct taxes	380	56
IRES surtax	98	193
IRAP	142	345
Deferred tax assets	**47,037**	**47,495**
With impact on Profit and Loss Account	**45,653**	**46,669**
IRES	37,935	39,044
IRAP	7,718	7,625
With impact on Net Equity	**1,384**	**826**
IRES	1,264	779
IRAP	120	47
Total	**47,735**	**51,168**

1.8.2 Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	30.06.2020	31.12.2019
Current taxation	**16,706**	**1,690**
IRES arising on National Tax Consolidation scheme	1,257	-
IRES and other income taxes	13,040	105
IRAP	2,409	1,585
Deferred tax liabilities	**10,388**	**11,928**
With impact on Profit and Loss Account	**7,916**	**8,650**
IRES	7,256	7,976
IRAP	660	674
With impact on Net Equity	**2,472**	**3,278**
IRES	2,118	2,808
IRAP	354	470
Total	**27,094**	**13,618**

1.8.3 Breakdown of deferred tax assets

	30.06.2020	PURSUANT TO LAW NO. 214/2011	31.12.2019	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**45,653**	**7,837**	**46,669**	**8,107**
Provisions for liabilities and contingencies	34,483	-	34,962	-
Write-downs of loans to customers before 2015	2,546	2,546	2,735	2,735
Redeemed goodwill (pursuant to Art. 15, para. 10, of Legislative Decree No. 185/08)	2,978	2,978	3,024	3,024
Redeemed goodwill of former BG SGR (Art. 176, para. 2-*ter*, of TUIR)	955	955	969	969
Consolidated goodwill of BG Fiduciaria (Art. 15, para. 10-*ter*, of Legislative Decree No. 185/2008)	1,358	1,358	1,379	1,379
Analytical impairment of debt securities previously HTM (IRAP)	123	-	123	-
Reserves for collective impairment on loans to customers and banks	365	-	912	-
Write-downs of items for disputed positions in other assets	697	-	697	-
Revaluation of funds covered by Financial Advisors' policies	596	-	561	-
Other operating expenses	10	-	11	-
Group companies' tax losses	581	-	324	-
BGV pension funds	961	-	972	-
With impact on Net Equity	**1,384**	**-**	**826**	**-**
Measurement at fair value of HTCS financial assets	829	-	355	-
Actuarial losses IAS 19	555	-	471	-
Total	**47,037**	**7,837**	**47,495**	**8,107**

1.8.4 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	30.06.2020	31.12.2019
With impact on Profit and Loss Account	**7,916**	**8,650**
Off-balance sheet goodwill deduction	3,719	3,474
Other intangible assets (trademarks and customer relationships)	3,387	3,773
Revaluation of equity securities and policies for covering funds	338	788
IFRS 15 FTA – Prepayments for recruitment incentives	274	416
Provision for post-employment benefits (IAS19)	152	154
Other	46	45
With impact on Net Equity	**2,472**	**3,278**
Measurement at fair value of HTCS financial assets	2,451	3,247
Actuarial losses IAS 19	21	31
Total	**10,388**	**11,928**

1.8.5 Change in deferred tax assets (offsetting entry to the Profit and Loss Account)

	30.06.2020	31.12.2019
1. Amount at period-start	**46,669**	**46,581**
2. Increases	**6,017**	**14,181**
2.1 Deferred tax assets for the period:	6,017	12,885
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	6,017	12,885
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1,296
of which:		
- *business combinations*	-	*1,278*
3. Decreases	**7,033**	**14,093**
3.1 Deferred tax assets eliminated in the period:	7,033	14,093
a) transfers	6,447	13,847
b) write-downs for non-recoverability	586	246
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	-
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	-	-
4. Amount at period-end	**45,653**	**46,669**

1.8.6 Change in deferred tax assets pursuant to Law No. 214/2011 (offsetting entry to the Profit and Loss Account)

	30.06.2020	31.12.2019
1. Amount at period-start	**8,107**	**8,107**
2. Increases	**-**	**-**
3. Decreases	**270**	**-**
3.1 Transfers	270	-
3.2 Conversion into tax credits:	-	-
a) due to losses for the period	-	-
b) due to fiscal losses	-	-
3.3 Other decreases	-	-
4. Amount at period-end	**7,837**	**8,107**

1.8.7 Change in deferred tax liabilities (offsetting entry to the Profit and Loss Account)

	30.06.2020	31.12.2019
1. Amount at period-start	**8,650**	**5,200**
2. Increases	**263**	**4,604**
2.1 Deferred tax liabilities recognised in the period:	263	782
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	263	782
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	3,822
of which:	-	
- *business combinations*	-	*3,818*
3. Decreases	**997**	**1,154**
3.1 Deferred tax liabilities eliminated in the period:	997	1,154
a) transfers	541	1,138
b) change in accounting criteria	-	-
c) other	456	16
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at period-end	**7,916**	**8,650**

1.8.8 Change in deferred tax assets (offsetting entry to the Net Equity)

	30.06.2020	31.12.2019
1. Amount at period-start	**826**	**6,137**
2. Increases	**1,721**	**223**
2.1 Deferred tax assets for the period:	1,664	197
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,664	197
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	57	26
of which:		
- *business combinations*	-	*16*
3. Decreases	**1,163**	**5,534**
3.1 Deferred tax assets eliminated in the period:	-	-
a) transfers	-	-
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	1,163	5,534
4. Amount at period-end	**1,384**	**826**

The item 3.3 "Other decreases" refers to the reduction in deferred tax assets following the re-absorption of deductible temporary differences as a result of reversals of assets in the HTCS portfolio.

1.8.9 Change in deferred tax liabilities (offsetting entry to the Net Equity)

	30.06.2020	31.12.2019
1. Amount at period-start	**3,278**	**1,084**
2. Increases	**626**	**6,116**
2.1 Deferred tax liabilities recognised in the period:	626	6,085
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	626	6,085
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	31
3. Decreases	**1,432**	**3,922**
3.1 Deferred tax liabilities eliminated in the period:	402	23
a) transfers	402	23
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	1,030	3,899
4. Amount at period-end	**2,472**	**3,278**

The item 3.3 “Other decreases” refers to the reduction in deferred tax liabilities following the re-absorption of deductible temporary differences as a result of higher value adjustments of assets in the HTCS portfolio.

1.9 Other assets - Item 130

1.9.1 Breakdown of other assets

	30.06.2020	31.12.2019
Fiscal items	**65,395**	**60,083**
Advances paid to fiscal authorities – current account withholdings	389	443
Advances paid to fiscal authorities – stamp duty	61,430	44,164
Advances of substitute tax on capital gains	-	11,369
Excess payment of substitute tax for tax shield	634	634
Other advances paid to and sums due from fiscal authorities	914	1,013
Fiscal Authorities/VAT	90	161
Sums due from fiscal authorities for other taxes to be refunded	1,938	2,299
Leasehold improvements	**7,258**	**6,685**
Operating loans not related to financial transactions	**277**	**151**
Sundry advances to suppliers and employees	**2,739**	**3,255**
Cheques under processing	**9,728**	**8,775**
C/a cheques drawn on third parties under processing	-	-
Our c/a cheques under processing c/o service	-	-
Money orders and other amounts receivable	9,728	8,775
Other amounts to be debited under processing	**80,312**	**41,134**
Amounts to be settled in the clearing house (debits)	4,843	1,144
Clearing accounts for securities and funds procedure	45,109	36,659
Other amounts to be debited under processing	30,360	3,331
Amounts receivable for legal disputes related to non-credit transactions	**169**	**51**
Trade receivables from customers and banks that cannot be traced back to specific items	**23,316**	**38,342**
Other amounts	**178,726**	**178,474**
Prepayments for the new supplementary fees for sales network	90,970	102,256
Prepayments of exclusive portfolio management fees	107	180
Prepayments for ordinary incentives	55,550	49,801
Prepayments of segregated asset management fees	7,205	9,619
Other accrued income and deferred charges that cannot be traced back to specific items	21,680	13,278
Term deposit to guarantee the consideration related to Nextam (escrow account)	3,000	3,000
Sundry amounts	214	340
Total	**367,920**	**336,950**

Receivables from fiscal authorities for withholdings on current accounts represent the positive imbalance between payments on account and the related payable to fiscal authorities.

Other assets include assets associated with the incremental costs of obtaining a contract or incurred to fulfil a contract with customers as set out in IFRS 15, paragraphs 91-104.

Prepayments for the supplementary fees for sales network refer to incremental fee expense of acquiring new customers paid to new Financial Advisors within the framework of recruitment programmes and based on the achievement of specific net inflows targets.

Prepayments for ordinary incentives to the sales network constitute incremental costs of obtaining a contract or costs incurred to fulfil a contract and consist of fees paid annually to the existing sales network based on the achievement of net inflows targets, irrespective of whether they have been achieved by acquiring new customers or by strengthening relationships already in place with existing customers.

This latter class of assets includes a portion of incentives paid to the management in respect of the recruitment of new Financial Advisors, essentially based on net inflows targets and akin to recruitment incentives, subject to recognition upon FTA of IFRS 15.

Both categories of costs are systematically amortised over a time horizon corresponding to the transfer to the customer of the goods or services to which the asset refers, estimated to amount to five years.

Prepaid segregated portfolio fees refer to the up-front fees paid in 2017 to the sales network for the stabilisation of the LOB I insurance portfolio in post-sales over a five-year time horizon.

The changes in the main prepaid expenses during the reporting period are shown below.

	31.12.2019	AMORTISATION	OF WHICH RELATIVE TO PREVIOUS YEARS	INCREASES	OTHER CHANGES	30.06.2020
Supplementary fees	102,256	-21,833	-20,079	10,547	-	90,970
Ordinary incentives	49,801	-10,483	-7,237	16,232	-	55,550
Up-front fees on segregated accounts	9,619	-2,402	-2,402	-	-12	7,205
Total network incentives	**161,676**	**-34,718**	**-29,718**	**26,779**	**-12**	**153,725**
Entry bonus on BG Solution portfolio management	6,092	-954	-914	585	-	5,723
Bonus on JPM funds	532	-266	-264	16	-	282
Total other acquisition costs	**6,624**	**-1,220**	**-1,178**	**601**	**-**	**6,005**
Total	**168,300**	**-35,938**	**-30,896**	**27,380**	**-12**	**159,730**

Other prepaid expenses of 15,782 thousand euros that cannot be traced back to specific items consist primarily of prepaid expenses not accrued during the half year and refer in particular to lease prepayments, insurance premiums and other general and administrative expenses.

