



BANCA
GENERALI

INTERIM REPORT

AT 31 MARCH 2021

INTERIM REPORT

at 31 March 2021

BOARD OF DIRECTORS
11 MAY 2021

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 S.p.A. **Administrative and Control Bodies**

Board of Directors - 11 May 2021

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

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01

**GROUP
ECONOMIC AND
FINANCIAL
HIGHLIGHTS**

Group Economic and Financial Highlights

CONSOLIDATED BALANCE SHEET

(€ MILLION)	31.03.2021	31.03.2020	CHANGE %
Net interest income	21.7	20.2	7.4
Net financial income	24.7	24.2	1.9
Net fees	215.2	144.5	48.9
Net banking income	239.9	168.8	42.1
Net operating expenses ^(a)	-56.0	-54.1	3.6
<i>of which: staff expenses</i>	-26.4	-25.7	3.0
Operating result	183.8	114.7	60.3
Contributions and charges related to the banking system ^(a)	-15.9	-11.3	41.2
Adjustments to non-performing loans	-1.4	-1.1	30.8
Profit before taxation	166.4	102.3	62.7
Net profit	135.4	79.1	71.3

PERFORMANCE INDICATORS

	31.03.2021	31.03.2020	CHANGE %
Cost/income ratio ^{(a) (b)}	19.9%	27.5%	-27.4
Operating Costs/Total Assets (AUM) – annualised ^{(c) (b)}	0.29%	0.30%	-9.3
EBITDA ^{(a) (b)}	192.0	122.4	56.9
ROE ^(d)	43.3%	33.3%	30.0
ROA ^(e)	0.78%	0.49%	59.5
EPS - Earnings per share (euros)	1.18	0.69	71.8

NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.03.2021	31.03.2020	CHANGE %
Funds and Sicavs	722	159	354.1
Financial wrappers	180	-118	252.5
Insurance wrappers	380	212	79.2
Asset management	1,282	253	406.7
Insurance/Pension funds	-226	-113	-100.0
Securities/Current accounts	605	1,354	-55.3
Total	1,661	1,494	11.2

- (a) For a greater understanding of operating performance, mandatory contributions (of both an ordinary and extraordinary nature) paid to the Italian Interbank Deposit Protection Fund, the European Single Resolution Fund and Italian National Resolution Fund have been reclassified from the administrative expenses aggregate to a separate item. The restatement better represents the evolution of the costs linked to the Bank's operating structure by separating them from the systemic charges incurred.
- (b) The figures for the comparison period were restated net of the charges related to the banking system totaling 3.1 million euros.
- (c) Ratio of operating expenses, net of changes in the consolidation scope and in other non-recurring components, to the average of Assoreti's annualised quarterly AUM. The figure for the first quarter of 2020 was accordingly restated.
- (d) Ratio of net result to the arithmetic average of net equity, including annualised net profit, at the end of the reporting period and at the end of the previous period.
- (e) Ratio of net result to the average of Assoreti's annualised quarterly AUM.

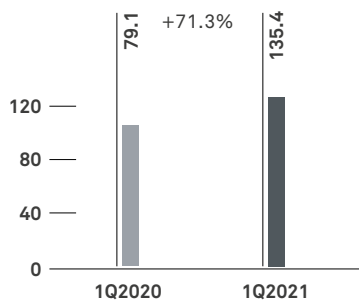
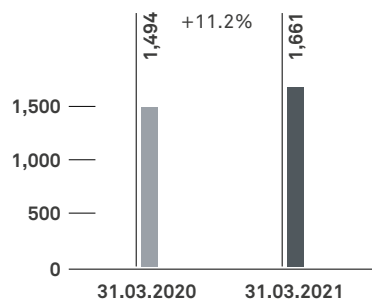
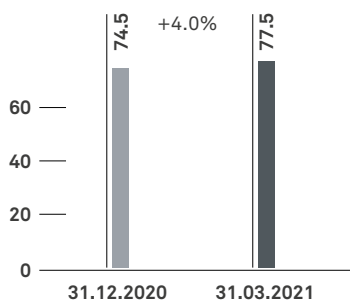
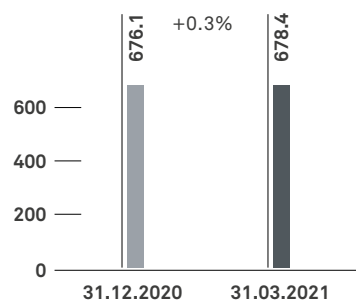
ASSET UNDER MANAGEMENT & CUSTODY (AUM/C)