2. Net Equity and Liabilities

2.1 Financial liabilities measured at amortised cost - Item 10

2.1.1 Financial liabilities measured at amortised cost: due to banks - categories

TYPE OF TRANSACTIONS/VALUES	30.06.2020 BOOK VALUE	31.12.2019 BOOK VALUE
1. Due to Central Banks	**499,917**	**-**
2. Due to banks	**80,713**	**94,807**
2.1 Current accounts and demand deposits	53,185	72,790
2.2 Term deposits	-	-
2.3 Financing:	4,495	-
2.3.1 Repurchase agreements	4,495	-
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Lease debts	-	-
2.6 Other debts	23,033	22,017
Total	**580,630**	**94,807**

The item “Due to Central Banks” consists of the TLTRO II (Targeted Loan Term Refinancing Operation) financing disbursed on 24 June 2020 and preceded by bridge financing (additional Covid-19 LTROs) of 300 million euros that began the previous month; the financing has a term of three years, maturing on 24 June 2023, with an early repayment option starting at the end of the second year.
The financing provides for a “special interest rate period” from June 2020 to June 2021, in which interest accrues at a rate equal to that in effect from time to time for the main refinancing transactions, currently a negative -0.5%, which may be reduced up to -1% if during the period from March 2020 to March 2021 the eligible net financing flows disbursed to households for credit purposes other than home purchases and to non-financial companies residing in the euro area (net lending special) are greater than or equal to zero.
In the second period from June 2021 to June 2023, the financing will bear interest at a rate equal to that of the main refinancing operations in effect from time to time, currently 0.5%, which may be reduced up to 0% if the targets set by the Central Bank are not reached during the reference period. It should be noted that as at 30 June 2020 Banca Generali was well above the targets.

The item “Other debts” almost entirely refers to deposits made by EFG Bank S.A. as a guarantee for some non-performing exposures, arising on the acquisition of Banca del Gottardo Italia (collateral deposits).

2.1.2 Financial liabilities measured at amortised cost: due to customers - categories

TYPE OF TRANSACTIONS/VALUES	30.06.2020 BOOK VALUE	31.12.2019 BOOK VALUE
1. Current accounts and demand deposits	9,935,892	9,982,548
2. Term deposits	-	-
3. Loans	-	116,218
3.1 Repurchase agreements	-	116,218
3.2 Other	-	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Lease debts	153,462	158,064
6. Other debts	118,272	152,349
Total	**10,207,626**	**10,409,179**

Item 6 “Other debts” refers for 4,102 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, and, for the remaining amount, to other sums made available to customers (19,383 thousand euros) and trade payables to the sales network (86,121 thousand euros).

Item 5 “Lease debts” includes the liability relating to lease payments determined on the basis of the IFRS 16 – *Leases*, which entered into force on 1 January 2019.

2.2 Financial liabilities held for trading - Item 20

2.2.1 HFT financial liabilities: categories

	30.06.2020					31.12.2019				
		FV					FV			
TYPE OF TRANSACTIONS/VALUES	NV	L1	L2	L3	FV (*)	NV	L1	L2	L3	FV (*)
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds:	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	-	X
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities:	-	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	-	X
3.2.2 other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial	-	-	1,617	-	-	-	-	1,204	-	-
1.1 Trading	X	-	1,617	-	X	X	-	1,204	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**1,617**	**-**	**X**	**X**	**-**	**1,204**	**-**	**X**
Total (A + B)	**X**	**-**	**1,617**	**-**	**X**	**X**	**-**	**1,204**	**-**	**X**

(*) FV *: fair value measured without taking account of issuer’s creditworthiness changes compared to issue date.

HFT financial liabilities consist for 1,617 thousand euros of trading transactions relating to currency outrights with customers as counterparty. This item has its balancing entry in assets classified under Item 20.

2.3 Hedging derivatives - Item 40

2.3.1 Breakdown of hedging derivatives by type of hedge and hierarchy levels

	30.06.2020				31.12.2019			
	FAIR VALUE			NOTIONAL VALUE	FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**25,626**	**-**	**847,000**	**-**	**7,481**	**-**	**270,000**
1) Fair value	-	25,626	-	847,000	-	7,481	-	270,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**25,626**	**-**	**847,000**	**-**	**7,481**	**-**	**270,000**

2.3.2 Breakdown of hedging derivatives by portfolios hedged and type of hedge

	FAIR VALUE							CASH FLOWS		
	SPECIFIC									
HEDGING TRANSACTIONS/TYPE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND STOCK INDICES	CURRENCIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVEST-MENTS
1. Financial assets at fair value through other comprehensive income	769	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	24,857	X	-	X	-	-	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**25,626**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	X	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**X**	**-**	**X**	**-**	**-**	**X**	**-**	**X**	**X**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

2.4 Tax liabilities - Item 60

2.4.1 Breakdown of tax liabilities – Item 60

Section 1.8 (Assets) provides an analysis.

2.5 Other liabilities - Item 80

2.5.1 Breakdown of other liabilities

	30.06.2020	31.12.2019
Trade payables	**14,477**	**21,802**
Due to suppliers	13,854	21,260
Due for payments on behalf of third parties	623	542
Due to staff and social security institutions	**19,967**	**25,110**
Due to staff for accrued holidays, etc.	5,573	4,970
Due to staff for productivity bonuses to be paid out	7,404	12,729
Contributions to be paid to social security institutions	3,118	3,107
Contributions to Financial Advisors to be paid to Enasarco	3,872	4,304
Tax authorities	**129,588**	**21,029**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	4,870	5,179
Withholding taxes to be paid to tax authorities on behalf of customers	9,222	3,176
Notes to be paid into collection services	111,593	11,221
VAT payables	3,360	1,449
Tax payables – other (stamp duty and substitute tax on medium-/long-term loans)	543	4
Amounts to be debited under processing	**77,752**	**67,307**
Bank transfers, cheques and other sums payable	5,119	2,134
Amounts to be settled in the clearing house (credits)	28,987	17,977
Liabilities from reclassification of portfolio subject to collection (SBF)	4,923	4,526
Other amounts to be debited under processing	38,723	42,670
Sundry items	**230,633**	**11,849**
Accrued expenses and deferred income that cannot be traced back to specific items	4,442	1,804
Amounts due to the National Resolution Fund	965	-
Sums made available to customers	1,409	1,189
Sundry items	1,458	1,854
Amounts to be credited	483	1,227
Liabilities for deferred consideration (earn out) related to the acquisition of the Nextam Group	5,700	5,775
Amounts due to shareholders for dividends to be distributed	216,176	-
Total	**472,417**	**147,097**

Pursuant to paragraphs 116 a) and 116 b) of IFRS 15, it is reported that the item deferred income includes liabilities associated with contracts within the scope of application of IFRS 15 and relating to three-year up-front fees received in connection with the distribution of certain classes of international UCITS.

Opening balance at 01.01.2020	**803**
Increases	23
Decreases due to the transfer to profit and loss	-406
of which:	
- *relating to prior years*	*-404*
Closing balance at 30.06.2020	**420**

2.6 Provisions for termination indemnity - Item 90

2.6.1 Provisions for termination indemnity: year changes

	30.06.2020	31.12.2019
A. Amount at period-start	**5,153**	**4,831**
Change del saldo di apertura	**-**	**-**
B. Increases	**265**	**591**
B.1 Provisions for the period	55	132
B.2 Other increases	210	459
of which:		
- *business combinations*	-	*436*
C. Decreases	**578**	**269**
C.1 Amounts paid	561	257
C.2 Other decreases	17	12
D. Amount at period-end	**4,840**	**5,153**

2.6.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.
The provision was measured based on the actuarial value using the methods described in Part. A.2 of the Notes and Comments to the Consolidated Financial Statements as of 31 December 2019.

The following table shows the main actuarial assumptions and the breakdown of the provisions for the period and actuarial gains/(losses):

	30.06.2020	31.12.2019
Discount rate (*)	0.64%	0.53%
Annual inflation rate	1.10%	1.10%
Salary increase rate	1.80%	1.80%
Average duration (years)	10	10

(*) Rate applied to Banca Generali

	30.06.2020	31.12.2019
1. Provisions:	55	132
Current service cost	44	44
Interest cost	11	69
2. Actuarial gains and losses	193	19
- based on financial assumptions	-118	369
- based on actuarial demographic assumptions	311	-350
Total provisions for the period	**248**	**132**
Actuarial value	**4,840**	**5,153**
Value calculated re. Article 2120 of the Italian Civil Code	**4,320**	**4,766**

2.7 Provisions for liabilities and contingencies - Item 100

2.7.1 Breakdown of provisions for liabilities and contingencies

ITEMS/COMPONENTS	30.06.2020	31.12.2019
1. Provisions for credit risk relating to commitments and financial guarantees issued	121	108
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	3,853	3,854
4. Other provisions for liabilities and contingencies	167,522	165,407
4.1 Legal and tax disputes	12,059	12,899
4.2 Staff	15,228	16,608
4.3 Other	140,235	135,900
Total	**171,496**	**169,369**

2.7.2 Provisions for liabilities and contingencies: year changes

ITEMS/COMPONENTS	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED	PROVISIONS FOR PENSIONS	OTHER PROVISIONS FOR RISK AND CHARGES	TOTAL
A. Amount at period-start	**108**	**3,854**	**165,407**	**169,369**
B. Increases	**13**	**87**	**23,798**	**23,898**
B.1 Provisions for the period	13	4	23,798	23,815
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to different discount rates	-	-	-	-
B.4 Other increases	-	83	-	83
C. Decreases	**-**	**88**	**21,683**	**21,771**
C.1 Use in the period	-	-	18,773	18,773
C.2 Changes due to different discount rates	-	-	-	-
C.3 Other decreases	-	88	2,910	2,998
D. Amount at period-end	**121**	**3,853**	**167,522**	**171,496**

2.7.3 Other provisions for liabilities and contingencies — details of movements

	31.12.2019	OTHER CHANGES	USES	SURPLUS	PROVISIONS	30.06.2020
Provision for staff expenses	**16,608**	**-216**	**-2,246**	**-912**	**1,994**	**15,228**
Provision for restructuring plan	1,741	-	-	-	-	1,741
Provision for staff expenses – other	14,867	-216	-2,246	-912	1,994	13,487
Provisions for legal disputes	**12,899**	**-**	**-848**	**-657**	**665**	**12,059**
Provision for risks related to legal disputes connected with sales network's embezzlements	7,317	-	-151	-428	149	6,887
Provision for risks related to legal disputes with sales network	910	-	-	-189	77	798
Provision for risks related to legal disputes with staff	15	-	-	-	-	15
Provision for other legal disputes	4,657	-	-697	-40	439	4,359
Provision for termination indemnity of Financial Advisors	**97,879**	**-**	**-993**	**-396**	**13,489**	**109,979**
Provision for termination indemnity of sales network	63,424	-	-932	-243	5,676	67,925
Provision for managerial development indemnity	9,344	-	-	-55	1,550	10,839
Provision for portfolio overfee indemnities	3,850	-	-	-42	208	4,016
Provision for pension bonuses	9,163	-	-61	-56	595	9,641
Provisions for Framework Loyalty Programme	12,098	-	-	-	5,460	17,558
Provisions for risks related to network incentives	**31,034**	**-**	**-13,157**	**-549**	**7,047**	**24,375**
Provision for network development plans	21,739	-	-8,757	-468	5,137	17,651
Provision for deferred bonus	547	-	-120	-12	28	443
Provision for managers with access gate	2,053	-	-1,452	-	-	601
Provision for sales incentives	2,540	-	-108	-	-	2,432
Provision for fees – travel incentives	3,300	-	-1,958	-	1,700	3,042
Provision for fee plans	855	-	-762	-69	182	206
Other provisions for liabilities and contingencies	**6,987**	**-180**	**-1,529**	**-**	**603**	**5,881**
Total	**165,407**	**-396**	**-18,773**	**-2,514**	**23,798**	**167,522**

2.7.4 Provisions for credit risk relating to commitments and financial guarantees issued

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Commitments to disburse funds	-	-	-	**-**
Financial guarantees issued	104	17	-	**121**
Total	**104**	**17**	**-**	**121**

2.7.5 Provisions for liabilities and contingencies — other provisions

2.7.5.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

- the share of the variable compensation of managers of the Banking Group deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's Remuneration policy;
- allocations to the provision for the recruitment plans regarding new employed Relationship Managers (RMs), valued also based on the specific contractual conditions agreed upon and on the probability to achieve the net inflow targets set;
- allocations for post-employment medical benefits of Group's managers, valued using the actuarial method pursuant to IAS 19;
- the provision related to the performance bonus, if at the balance sheet date the company supplementary contract (CIA) has expired or has not been renewed yet.

The above-mentioned provisions have as their balancing entries staff expenses.

Provisions for staff expenses also include, to a lesser extent, provisions outside the scope of IAS 19 but for which IAS 37 applies and that have therefore as their balancing entries net provisions for liabilities and contingencies.

2.7.5.2 Restructuring provisions – Redundancy incentives plan

The voluntary redundancy plan covered by the specific company restructuring provision was launched at the end of 2015 to encourage the rotation of resources through incentives for voluntary departure for groups of employees nearest to retirement age and the filling of the resulting vacant positions with professional and/or managerial profiles more suited to the specific skills now required from a business standpoint.
On 13 December 2019, the Board of Directors extended the voluntary redundancy plan until 31 December 2020, with a ceiling on resources of approximately 1.6 million euros, in order to facilitate the early departure of a certain number of personnel eligible for the so-called “quota 100” early retirement programme or who otherwise qualified for access to early retirement or were nearing eligibility for an old age pension.

2.7.5.3 Provisions for legal disputes

This type of provisions for risks includes provisions for pending litigations connected with sales network’s embezzlements after insurance coverage, as well as those with disputes currently underway with the sales network and employees and other legal and extra-legal disputes with customers and other entities.

2.7.5.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity, the social-security bonus, the provisions associated with the Framework Loyalty Programme (approved by the General Shareholders’ Meeting on 20 April 2017) and the provisions for manager development indemnity.
Provisions covering the cost of the **termination indemnity** of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments to the Consolidated Financial Statements for the year ended on 31 December 2019.
The expenses associated with obligations extant at period-end relating to Financial Advisors are valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

IFR - TERMINATION INDEMNITY	30.06.2020	31.12.2019
Discount rate (*)	1.4%	1.8%
Turnover rate (professionals)	1.96%	1.96%
Average duration (years)	12 years	13 years
IAS 37 DBOs/Indemnity provision at the measurement date	63.81%	60.36%

(*) The discount rate was determined on the basis of an average EURIRS curve for the last four quarters, increased linearly by the spread between the EURIRS rate and 10-year BTP.
The rate represented is the rate that corresponds to the average duration of the relevant liabilities, 12 years.

The ratio of Deferred benefit obligations (DBOs) to nominal value of the accrued obligation towards Financial Advisors is given using the value of the provision after one-off deductions related to seniority.

The increase in the provision for termination indemnities accrued by Financial Advisors during the period was mainly due to the increased basic fees as a result of the rise in the number of active Financial Advisors and the ongoing development of business, and the adjustment of demographic and statistical parameters.

A specific measurement is made for Financial Advisors who have already left service.

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.9 million euros, is still based on the payment criteria established by the previous employer and was recognised under provisions for risks. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The portfolio development indemnity is instead a scheme (further details are provided in Part A.2 of the Notes and Comments to the Consolidated Financial Statements as at 31 December 2019) that calls for Financial Advisors with at least five years of service who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reallocation of the latter.
The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.
Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the Bank’s residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

The “**pension bonus**” is a component of the sales network’s indemnity plans, which entailed the yearly provision of an amount based on the achievement of pre-set sales objectives and to be paid only upon final termination for retirement or permanent disability. The actuarial method is used also for this type of evaluation. This incentive has been discontinued as of 2016, without prejudice to the rights acquired by the beneficiaries in previous years.

Within the framework of provisions for contractual indemnities, on 21 March 2017 the Board of Directors granted its final approval for a **Framework Loyalty Programme for the Sales Network** aimed at improving the retention of the Network and the customers acquired over time, and creating value for the Group by attracting stable, high-quality net inflows.
The Framework Loyalty Program is divided into eight separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which may be activated from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.
The individual plans of the Framework Loyalty Programme for the Sales Network will all expire on 31 December 2026, after decreasing lengths, and each will allow part of the bonus to be paid in cash and part in shares of Banca Generali (max 50%), after having assessed their effects at the level of capital ratios and free float. The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.
2020 saw the launch of the fourth annual cycle (2020-2026).

Provisions for contractual indemnities refer also to the charge relating to the managerial development indemnity mechanism, approved by the Board of Directors in June 2018 and intended to ensure fair treatment of all network managers in the event of dismissal from their additional roles.

2.7.5.5 Provisions for sales network incentives

This aggregate includes:

> the estimated charges accrued in relation with several recruitment plans for middle-term expansion of managed portfolios. These plans envisage different kinds of incentives (entry bonus, deferred bonus, volume bonus, etc.) related to the achievement of net inflow targets and the presence in the company for one or more years (up to 5 or 7 years);
> the share of network managers' annual incentives deferred up to two years and conditional upon continuing satisfaction of the predetermined quantitative levels of asset solidity and liquidity (access gates) established in compliance with the Banking Group's remuneration policy;
> provisions for incentive plans based on the network's performance for the period, including the BG Premier Club trip and other special fee plans (supplementary allowances, stabilisers, target-achievement bonuses, etc.) that involve the payment of benefits or increases in advances paid when certain conditions are met, such as continuous service on the network or the achievement of sales targets.

2.7.5.6 Other provisions for liabilities and contingencies

Other provisions for liabilities and contingencies include provisions for operating risks.

Tax dispute

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

It should be noted that:

> the preparation of an initial report laying out charges regarding accrual was concluded on 22 December 2017;
> the charges relating to violations of transfer-pricing rules were formulated in the auditors' report on findings drafted on 29 June 2018;
> the findings of both audits are currently still being evaluated by the competent Large Business Taxpayers Office, with which Banca Generali has entered into discussions;
> the time limit for the assessment relating to the year 2014 is now approaching, following the extension granted pursuant to Article 1, paragraph 9, of Decree-Law No. 119 of 23 October 2018.

It should also be noted that in March 2020 a new tax audit regarding the years 2015 and following was launched by the Trieste Economic and Financial Police Unit of the Italian Finance Police.
However, the audit was suspended immediately after it began due to the lockdown measures adopted to check the spread of the pandemic (Italian Finance Police Circular No. 73943 of 11 March 2020).
The audits then resumed on last 9 July, in view of the now imminent end of the period for assessments relating to the year 2015.

2.8 Company net equity - Items 120, 130, 140, 150, 160, 170 and 180

2.8.1 Breakdown of share capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
Share capital				
- ordinary shares	1.00	116,851,637	116,851,637	116,852
Treasury shares				
- ordinary shares	1.00	-1,311,974	-1,311,974	-33,395
		115,539,663	**115,539,663**	**83,457**

2.8.2 Share capital – Number of shares of the Parent Company: year changes

ITEMS/TYPES	ORDINARY
A. Existing shares at period-start	-
- paid up	116,851,637
- partially paid	-
A.1 Treasury shares (-)	-1,467,579
A.2 Outstanding shares: at period-start	115,384,058
B. Increases	155,605
B.1 Newly issued shares	
- against payment:	-
- business combinations	-
- bonds conversion	-
- exercise of warrants	-
- other	-
- for free:	-
- to staff	-
- to directors	-
- other	-
B.2 Sale of treasury shares	155,605
B.3 Other changes	-
C. Decreases	-
C.1 Cancellation	-
C.2 Purchase of treasury shares	-
C.3 Disposal of companies	-
C.4 Other changes	-
D. Outstanding shares: at period-end	115,539,663
D.1 Treasury shares (+)	1,311,974
D.2 Existing shares at period-end	116,851,637
- paid up	116,851,637
- partially paid	-

At the reporting date, the share capital of the Bank consisted of 116,851,637 ordinary shares of 1 euro each, with regular dividend entitlement, and was fully paid up.

PART C – INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUN

1. Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	30.06.2020	30.06.2019
1. Financial assets at fair value through profit or loss:	**32**	**-**	**-**	**32**	**63**
1.1 HFT financial assets	2	-	-	2	33
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	30	-	-	30	30
2. Financial assets at fair value through other comprehensive income	**-207**	**-**	**X**	**-207**	**1,854**
3. Financial assets at amortised cost:	**30,403**	**10,411**	**X**	**40,814**	**35,651**
3.1 Loans to banks	1,884	126	X	2,010	1,103
3.2 Loans to customers	28,519	10,285	X	38,804	34,548
4. Hedging derivatives	X	X	2,304	**2,304**	**-**
5. Other assets	X	X	-	**-**	**-**
6. Financial liabilities	X	X	X	**2,502**	**938**
Total	**30,228**	**10,411**	**2,304**	**45,445**	**38,506**
of which:					
- *interest income on impaired financial assets*	-	*228*	-	*228*	*230*
- *interest income on finance leases*	-	-	-	-	-

By convention, interest on “Financial liabilities” includes the negative interest expense accrued on funding transactions and mainly refers to negative interest applied to account deposit of both institutional and non-institutional clients, for specific agreements and for particularly high deposit amounts (2.5 million euros).

1.2 Interest income and similar revenues: further information

	30.06.2020	30.06.2019
Interest income on bank deposits and current accounts	220	3
Repurchase agreements with banks	206	-
Repurchase agreements with customers	413	53
Interest income on customer deposit and current accounts	1,663	882
Total negative interest expense	**2,502**	**938**

1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	30.06.2020	30.06.2019
1. Financial liabilities at amortised cost:	**2,733**	**-**	**-**	**2,733**	**3,844**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	443	X	X	443	308
1.3 Due to customers	2,290	X	X	2,290	3,536
1.4 Securities issued	X	-	X	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and funds	**X**	**X**	**-**	**-**	**-**
5. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
6. Financial assets	**X**	**X**	**X**	**312**	**1,080**
Total	**2,733**	**-**	**-**	**3,045**	**4,924**
of which:					
- *interest expense relating to lease debts*	*1,761*	-	-	*1,761*	*1,705*

The Item 1.3 “Financial liabilities at amortised cost – Due to customers” includes 1.8 million euros interest accrued on lease payment debts calculated in accordance with the provisions of IFRS 16 in force as of 1 January 2019.

By convention, interest on financial assets includes the negative interest income accrued on lending transactions and mostly refers to operations with banks (demand deposits with the Central Bank, repurchase agreements).