(€ BILLION) (ASSORETI DATA)	31.03.2021	31.12.2020	CHANGE %
Funds and Sicavs ^(f)	20.7	19.7	5.5
Financial wrappers ^(f)	8.4	8.2	3.3
Insurance wrappers	10.1	9.6	5.3
Asset management	39.3	37.4	5.0
Traditional life insurance policies	16.2	16.5	-1.4
AUC	22.0	20.7	6.4
Total	77.5	74.5	4.0

(f) Total AUM were increased by AUM not included in the consolidation scope and generated by new acquisitions amounting to 1.018 billion euros at 31 December 2020 and to 1.016 billion euros at 31 March 2021.

EQUITY

(€ MILLION)	31.03.2021	31.12.2020	CHANGE %
Net equity (€ million)	1,319.7	1,184.5	11.4
Own funds (€ million)	678.4	676.1	0.3
Excess capital (€ million)	219.1	242.1	-9.5
Total Capital Ratio	17.5%	18.4%	-5.2

NET PROFIT
(€ million)NET INFLOWS
(€ million)ASSET UNDER MANAGEMENT
(miliardi di euro)OWN FUNDS
(€ million)





02

CONSOLIDATED
FINANCIAL
STATEMENTS

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	45,555	48,455	-2,900	-6.0%
Financial assets at fair value through other comprehensive income	3,411,976	2,730,098	681,878	25.0%
Financial assets at amortised cost:	9,889,588	9,657,380	232,208	2.4%
a) loans to banks (*)	1,484,204	1,236,556	247,648	20.0%
b) loans to customers	8,405,384	8,420,824	-15,440	-0.2%
Equity investments	1,658	1,717	-59	-3.4%
Property, equipment and intangible assets	280,322	288,598	-8,276	-2.9%
Tax receivables	52,882	49,846	3,036	6.1%
Other assets	353,403	400,895	-47,492	-11.8%
HFS assets	1,847	-	1,847	n.a.
Total assets	14,037,231	13,176,989	860,242	6.5%

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

NET EQUITY AND LIABILITIES

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial liabilities at amortised cost:	12,183,528	11,506,596	676,932	5.9%
a) due to banks	805,612	598,129	207,483	34.7%
b) due to customers	11,377,916	10,908,467	469,449	4.3%
Financial liabilities held for trading and hedging	78,082	69,404	8,678	12.5%
Tax liabilities	69,593	42,516	27,077	63.7%
Other liabilities	184,119	181,697	2,422	1.3%
HFS liabilities	384	-	384	n.a.
Special purpose provisions	201,785	192,272	9,513	4.9%
Valuation reserves	2,444	4,139	-1,695	-41.0%
Equity instruments	50,000	50,000	-	-
Reserves	1,002,866	726,471	276,395	38.0%
Share premium reserve	57,062	57,062	-	-
Share capital	116,852	116,852	-	-
Treasury shares (-)	-45,185	-45,185	-	-
Net equity attributable to minority interests	275	246	29	11.8%
Net profit (loss) for the period (+/-)	135,426	274,919	-139,493	-50.7%
Total net equity and liabilities	14,037,231	13,176,989	860,242	6.5%

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Net interest income	21,737	20,240	1,497	7.4%
Net income (loss) from trading activities and dividends	2,949	3,978	-1,029	-25.9%
Net financial income	24,686	24,218	468	1.9%
Recurring fee income	221,156	195,479	25,677	13.1%
Fee expense	-117,016	-104,358	-12,658	12.1%
Net recurring fees	104,140	91,121	13,019	14.3%
Variable fee income	111,037	53,412	57,625	107.9%
Net fees	215,177	144,533	70,644	48.9%
Net banking income	239,863	168,751	71,112	42.1%
Staff expenses	-26,441	-25,669	-772	3.0%
Other general and administrative expenses (net of duty recovery)	-22,318	-21,448	-870	4.1%
Net adjustments of property, equipment and intangible assets	-8,207	-7,738	-469	6.1%
Other operating expenses/income	934	770	164	21.3%
Net operating expenses	-56,032	-54,085	-1,947	3.6%
Operating result	183,831	114,666	69,165	60.3%
Net adjustments for non-performing loans	-1,386	-1,060	-326	30.8%
Net provisions for liabilities and contingencies	-11,311	-8,234	-3,077	37.4%
Contributions and charges related to the banking system	-4,629	-3,054	-1,575	51.6%
Gains (losses) from equity investments	-59	-37	-22	59.5%
Operating profit before taxation	166,446	102,281	64,165	62.7%
Income taxes for the period	-31,002	-23,230	-7,772	33.5%
Net profit attributable to minority interests	18	-1	19	n.a.
Net profit	135,426	79,052	56,374	71.3%