1.4 Interest expense and similar charges: further information

	30.06.2020	30.06.2019
Interest expense on deposits with the ECB	63	996
Interest expense on deposits with banks	87	60
Repurchase agreements with banks	78	-
Repurchase agreements with customers	14	8
Interest expense on customer deposits	43	16
Derivatives	27	-
Total negative interest income	**312**	**1,080**

1.5 Hedging differentials

ITEMS	30.06.2020	30.06.2019
A. Hedging gains	14,807	20
B. Hedging losses	12,503	20
C. Total (A - B)	**2,304**	**-**

2. Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	30.06.2020	30.06.2019
a) Guarantees issued	241	281
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	450,898	419,853
1. trading of financial instruments	10,804	8,037
2. currency trading	-	-
3. Individual portfolio management	234,272	225,479
3.1. individual	33,693	37,988
3.2. collective	200,579	187,491
4. custody and administration of securities	413	140
5. depository bank	-	-
6. placement of securities	64,034	55,913
7. order receiving and collection	4,587	3,602
8. consultancy activities	15,354	10,685
8.1 investment advice	15,354	10,685
8.2 advice on financial structure	-	-
9. distribution of third-party services	121,434	115,997
9.1. portfolio management	429	391
9.1.1 individual	*13*	-
9.1.2 collective	*416*	*391*
9.2. insurance products	119,938	115,394
9.3. other products	1,067	212
d) Collection and payment services	1,898	2,054
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	901	943
j) Other services	1,258	1,338
of which:		
- *all-inclusive fees on credit lines*	1,020	*937*
Total	**455,196**	**424,469**

2.2 Breakdown of fee expense

SERVICE/VALUES	30.06.2020	30.06.2019
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	193,927	181,869
1. trading of financial instruments	2,715	1,940
2. currency trading	-	-
3. portfolio management	15,084	13,548
3.1 own portfolio	15,084	13,548
3.2 third-party portfolio	-	-
4. custody and administration of securities	1,276	910
5. placement of financial instruments	-	-
6. off-premises offer of financial instruments, products and services	174,852	165,471
d) Collection and payment services	1,853	2,056
e) Other services	1,513	514
Total	**197,293**	**184,439**

3. Dividends and similar income - Item 70

1.1 Breakdown of dividends and similar income

ITEMS/INCOME	30.06.2020 DIVIDENDS	30.06.2020 SIMILAR INCOME	30.06.2019 DIVIDENDS	30.06.2019 SIMILAR INCOME
A. HFT financial assets	-	-	-	-
B. Other financial assets mandatorily measured at fair value	31	625	56	721
C. Financial assets measured at fair value through other comprehensive income	1,040	-	1,380	-
D. Equity investments	-	-	-	-
Total	**1,071**	**625**	**1,436**	**721**

4. Net income from trading - Item 80

4.1 Breakdown of net income from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSSES FROM TRADING	NET RESULT 30.06.2020	NET RESULT 30.06.2019
1. HFT financial assets	**-**	**34**	**26**	**289**	**-281**	**564**
1.1 Debt securities	-	21	26	83	-88	556
1.2 Equity securities	-	9	-	78	-69	13
1.3 UCITS units	-	4	-	128	-124	-5
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**3,444**	**2,663**
4. Derivatives	**-**	**-**	**-**	**3**	**-6**	**-1**
4.1 Financial:	**-**	**-**	**-**	**3**	**-6**	**-1**
- On debt securities and interest rates	-	-	-	-	-	-
- *interest rate swaps*	-	-	-	-	-	-
- *government bond forwards*	-	-	-	-	-	-
- On equity securities and stock indexes	-	-	-	3	-3	-2
- *options*	-	-	-	-	-	-
- *futures*	-	-	-	3	-3	-2
- On currency and gold (1)	X	X	X	X	-3	1
- Other	-	-	-	-	-	-
4.2 Credit	**-**	**-**	**-**	**-**	**-**	-
of which:						
- *natural hedging related to the fair value option*	*X*	*X*	*X*	*X*	-	-
Total	**-**	**34**	**26**	**292**	**3,157**	**3,226**

(1) It includes currency options and currency outrights

5. Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

INCOME COMPONENTS/VALUES	30.06.2020	30.06.2019
A. Income from:		
A.1 Fair-value hedge derivatives	6,533	158
A.2 Hedged financial assets (fair value)	22,313	1,804
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	**28,846**	**1,962**
B. Charges from:		
B.1 Fair-value hedge derivatives	22,548	1,785
B.2 Hedged financial assets (fair value)	6,215	161
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	**28,763**	**1,946**
C. Net income from hedging (A - B)	**83**	**16**

6. Gains (losses) on disposal/repurchase - Item 100

6.1 Breakdown of gains (losses) on disposal/repurchase

	30.06.2020			30.06.2019		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
A. Financial assets						
1. Financial assets at amortised cost	**8,996**	**7**	**8,989**	**60**	**-**	**60**
1.1 Loans to banks	-	-	-	12	-	12
1.2 Loans to customers	8,996	7	8,989	48	-	48
2. Financial assets at fair value through other comprehensive income	**1,853**	**4,509**	**-2,656**	**2,696**	**1,386**	**1,310**
2.1 Debt securities	1,853	4,509	-2,656	2,696	1,386	1,310
2.2 Loans	-	-	-	-	-	-
Total Assets	**10,849**	**4,516**	**6,333**	**2,756**	**1,386**	**1,370**
B. Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**	**-**	**-**

HTCS equity reserves transferred back to the profit and loss account are illustrated in the following table:

	POSITIVE	NEGATIVE	NET
Debt securities	1,252	-431	821
Total	**1,252**	**-431**	**821**

7. Net result on other financial assets and liabilities measured at fair value through profit and loss - Item 110

7.1 Net change of other financial assets and liabilities measured at fair value through profit and loss account: breakdown of other financial assets mandatorily measured at fair value

	30.06.2020					30.06.2019				
TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	**88**	**3**	**2,960**	**-**	**-2,869**	**3,170**	**821**	**3,001**	**1,713**	**-723**
1.1 Debt securities	-	-	28	-	-28	22	-	-	-	22
1.2 Equity securities	-	-	524	-	-524	120	-	2,338	-	-2,218
1.3 UCITS units	21	2	2,391	-	-2,368	2,533	806	278	1,713	1,348
1.4 Loans	67	1	17	-	51	495	15	385	-	125
2. Financial assets in foreign currencies: exchange differences	X	X	X	X	-	X	X	X	X	-
Total	**88**	**3**	**2,960**	**-**	**-2,869**	**3,170**	**821**	**3,001**	**1,713**	**-723**

8. Net adjustments/reversals for credit risk - Item 130

8.1 Breakdown of net adjustments for credit risk relating to financial assets measured at amortised cost

	ADJUSTMENTS			REVERSALS			
		STAGE 3					
TRANSACTIONS/INCOME COMPONENTS	STAGE 1 AND STAGE 2	WRITE-OFF	OTHER	STAGE 1 AND STAGE 2	STAGE 3	30.06.2020	30.06.2019
A. Loans to banks	**46**	**-**	**-**	**23**	**-**	**-23**	**83**
- Loans	-	-	-	23	-	23	82
- Debt securities	46	-	-	-	-	-46	1
of which:							
- *acquired or originated impaired loans*	-	-	-	-	-	-	-
B. Loans to customers	**3,477**	**12**	**995**	**-**	**198**	**-4,286**	**-2,514**
- Loans	1,821	12	995	-	198	-2,630	142
- Debt securities	1,656	-	-	-	-	-1,656	-2,656
of which:							
- *acquired or originated impaired loans*	-	-	-	-	-	-	-
Total	**3,523**	**12**	**995**	**23**	**198**	**-4,309**	**-2,431**

Specific adjustments to loans to customers classified under “Stage 3” amounted to 995 thousand euros and included 442 thousand euros for unlikely-to-pay positions, 180 thousand euros for positions past due by more than 90 days, and, for the remainder, other operating loans and loans to sales network.

These write-downs were offset through reversals relating to positions past due at the end of the previous year (95 thousand euros) and reclassified out of the non-performing category, to bad loans (38 thousand euros), to unlikely-to-pay positions (59 thousand euros) and, for the remainder, to operating loans and loans to sales network.

Portfolio adjustments/reversal on debt securities classified under “Stage 1” and “Stage 2” — including net adjustments of loans to banks for 46 thousand euros and net adjustments of loans to customers amounting to 3,477 thousand euros — referred to the adjustment of the collective reserve allocated to account for potential impairment of the corporate bond portfolio.

Reserves covering expected losses on loans classified to Stage 1 and Stage 2 presented net adjustments of 1,821 thousand euros.

8.2 Breakdown of net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS STAGE 1 AND STAGE 2	ADJUSTMENTS STAGE 3 WRITE-OFF	ADJUSTMENTS STAGE 3 OTHER	REVERSALS STAGE 1 AND STAGE 2	REVERSALS STAGE 3	30.06.2020	30.06.2019
A. Debt securities	**353**	**-**	**-**	**-**	**-**	**-353**	**1,288**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which:							
- *acquired or originated impaired financial assets*	-	-	-	-	-	-	-
Total	**353**	**-**	**-**	**-**	**-**	**-353**	**1,288**

Portfolio adjustments on debt securities classified under “Stage 1” and “Stage 2” amounted to 353 thousand euros and refer to the adjustments of the collective reserve allocated to account for potential impairment of the bond portfolio.

9. General and administrative expenses - Item 190

9.1 Breakdown of general and administrative expenses

	30.06.2020	30.06.2019
190 a) Staff expenses	51,255	45,011
190 b) Other general and administrative expenses	79,787	71,422
Total	**131,042**	**116,433**

9.2 Breakdown of staff expenses

TYPE OF EXPENSES/VALUES	30.06.2020	30.06.2019
1) Employees	**50,543**	**44,269**
a) Wages and salaries	28,861	24,935
b) Social security charges	7,078	6,347
c) Termination indemnity	273	270
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	135	33
f) Provision for pensions and similar obligations:	4	-
- defined contribution	-	-
- defined benefit	4	-
g) Amounts paid to supplementary external pension funds:	2,461	2,310
- defined contribution	2,461	2,310
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	824	1,390
i) Other employee benefits	10,907	8,984
2) Other staff	**230**	**33**
3) Directors and Auditors	**836**	**694**
4) Retired personnel	**18**	**15**
5) Recovery of expenses for staff seconded to other companies	**-372**	**-**
6) Repayments of expenses for third-party staff seconded to the Company	**-**	**-**
Total	**51,255**	**45,011**

9.3 Breakdown of personnel

	30.06.2020	30.06.2019
Employees	**981**	**917**
a) Managers	68	53
b) Executives	307	285
of which:		
- *3rd and 4th level*	*178*	*162*
- *1st and 2nd level*	*129*	*123*
c) Employees at other levels	606	579
Other personnel	**7**	**1**
Total	**988**	**918**

9.4 Other employee benefits

	30.06.2020	30.06.2019
Short-term productivity bonuses	**7,070**	**5,515**
Long-term benefits	**1,244**	**617**
Charges for Relationship Manager recruitment plans	596	617
Charges for deferred variable remuneration (managers' MBO)	648	-
Charges for post-employment medical care plans	-	-
Other benefits	**2,593**	**2,852**
Charges for staff supplementary pensions	1,626	1,436
Amounts replacing cafeteria indemnities	541	519
Training expenses	196	181
Contributions to employees	49	61
Transfer incentives and other indemnities	-	19
Other expenses	181	636
Total	**10,907**	**8,984**

Short-term productivity bonuses include the portion of non-deferred variable remuneration payable in cash (MBO) for office and sales managers and portfolio managers, the performance bonus envisaged in company supplementary contracts and allocations in service of the plan for measures for the first half of 2020.

9.5 Breakdown of other general and administrative expenses

	30.06.2020	30.06.2019
Administration	**9,156**	**8,388**
Advertising	1,380	2,319
Audit fees	4,022	3,774
Corporate boards and auditing firms	347	221
Insurance	1,737	1,432
Entertainment expenses	189	124
Membership contributions	534	456
Charity	946	62
Operations	**11,115**	**10,819**
Rent and usage of premises and management of property	2,350	2,160
Outsourced administrative services	3,239	2,812
Post and telephone	1,071	1,035
Print material	619	560
Other expenses for sales network management	1,270	1,172
Other expenses and purchases	1,805	1,975
Other indirect staff expenses	761	1,105
Information system and equipment	**24,011**	**20,990**
Expenses related to outsourced IT services	15,607	14,700
Fees for IT services and databases	4,310	3,827
Software maintenance and servicing	3,459	2,033
Fees for equipment hired and software used	106	89
Other maintenance	528	341
Indirect taxation	**31,486**	**27,691**
Stamp duty on financial instruments	31,194	27,078
Substitute tax on medium/long-term financing	198	201
Other indirect taxes to be paid by the Bank	94	412
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	**4,019**	**3,534**
Total	**79,787**	**71,422**

10. Net provisions for liabilities and contingencies - Item 200

10.1 Breakdown of net provisions for credit risk relating to commitment to disburse funds and financial guarantees issued

	30.06.2020			30.06.2019		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and financial guarantees issued	14	-	14	-	-34	-34
Total	**14**	**-**	**14**	**-**	**-34**	**-34**

10.2 Breakdown of net provisions to other provisions for liabilities and contingencies

	30.06.2020			30.06.2019		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	**810**	**-137**	**673**	**1,635**	**-268**	**1,367**
Provision for staff expenses – Other [1]	810	-137	673	1,635	-268	1,367
Provisions for legal disputes	**665**	**-657**	**8**	**1,845**	**-891**	**954**
Provision for risks related to legal disputes with subscribers	149	-428	-279	710	-133	577
Provision for risks related to legal disputes with Financial Advisors	77	-189	-112	-	-100	-100
Provision for risks related to legal disputes with other parties	439	-40	399	1,135	-658	477
Provisions for termination indemnity – Financial Advisors	**13,489**	**-396**	**13,093**	**7,318**	**-647**	**6,671**
Provision for risks related to termination indemnity – Financial Advisors	5,676	-243	5,433	3,380	-491	2,889
Provision for manager incentive indemnity	1,550	-55	1,495	1,168	-29	1,139
Provision for portfolio overfee indemnities	208	-42	166	57	-27	30
Provision for pension bonuses	595	-56	539	126	-100	26
Provisions for Framework Loyalty Programme	5,460	-	5,460	2,587	-	2,587
Provisions for network incentives	**7,047**	**-549**	**6,498**	**9,518**	**-2,562**	**6,956**
Provision for network development plans	5,137	-468	4,669	7,717	-2,377	5,340
Provision for deferred bonus	28	-12	16	33	-	33
Provision for travel incentives	1,700	-	1,700	1,600	-185	1,415
Provision for fee plans	182	-69	113	168	-	168
Other provisions for liabilities and contingencies	**603**	**-**	**603**	**378**	**-**	**378**
Total	**22,614**	**-1,739**	**20,875**	**20,694**	**-4,368**	**16,326**

(1) Provisions for staff expenses do not include the items that are classified as "Staff expenses - Other benefits" in accordance with IAS 19.

11. Net adjustments/reversals of property and equipment - Item 210

11.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 30.06.2020	NET RESULT 30.06.2019
A. Property and equipment					
1. Operating:	10,466	-	-	10,466	9,525
- owned	872	-	-	872	737
- rights of use acquired through leases	9,594	-	-	9,594	8,788
2. Held as investments:	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	X	-	-	-	-
Total	**10,466**	**-**	**-**	**10,466**	**9,525**

12. Net adjustments/reversals of intangible assets - Item 220

12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 30.06.2020	NET RESULT 30.06.2019
A. Intangible assets					
A.1 Owned	5,043	-	-	5,043	4,267
- generated in-house	-	-	-	-	-
- other	5,043	-	-	5,043	4,267
A.2 Rights of use acquired through leases	-	-	-	-	-
Total	**5,043**	**-**	**-**	**5,043**	**4,267**

13. Other operating income and expenses - Item 230

13.1 Breakdown of other operating expenses

	30.06.2020	30.06.2019
Adjustments of leasehold improvements	1,227	1,048
Indemnities and compensation for litigation and claims	147	106
Charges from accounting adjustments with customers	775	1,402
Charges for card compensation and guarantees	6	-
Costs associated with tax disputes, penalties and fines	3	10
Other contingent liabilities and non-existent assets	416	1,241
Total	**2,574**	**3,807**

13.2 Breakdown of other operating income

	30.06.2020	30.06.2019
Recovery of taxes from customers	30,908	26,875
Recovery of expenses from customers	365	382
Fees for outsourced services	44	25
Charge-back of portfolio development indemnity to incoming Financial Advisors	697	1,879
Indemnities for Financial Advisors' termination without notice	270	207
Other recoveries of repayments and costs from Financial Advisors	1,091	846
Contingent assets related to staff expenses	775	1,486
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training (FBA)	88	30
Other contingent assets and non-existent liabilities	1,264	760
Insurance compensation and indemnities	138	399
Other income	81	281
Total	**35,721**	**33,170**
Total other net income	**33,147**	**29,363**

14. Gains (losses) from equity investments - Item 250

14.1 Breakdown of gains (losses) from equity investments

INCOME COMPONENTS/VALUES	30.06.2020	30.06.2019
1) Companies subject to joint control		
A. Gains	**-**	**-**
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	**-11**	**-**
1. Write-downs	-11	-
2. Adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-11**	**-**
2) Companies subject to significant influence		
A. Gains	**-**	**-**
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	**-88**	**-52**
1. Write-downs	-88	-52
2. Adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-88**	**-52**
Total	**-99**	**-52**

Write-downs on equity investments totalled 99 thousand euros and related to the measurement using the equity method of the joint venture BG Saxo Sim S.p.A. and the associate company IOCA Entertainment Ltd.

15. Gains (losses) on disposal of investments - Item 280

15.1 Breakdown of gains (losses) on disposal of investments

INCOME COMPONENTS/VALUES	30.06.2020	30.06.2019
A. Buildings	**-**	**-**
Gains on disposal	-	-
Losses on disposal	-	-
B. Other assets	**24**	**-33**
Gains on disposal	24	-
Losses on disposal	-	-33
Net result	**24**	**-33**

16. Income tax for the period for current operations- Item 300

16.1 Breakdown of income tax for the period for current operations

INCOME COMPONENTS/VALUES		30.06.2020	30.06.2019
1.	Current taxation (-)	-37,247	-24,475
2.	Change in prior years' current taxes (+/-)	78	14
3.	Reduction of current taxes for the period (+)	-	-
3.*bis*	Reduction of current taxes for the period arising on tax credits, pursuant to Law No. of 214/2011 (+)	-	-
4.	Changes of prepaid taxation (+/-)	-1,207	-4,566
5.	Changes of deferred taxation (+/-)	644	551
6.	**Taxes for the period (-)**	**-37,732**	**-28,476**

16.2 Reconciliation between theoretical and actual tax expense

The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the Profit and Loss Account compared to the theoretical taxation.

	30.06.2020	30.06.2019
Current taxation	**-37,173**	**-24,475**
IRES and other income taxes	-30,480	-19,745
IRAP	-6,693	-4,730
Other	-	-
Prepaid and deferred taxation	**-563**	**-4,015**
IRES and other income taxes	-670	-3,539
IRAP	107	-476
Prior years' taxes	**4**	**14**
IRES and other income taxes	4	14
IRAP	-	-
Income taxes	**-37,732**	**-28,476**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**169,673**	**161,276**
Theoretical taxation	**-46,660**	**-44,351**
Non-taxable income (+)		
Dividends	280	375
ACE	497	-
Other decreases (including tax credit related to movie production)	39	110
Non-deductible charges (-)		
Double taxation on dividends	-1,902	-1,535
Impairment of equity securities PEX	-29	-
Other non-deductible costs	-1,788	-1,163
Other taxes (+/-)		
IRAP	-6,586	-5,205
Rate change of companies under foreign law	18,561	23,294
Prior years' taxes	4	14
Tax losses	-83	-
Change in deferred taxes without offsetting entry	-61	1
Other consolidation adjustments	-4	-16
Actual tax expense	**-37,732**	**-28,476**
Total actual tax rate	**22.2%**	**17.7%**
Actual tax rate (IRES)	**18.4%**	**14.4%**
Actual tax rate (IRAP)	**3.9%**	**3.2%**

17. Earnings per Share

17.1 Average number of ordinary shares with diluted capital

	30.06.2020	30.06.2019
Net profit for the period (€ thousand)	131,948	132,800
Earnings attributable to ordinary shares (€ thousand)	131,948	132,800
Average number of outstanding shares (thousand)	115,431	116,482
EPS – Earning per share (euros)	**1.14**	**1.14**
Average number of outstanding shares with diluted capital (thousand)	115,431	116,482
EPS – Diluted earnings per share (euros)	**1.14**	**1.14**

PART D – CONSOLIDATED COMPREHENSIVE INCOME

Analytical Consolidated Statement of Comprehensive Income

ITEMS	30.06.2020	30.06.2019
10. Net profit (loss) for the period	**131,941**	**132,800**
Other income, without transfer to Profit and Loss Account	**-190**	**-129**
20. Equity securities at fair value through other comprehensive income:	**-18**	**-**
a) fair value changes	-18	-
b) transfers to other net equity components	-	-
30. Financial liabilities at fair value through profit or loss (change in the own creditworthiness):	**-**	**-**
a) fair value changes	-	-
b) transfers to other net equity components	-	-
40. Equity security hedges at fair value through other comprehensive income:	**-**	**-**
a) fair value changes (hedged instrument)	-	-
b) fair value changes (hedging instrument)	-	-
50. Property and equipment	**-**	**-**
60. Intangible assets	**-**	**-**
70. Defined benefit plans	**-238**	**-178**
80. Non-current assets available for sale and disposal groups	**-**	**-**
90. Share of valuation reserves of equity investments valued at equity	**-**	**-**
100. Income taxes on other income, without transfer to Profit and Loss Account	**66**	**49**
Other income, with transfer to Profit and Loss Account	**-2,749**	**10,066**
110. Hedges of foreign investments:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
120. Exchange differences:	**-3**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-3	-
c) other changes	-	-
130. Cash-flow hedges:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
- *of which: result of net positions*	-	-
140. Hedging instruments (non-designated items):	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-

ITEMS	30.06.2020	30.06.2019
150. Financial assets (other than equity securities) at fair value through other comprehensive income:	**-4,047**	**14,835**
a) fair value changes	-3,259	15,464
b) transfer to Profit and Loss Account	-788	-629
- adjustments due to credit risk	32	-2,015
- gains (losses) on disposal	-820	1,386
c) other changes	-	-
160. Non-current assets available for sale and disposal groups:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
170. Share of valuation reserves of equity investments valued at equity:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
- adjustments due to impairment	-	-
- gains (losses) on disposal	-	-
c) other changes	-	-
180. Income taxes on other income, with transfer to Profit and Loss Account	**1,301**	**-4,769**
190. Total other income components	**-2,939**	**9,937**
200. Comprehensive income (Items 10 + 190)	**129,002**	**142,737**
210. Consolidated comprehensive income attributable to minority interests	**-10**	**-**
Consolidated comprehensive income attributable to the Parent Company	**129,012**	**142,737**

PART E – INFORMATION ON CONSOLIDATED NET EQUITY

1. Information on Consolidated Net Equity

1.1 Breakdown of net equity

The Banca Generali Group's net equity amounted to 831.3 million euros at 30 June 2020 and may be broken down as follows.

(€ THOUSAND)	30.06.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	57,202	57,729	-527	-0.9%
3. Reserves	507,834	454,465	53,369	11.7%
4. (Treasury shares)	-33,395	-37,356	3,961	-10.6%
5. Valuation reserves	877	3,813	-2,936	-77.0%
6. Equity instruments	50,000	50,000	-	n,a
7. Net equity attributable to minority interests	10	26	-16	n,a
8. Net profit (loss) for the period	131,948	272,139	-140,191	-51.5%
Total net equity	**831,328**	**917,668**	**-86,340**	**-9.4%**

Net equity decreased by 86.3 million euros, compared to the end of the previous year, due to the following changes:

	30.06.2020
Net equity at period-start	**917,668**
Provisions for dividends	-216,175
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	1,996
Matured IFRS 2 reserves on the AG Group's IFRS2 - related plans	104
Change in valuation reserves	-2,939
Issue of AT1 subordinated loan	-1,125
Consolidated net profit	131,941
Other effects	-142
Net equity at period-end	**831,328**
Change	**-86,340**

1.2 Valuation reserves

1.2.1 Breakdown of valuation reserves

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a net decrease of 2.7 million euros primarily owing to the downtrend in the prices of debt securities on financial markets during the first half of the year.

(€ THOUSAND)	30.06.2020 POSITIVE RESERVE	30.06.2020 NEGATIVE RESERVE	30.06.2020 NET RESERVE	31.12.2019 NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	5,173	-1,749	3,424	6,170	-2,746
Valuation reserves - OCI equity securities	-	-318	-318	-300	-18
Exchange differences	-	-131	-131	-128	-3
Actuarial gains (losses) from defined benefit plans	-	-2,098	-2,098	-1,929	-169
Total	**5,173**	**-4,296**	**877**	**3,813**	**-2,936**

1.2.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: change

Valuation reserves on the HTCS portfolio showed a net decrease of -2.8 million euros for the first half of 2020, as a result of the following factors:

1. the recognition of net valuation capital losses totalling -3.3 million euros;
2. the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-0.8 million euros);
3. the positive net tax effect (DTAs) associated with the above changes (1.3 million euros).

(€ THOUSAND)	30.06.2020 DEBT SECURITIES CORPORATE	DEBT SECURITIES GOVERNMENT	EQUITY SECURITIES	UCITS UNITS	TOTAL
1. Amount at period-start	**2,233**	**3,937**	**-300**	**-**	**5,870**
Adjustment of opening balances	-	-	-	-	-
1. Amount at period-start	**2,233**	**3,937**	**-300**	**-**	**5,870**
2. Increases	**1,888**	**1,943**	**-**	**-**	**3,831**
2.1 fair value increases	360	1,556	-	-	1,916
2.2 adjustments due to credit risk	63	-	X	-	63
2.3 transfer to Profit and Loss Account of negative reserves due to disposal	54	377	X	-	431
2.4 transfer to other net equity components (equity securities)	-	-	-	-	-
2.5 other changes	1,411	10	-	-	1,421
3. Decreases	**4,822**	**1,755**	**19**	**-**	**6,596**
3.1 fair value decreases	4,250	926	19		5,195
3.2 reversals for credit risk	-	31	-	-	31
3.3 transfer to Profit and Loss Account of positive reserves due to disposal	552	699	X	-	1,251
3.4 transfer to other net equity components (equity securities)	-	-	-	-	-
3.5 other changes	20	99	-	-	119
4. Amount at period-end	**-701**	**4,125**	**-319**	**-**	**3,105**

1.3 Own Funds

Consolidated own funds amounted to 561.0 million euros, down by 10 million euros compared to the end of the previous year.

(€ THOUSAND)	30.06.2020	31.12.2019	CHANGE AMOUNT	CHANGE %
Common Equity Tier 1 capital (CET1)	510,951	520,939	-9,988	-1.92%
Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total Own funds	**560,951**	**570,939**	**-9,988**	**-1.75%**

The composition of own funds is shown synthetically below, illustrating the effects of the prudential filters.
A detailed analysis including all the components of Own funds (CET1, Tier 1, Tier 2) is given in Pillar 3 (public disclosure) at 31 December 2019, to which reference is made.

OWN FUNDS	30.06.2020
Basel 3	
CET1 instruments	126,850
Reserves	507,834
Net profit (loss) for the period	-
Other components of other comprehensive income (OCI)	876
Share capital and reserves	**635,560**
Goodwill	-86,943
Intangible assets	-41,318
DTLs associated with intangible assets	7,404
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-749
Intangible assets	**-121,606**
DTAs through P&L not arising on temporary differences (tax losses)	-524
Significant investments: excess of AT1 items to be deducted from CET1	-
Negative prudential filters	-2,479
Total	**510,951**
Portion exceeding non-significant investments (<10%) in CET1 instruments	-
Portion exceeding significant investments (>10%) in CET1 instruments	-
General deduction with threshold 17.65%	**-**
Total Common Equity Tier 1 capital (CET1)	**510,951**
Total Additional Tier 1 capital (AT1)	**50,000**
Total Tier 2 capital	**-**
Total Own funds	**560,951**

In the reporting period, the performance of the aggregate was influenced by the following factors:
- a decrease in valuation reserves on debt securities classified as financial assets in the HTCS category (-2.8 million euros);
- the recognition, following authorisation from the competent authority, of the commitment to purchase treasury shares in service of the Remuneration Policies and the Loyalty Programme, up to a maximum of 13.8 million euros.

In accordance with the new dividend policy approved by the Board of Directors on 8 March 2019, for the first half of 2020 as well, none of the consolidated net profit for the current period was included in Own funds.

Own funds at 30.06.2019	**570,939**
Repurchase commitments of CET1 instruments	-13,809
Change in reserves for share-based payments (IFRS 2)	2,100
Change in OCI reserves on HTCS	-2,767
Change in OCI reserves pursuant to IAS 19	-169
Change in goodwill and intangibles	6,074
Negative prudential filters (prudent valuation)	366
DTAs through P&L not arising on temporary differences (tax losses)	-524
AT1 instruments excess over AT1	-1,125
Other effects	-134
Total changes in Tier 1 capital	**-9,988**
Other effects: significant investments T2	-
Total change in Tier 2 capital	**-**
Own funds at 30.06.2020	**560,951**
Change	**-9,988**

2. Capital Adequacy

Total capital adequacy requirements for credit, market and operating risks set by the Supervisory Authority reached 286.5 million euros at period-end, with an increase of 2.7 million euros compared to the previous year (1.0%).

			CHANGE	
(€ THOUSAND)	30.06.2020	31.12.2019	AMOUNT	%
Common Equity Tier 1 capital (CET1)	510,951	520,939	-9,988	-1.9%
Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total Own funds	**560,951**	**570,939**	**-9,988**	**-1.7%**
Credit and counterparty risk	201,251	198,294	2,957	1.5%
Market risk	65	294	-229	-77.9%
Operating risk	85,192	85,192	-	-
Total absorbed capital (Pillar 1)	**286,508**	**283,780**	**2,728**	**1.0%**
Total SREP minimum requirements (Pillar 2)	**424,032**	**419,994**	**2,499**	**1.0%**
Excess over SREP minimum requirements	136,919	150,945	-14,025	-9.3%
Risk-weighted assets	3,581,348	3,547,250	34,098	1.0%
Tier 1 capital/Risk-weighted assets (Tier 1 Capital Ratio)	14.3%	14.7%	-0.4%	-2.9%
Total Own funds/Risk-weighted assets (Total Capital Ratio)	**15.7%**	**16.1%**	**-0.4%**	**-2.7%**

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 136.9 million euros in excess of the SREP minimum requirements for 2020.
CET1 ratio reached 14.3%, compared to a minimum regulatory requirement of 7.75%, and Total Capital Ratio reached 15.7%, compared to a minimum requirement of 11.84% required by the supervisory authority following the SREP.

Absorbed capital for credit risk grew by 2.9 million euros compared to the previous year, as detailed in the table below.

Absorbed capital for market risks was substantially unchanged compared to the end of the previous year.

CREDIT RISK REGULATORY PORTFOLIO	30.06.2020			31.12.2019			CHANGE		
	INITIAL EXPOSURE	RISK-WEIGHTED ASSETS	REQUIRE-MENT	INITIAL EXPOSURE	RISK-WEIGHTED ASSETS	REQUIRE-MENT	INITIAL EXPOSURE	RISK-WEIGHTED ASSETS	REQUIRE-MENT
Administrations and Central Banks	7,894,675	99,285	7,943	7,457,738	104,340	8,347	436,937	-5,055	-404
Multilateral development banks	13,276	222	18	12,128	-	-	1,148	222	18
Supervised intermediaries	1,036,397	384,693	30,775	1,260,122	406,869	32,550	-223,725	-22,176	-1,774
Companies	1,640,567	1,048,664	83,893	1,452,754	1,025,103	82,008	187,813	23,561	1,885
Detail	1,455,821	377,211	30,177	1,358,228	363,714	29,097	97,593	13,497	1,080
Exposures secured by real property	366,314	128,390	10,271	382,928	134,429	10,754	-16,614	-6,039	-483
Past-due exposures	53,075	28,607	2,289	34,832	18,015	1,441	18,243	10,592	847
High-risk exposures	1,247	1,871	150	-	-	-	1,247	1,871	150
Covered bonds	105,081	10,508	841	-	-	-	105,081	10,508	841
UCITS	9,484	9,484	759	12,450	12,450	996	-2,966	-2,966	-237
Equity exposures	28,173	35,457	2,837	28,346	31,509	2,521	-173	3,948	316
Other	522,947	372,650	29,812	500,547	372,408	29,793	22,400	242	19
Securitisations	93,967	9,630	770	-	-	-	93,967	9,630	770
Total requirements	**13,221,024**	**2,506,672**	**200,534**	**12,500,073**	**2,468,837**	**197,507**	**720,951**	**37,835**	**3,027**
Risk of credit valuation adjustment	-	8,969	718	-	9,844	788	-	-875	-70
Total credit risk	**13,221,024**	**2,515,641**	**201,251**	**12,500,073**	**2,478,681**	**198,294**	**720,951**	**36,960**	**2,957**

PART F – RELATED PARTY TRANSACTIONS

1. Disclosure of Related Party Transactions

As part of its normal business operations, Banca Generali carries out numerous financial and commercial transactions with related parties included in the scope of consolidation of the Generali Group.

Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group's operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali, in compliance with IAS 24.

In the banking area, such relationships include current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.

As regard the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisors network's placement of asset management and insurance products, as well as banking products and services.
To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.

Finally, as part of its normal operations, the Bank also maintains relationships pertaining to outsourcing, IT and administration, insurance and leasing relationships, as well as other minor relationships with Generali Group companies.
Transactions with related parties outside the Generali Group are mostly confined to direct and indirect net inflows activities and loans to Key Management Personnel (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm's length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

1.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in the first half of 2020, nor were such transactions undertaken with parties other than related parties such as intra-group entities or third parties.
Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, atypical and unusual transactions are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly significant transactions

In the first half of 2020, five transactions were approved qualifying as "moderately significant" transactions, which were subject to the prior non-binding opinion of the Audit and Risk Committee (the amount of which exceeded the materiality threshold); in this regard, reference should be made to the dedicated section of the Report on Operations.

Other significant transactions

In the first half of 2020, some transactions were approved qualifying as "moderately significant" transactions, which are subject to the prior non-binding opinion of the Audit and Risk Committee; in this regard, the reader is referred to the dedicated section of the Report on Operations.

1.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties for the first half of 2020 are presented in the following sections.

Transactions with Assicurazioni Generali Group

Balance Sheet data

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	30.06.2020	31.12.2019	WEIGHT % 2020
Financial assets measured at fair value through profit or loss:	827	-	827	1,141	1.8%
c) other financial assets mandatorily measured at fair value	827	-	827	1,141	1.9%
Financial assets at fair value through other comprehensive income	246	-	246	246	-
Financial assets at amortised cost:	24,074	-	24,074	23,778	0.3%
b) loans to customers	24,074	-	24,074	23,778	0.3%
Equity investments	-	1,959	1,959	2,061	100.0%
Property, equipment and intangible assets	60,148	-	60,148	73,480	21.0%
Tax assets (AG tax consolidation)	-	-	-	2,903	-
Other assets	153	-	153	86	-
Total assets	**85,448**	**1,959**	**87,407**	**103,695**	**0.7%**
Financial liabilities at amortised cost:	438,130	3,307	441,437	433,868	4.1%
b) due to customers	438,130	3,307	441,437	433,868	4.3%
Tax liabilities (AG tax consolidation)	1,257	-	1,257	-	4.6%
Other liabilities	1,972	-	1,972	5,071	0.4%
Equity instruments	50,000	-	50,000	50,000	100.0%
Total liabilities	**491,359**	**3,307**	**494,666**	**488,939**	**4.0%**
Guarantees issued	**2,300**	**-**	**2,300**	**2,649**	**0.0%**

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 85.4 million euros, compared to the 101.6 million euros recognised at the end of 2019, equal to 0.7% of Banca Generali Group's total balance sheet assets.

The aggregate includes among property and equipment the net value of the right of use (RoU) of 60.1 million euros (relating primarily to the lease payments for the Milan and Trieste administrative offices and the commercial network offices), following the introduction of IFRS 16 with effect from 1 January 2019.

By contrast, the total debt position reached 491.3 million euros, accounting for 4.0% of liabilities, up by 6.4 million euros (-1.3%) compared to the end of the previous year.
Following the introduction of IFRS 16, amounts due to customers include lease liabilities for 71.6 million euros.

As part of assets, **financial assets mandatorily measured at fair value through other comprehensive income (OCI FV)** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolio of Banca Generali.
As part of the **financial assets measured at fair value through other comprehensive income (HTCS)** portfolio, shareholdings in subsidiaries of the Generali Insurance Group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions).
The item "Associates subject to joint control or significant influence" includes the share of interest that the Banking Group acquired in 2015 in IOCA Entertainment Ltd, a company under the UK law, almost fully written off in 2019, in addition to the equity investment in BG Saxo Sim S.p.A., acquired on 31 October 2019, for a 19.9% interest in the company's share capital.

With regard to the equity investment in IOCA Entertainment Ltd., in the first half of 2020 the share of the loss for the period attributable to Banca Generali amounted to approximately 12 thousand euros, whereas the exchange differences on the equity investment in foreign currency amounted to 131 thousand euros.

With regard to the equity investment in BG Saxo Sim S.p.A., at 30 June 2020 the share of loss for the period recognised by Banca Generali amounted to approximately 88 thousand euros.

Exposures to Generali Group companies recognised as **loans to customers** amounted to 24.1 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPES	30.06.2020 AMOUNT	30.06.2020 REVENUES	31.12.2019 AMOUNT	31.12.2019 REVENUES
Genertellife	Subsidiary of the AG Group	Operating loans	19,810	-	21,196	-
Other companies of the Generali Group	Subsidiary of the AG Group	Operating loans	3,259	-	2,538	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	5	598	44	1,470
Other exposures with Group companies	Subsidiary of the AG Group	Other medium-/long-term loans	1,000	-	-	-
			24,074	**598**	**23,778**	**1,470**

Operating loans are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies.

Amounts due to customers attributable to Generali Group's related parties amounted to 491.3 million euros compared to 484.9 million euros for the previous year and included amounts due to the parent company Assicurazioni Generali S.p.A. for 53.6 million euros, and amounts due to Generali Italia S.p.A. for 99.2 million euros (of which 40.1 million euros relating to lease liabilities arising from the lease contracts for the administrative offices and the commercial network offices).

Amounts payable to Parent Company and classified as **tax liabilities** consisted of Banca Generali S.p.A.'s net tax debt resulting from the balance between tax prepayments, withholdings and credits and the IRES tax calculated at the end of the first half of the year.

It should also be noted that on 23 December 2019 Banca Generali finalised the issue of an Additional Tier 1 Perpetual bond of 50 million euros, which under IAS 32 is considered an **equity instrument** and meets the requirements under regulatory capital rules for being included among Additional Tier 1 instruments in the Issuer's financial statements. The issue was fully subscribed in private placement by two German insurance companies of the Generali Group. The bonds are perpetual and callable, at the issuer's sole discretion, from the sixth year from issue, and they yield — subject to authorisation from the competent supervisory authority and under the conditions established in applicable legislation — a non-cumulative half-yearly coupon at a fixed rate of 4.5% per annum for the first five years.
On 23 June 2020, the first payment was made totalling 1,125 thousand euros.

Finally, a total of 2.3 million euros in personal guarantees was issued for Generali Group companies, of which 1.3 million euros on behalf of Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 30 June 2020, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 112.5 million euros, or 66.3% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	30.06.2020	30.06.2019	WEIGHT % 2020
Interest income	598	-	598	728	1.3%
Interest expense	-808	-	-808	-1,550	26.5%
Net interest income	**-210**	**-**	**-210**	**-822**	**-0.5%**
Fee income	123,953	745	124,698	119,412	27.4%
Fee expense	-1,023	-	-1,023	-936	0.5%
Net fees	**122,930**	**745**	**123,675**	**118,476**	**48.0%**
Dividends	31	-	31	56	1.8%
Operating income	**122,751**	**745**	**123,496**	**117,710**	**40.0%**
Staff expenses	99	-	99	97	-0.2%
General and administrative expenses	-6,698	-	-6,698	-6,738	8.4%
Net adjustments of property and equipment	-3,674	-	-3,674	-3,025	23.7%
Other operating income and expenses	37	-	37	41	0.1%
Net operating expenses	**-10,236**	**-**	**-10,236**	**-9,625**	**9.0%**
Operating result	**112,515**	**745**	**113,260**	**108,085**	**58.0%**
Operating profit	**112,515**	**745**	**113,260**	**108,085**	**66.8%**
Net profit (loss) for the period	**112,515**	**745**	**113,260**	**108,085**	**66.8%**

Overall **net interest income** accrued in dealings with members of the Insurance Group was negative at 210 thousand euros. By convention, interest income also includes the negative interest expense applied to the deposits of Generali Group companies starting in June 2016, calculated according to the average one-month Euribor for the month prior to the month of calculation.
Interest expense amounted to 808 thousand euros, equal to 26.5% of the total amount recognised in the Profit and Loss Account and chiefly refers to the interest accrued on the IFRS 16-related liability, whereas the interest income from other companies of the Generali Group was absolutely negligible due to the persistence of negative short-term interest rates.

Fee income paid back by companies of the Insurance Group amounted to approximately 124.0 million euros, equal to 27.2% of the aggregate amount and was broken down as follows:

			CHANGE	
	30.06.2020	30.06.2019	ABSOLUTE	%
Asset management fees	1,262	1,220	42	3.4%
Fees for distribution of insurance products	119,648	115,208	4,440	3.9%
Advisory fees	2,953	2,889	64	2.2%
Other banking fees	90	95	-5	-5.3%
Total	**123,953**	**119,412**	**4,541**	**3.8%**

The most significant component consists of fees for the **distribution of insurance products** paid back by **Genertellife**, reaching 119.6 million euros, up by 3.9% compared to the same period of the previous year.

Fees on the placement of units of UCITS of the Insurance Group were largely related to the income on the distribution of GI Focus funds, promoted by Generali Investments Europe SGR.

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in the first half of 2020 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 2.9 million euros.

Other bank fees refer both to SDD collection activity on behalf of Group companies and current account keeping fees.
It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the Banking and Insurance Group. Such fees are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.

To hedge obligations towards the insured, the insurance wrappers of the Insurance Group (BG Stile Libero, Valore futuro) also invest a portion of the reserves in UCITS units managed by the Banking Group's management company (BGFML), which receives the related management fees.

The Bank also directly collects from customers — through the correspondent bank — underwriting fees for the Sicavs promoted by the Group (LUX IM Sicav, BG Selection Sicav, Generali Investments Sicav).

The **net operating expenses** reported by the Banca Generali Group in relation to transactions with related parties of the Generali Group amounted to 10.2 million euros, accounting for 9.0% of the aggregate's total, and refer to outsourced services in the insurance, leasing, administrative and IT sector.

			CHANGE	
	30.06.2020	30.06.2019	ABSOLUTE	%
Insurance services	1,344	1,180	164	13.9%
Property services	655	579	76	13.1%
Administration, IT and logistics services	4,662	4,938	-276	-5.6%
Staff services	-99	-97	-2	2.1%
Amortisation of RoUs (IFRS 16)	3,674	3,025	649	n.a.
Total administrative expenses	**10,236**	**9,625**	**611**	**6.3%**

Following the introduction of IFRS 16, property services relate solely to additional costs of leases and rentals of motor vehicles and ATMs (former condominium fees, VAT and sundry additional expenses).
Administrative expenses incurred in relation to Generali Italia S.p.A. amounted to 1.3 million euros and refer almost exclusively to insurance services.

Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.

The 3.7 million euro value adjustments of property and equipment refers to the depreciation of the IFRS 16-related right of use.

Transactions with other related parties

Exposure in respect of **Key Managers** of the Bank and its parent company Assicurazioni Generali mainly referred to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other Executives of the Banking and Insurance Group.

Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the Banking and Insurance Group.

(€ THOUSAND)	KEY MANAGEMENT PERSONNEL
Loans to customers	3,986
Due to customers	6,792
Guarantees issued	45

Direction and Coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

PART G – SEGMENT REPORTING

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

With effect from 1 January 2018, the networks of non-employed Financial Advisors have been revised according to specialisation and reorganised into two macro-divisions on the basis of the total AUM managed by each Financial Advisor, with the introduction of the new Wealth Management network, which brings together Financial Advisors in the highest asset bracket (i.e., with AUM of more than 50 million euros).

The **Wealth Management CGU ("WM CGU")** consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of more than 50 million euros and the respective clients. In addition, the acquisitions finalised in 2019 of Nextam Partners and Valeur Fiduciaria, operating in the private banking and investment banking segment, were fully allocated to the Wealth Management CGU.

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

It should be noted in this regard that internal revenues can be identified solely with reference to net interest income; in fact, since net fees are generated directly by volumes of gross inflows and Assets under Management relating to the individual segments, they are generated in full as external revenues.

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

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

The following table shows the consolidated profit and loss results of each of the three operating segments, stated net of intra-segment eliminations.

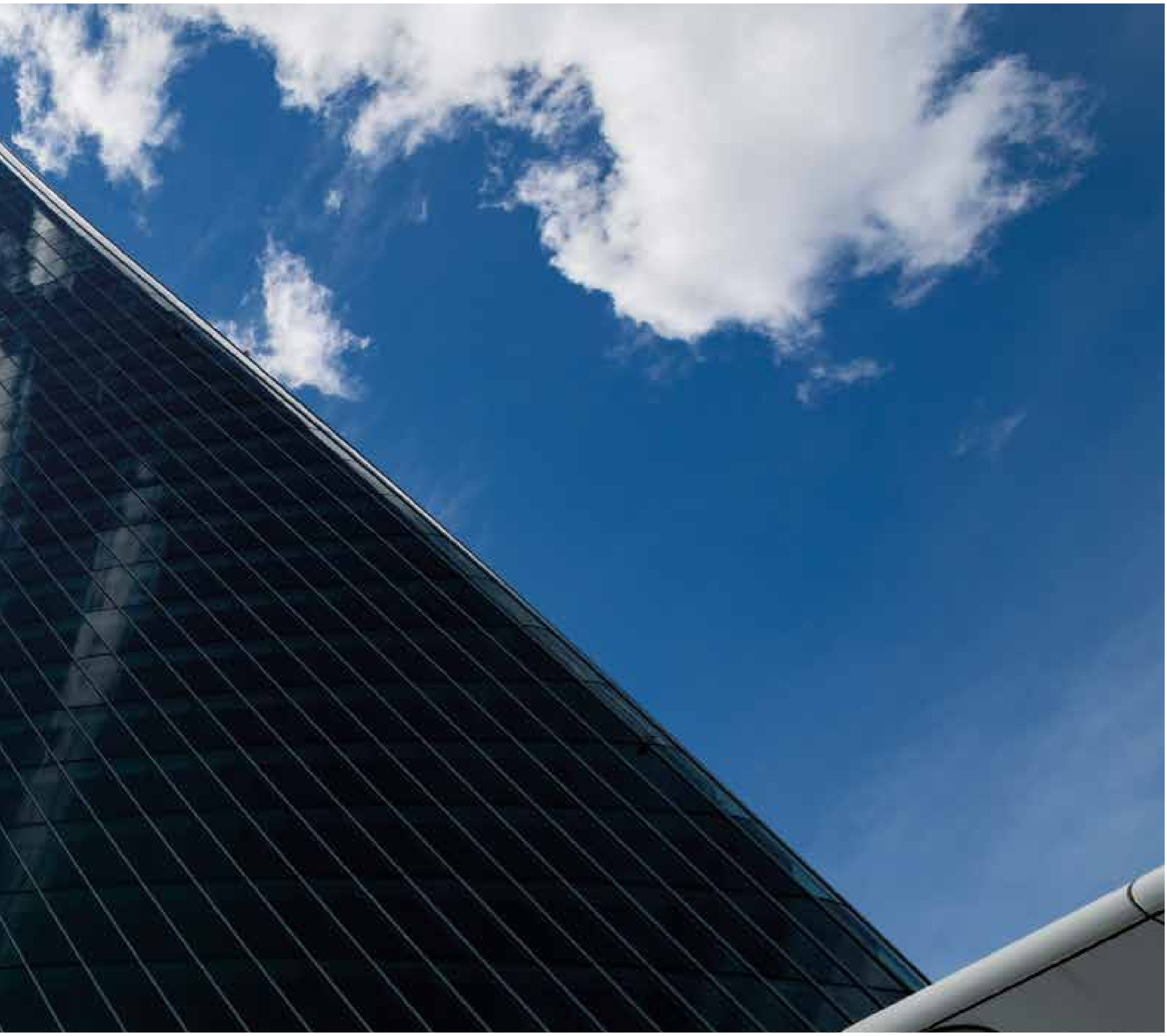
BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT	30.06.2020 PB CGU	30.06.2020 WM CGU	30.06.2020 CORPORATE CENTER	30.06.2020 TOTAL	30.06.2019 PB CGU	30.06.2019 WM CGU	30.06.2019 CORPORATE CENTER	30.06.2019 TOTAL
Net interest income	**3,485**	**2,020**	**36,894**	**42,400**	**6,323**	**3,086**	**24,174**	**33,583**
Fee income	273,416	131,111	50,669	455,196	268,396	118,412	37,661	424,469
of which:								
- *underwriting*	*13,217*	*4,827*	*485*	*18,529*	*10,169*	*2,312*	*316*	*12,797*
- *management*	*207,315*	*101,906*	*17,111*	*326,332*	*203,610*	*94,492*	*15,675*	*313,777*
- *performance*	*33,042*	*13,445*	*26,707*	*73,194*	*40,511*	*15,395*	*14,910*	*70,815*
- *other*	*19,843*	*10,933*	*6,365*	*37,141*	*14,106*	*6,213*	*6,760*	*27,080*
Fee expense	-129,194	-68,145	-6,453	-203,791	-122,848	-62,137	-6,410	-191,395
of which:								
- *incentives*	*-3,932*	*-2,566*	*-*	*-6,498*	*-4,059*	*-2,897*	*-*	*-6,956*
Net fees	**144,223**	**62,966**	**44,216**	**251,405**	**145,548**	**56,274**	**31,251**	**233,074**
Net income (loss) from trading activities	-	-	6,705	6,704	-	-	3,889	3,889
Dividends	-	-	1,696	1,696	-	-	2,156	2,156
Net banking income	**147,708**	**64,986**	**89,511**	**302,205**	**151,871**	**59,361**	**61,471**	**272,702**
Staff expenses	-	-	-	-51,255	-	-	-	-45,011
Other general and administrative expenses	-	-	-	-79,787	-	-	-	-71,422
Adjustments of property, equipment and intangible assets	-	-	-	-15,509	-	-	-	-13,792
Other operating expenses/income	-	-	-	33,147	-	-	-	29,363
Net operating expenses	**-**	**-**	**-**	**-113,404**	**-**	**-**	**-**	**-100,862**
Operating result	**-**	**-**	**-**	**188,801**	**-**	**-**	**-**	**171,841**
Adjustments of other assets	-	-	-	-4,662	-	-	-	-1,142
Net provisions	-	-	-	-14,391	-	-	-	-9,337
Gains (losses) from investments and equity investments	-	-	-	-75	-	-	-	-86
Operating profit before taxation	**-**	**-**	**-**	**169,673**	**-**	**-**	**-**	**161,276**
Income taxes - operating activities	-	-	-	-37,732	-	-	-	-28,476
Profit (loss) from AFS assets	-	-	-		-	-	-	
Net profit (loss) for the period attributable to minority interests	-	-	-	-7	-	-	-	-
Net profit (loss) for the period attributable to the Parent Company	**-**	**-**	**-**	**131,948**	**-**	**-**	**-**	**132,800**

(€ MILLION)	30.06.2020				30.06.2019			
Assets Under management	44,317	24,579	4,414	73,309	41,620	21,273	4,423	67,316
Net inflows	1,961	855	n.a.	2,816	1,483	1,355	n.a.	2,838
No. of FAs/RMs	1,724	336	n.a.	2,060	1,698	324	n.a.	2,022

(1) Interest income includes negative interest income classified under Item 20 of the Profit and Loss Account (Interest expense).
(2) Interest expense includes negative interest expense classified under Item 10 of the Profit and Loss Account (Interest income).
(3) The financial data in segment reporting are stated in accordance with Top management's view, reclassifying fee provisions to the item Fee expense.

Trieste, 29 July 2020

The Board of Directors



04

ATTESTATION TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS

PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS

BANCA GENERALI

Attestation to the Condensed Half-year Financial Statements Pursuant to Article 81-*ter* of Consob Regulation 11971 Dated 14 May 1999, as Amended

1. The undersigned Gian Maria Mossa in his capacity as Chief Executive Officer, and Tommaso Di Russo, in his capacity as Manager in charge of preparing the accounting documents of Banca Generali S.p.A., hereby declare, taking into account the provisions set out in article 154-*bis*, paragraphs 3 and 4 of the legislative decree dated 24 February 1998, No.58, that the administrative and accounting procedures adopted to prepare the condensed half-year report for the first half of 2020

   - are appropriate in light of the features of the company, and
   - have been applied.

2. The appropriateness of administrative and accounting procedures for preparing the condensed half-year financial statements at 30 June 2020 was assessed using a process established by Banca Generali S.p.A. based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is generally accepted as a reference framework worldwide.

3. The undersigned further declare that:

3.1 the condensed half-year financial statements at 30 June 2020:

a) were prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of Legislative Decree No. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;

b) reflect the accounting books and records;

c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and all consolidated companies.

3.2 The interim report includes a reliable analysis of references to important events occurred in the first six months of the year, and to their impact on the condensed half-year financial statements; it also includes a description of the main risks and uncertainties regarding the coming six months of the year. The interim report also includes a reliable analysis of information on significant related-party transactions.

Trieste, 29 July 2020

Dott. Gian Maria Mossa Chief Executive Officer BANCA GENERALI S.p.A.	Dott. Tommaso Di Russo Manager in charge of preparing the Company's Financial Documents BANCA GENERALI S.p.A
Gian Maria Mossa	Tommaso di Russo

05

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
29 JULY 2020

Tel: +39 02 58.20.10
www.bdo.it

Viale Abruzzi, 94
20131 Milano

Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the shareholders of
Banca Generali S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and the related explanatory notes, of Banca Generali Group as of June 30, 2020. Directors are responsible for the preparation of the interim condensed consolidated financial statements in compliance with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution No. 10867 of July 31, 1997. A review of an interim condensed consolidated financial statements consists of making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Generali Group as of June 30, 2020 are not prepared, in all material respects, in conformity with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 6, 2020

BDO Italia S.p.A.

Signed by Rosanna Vicari
Partner

This report has been translated into English language solely for the convenience of international readers

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 03075.9

Consultancy, coordination
Sege S.r.l. / zero3zero9 S.r.l.
Layout - t&t
Pictures: cover - Beverly Joubert

BANCA GENERALI

BANCA GENERALI S.P.A.

REGISTERED OFFICE
Via Machiavelli, 4
34132 Trieste

MILAN HEAD OFFICE
Piazza Tre Torri, 1
20145 Milan
+39 02 40826691

TRIESTE HEAD OFFICE
Corso Cavour, 5/a
34132 Trieste
+39 040 7777 111

BANCAGENERALI.COM