STATEMENT OF COMPREHENSIVE INCOME

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Net profit	135,444	79,051	56,393	71.3%
Other income, net of taxes:				
With transfer to Profit and Loss Account:				
Financial assets at fair value through other comprehensive income	-1,919	-14,625	12,706	-86.9%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	141	-52	193	n.a.
Total other income, net of taxes	-1,778	-14,677	12,899	-87.9%
Comprehensive income	133,666	64,374	69,292	107.6%
Consolidated comprehensive income attributable to minority interests	35	-8	43	n.a.
Comprehensive income attributable to the Group	133,631	64,382	69,249	107.6%





03

INTERIM REPORT

at 31.03.2021

BOARD OF DIRECTORS
11 MAY 2021

1. Summary of operations for the first three months of 2021

The first quarter of 2021 closed with a net profit of **135.4 million euros** (+71.3%), marking a new historic high on a quarterly basis, with an ongoing growth trend in net inflows compared to the past few years (+11.2% on a yearly basis) and a strong increase in assets under management, both on a yearly basis (+20.7%) and on a quarterly basis (+4%).

Overall, **net inflows** neared **1.7 billion euros**, highlighting a significant increase in managed solutions (funds, financial and insurance wrappers), which reached **1.3 billion euros** and accounted for 77% of the quarterly net inflows.

With regard to net inflows of managed assets, Banca Generali's Sicav, Lux IM, confirmed its structural growth trend (+386 million euros for the quarter), which was coupled by a recovery of financial wrappers (+180 million euros for the quarter). Insurance wrappers continued to grow (380 million euros for the quarter), as in the current market context they were preferred over traditional life policies (-226 million euros for the quarter) thanks to the higher flexibility of their underlying investments and the distinctive insurance coverage. AUC solutions and current accounts showed a positive result in the quarter (605 million euros for the quarter), albeit far below the high of the previous year.

Assets under management, after reaching their low in March 2020, continued to grow constantly and steadily in the first quarter of 2021 (+20.4%), thanks to the strength and quality of the Bank's service model, which, in an unprecedented context, was able to effectively meet the clients' heightened needs for financial and non-financial wealth advisory. In this context, the managed component rose by 35% on a yearly basis, accounting for 50% of AUM.

Assets under Advisory (BGPA) also **grew by 40% to 6.5 billion euros** (4.6 billion euros in the first quarter of 2020), accounting for nearly 8% of total assets.

Net banking income rose to 239.9 million euros (+42.1%), thanks to the significant increase in net recurring fees (104.1 million euros; +14.3%) and the strong contribution of variable fees (111 million euros; +107.9%), which reached a historic high thanks to the significant growth of financial markets in the quarter.

Operating expenses amounted to 56 million euros, slightly growing compared to the previous period (+3.6%), fully in line with the 'core' expenses growth objectives included in the Industrial Plan.

Provisions, net adjustments and contributions and charges related to the banking system totalled 17.3 million euros, up 5.0 million euros compared to 2020, mainly due to higher provisions for contractual indemnities for the sales network (+5.0 million euros) and the increase in the contributions to the funds for the protection of the banking system (+1.5 million euros).

With reference to **capital**, Banca Generali confirmed the solidity of its regulatory aggregates, with CET1 ratio at **16.2%** and Total Capital Ratio at **17.5%**, net of the dividend approved by the General Shareholders' Meeting on 22 April 2021, totalling 385.6 million euros, currently suspended due to the Supervisory Authority's Recommendations in force.

These ratios were well above the specific requirements set by the Bank of Italy for the Group (i.e., CET1 ratio at 7.75% and Total Capital Ratio at 11.84%, as the minimum required by the SREP - Supervisory Review and Evaluation Process).

The total value of **assets under management** (AUM) managed by the Group on behalf of customers amounted to of **77.5 billion euros**, including the 1.0 billion contribution deriving from the assets managed by BG Valeur.

In addition, managed assets also included 0.8 billion euros in AUC of the Generali Group companies and 4.1 billion euros in funds and Sicavs distributed directly by BGFML, for an overall total of **82.4 billion euros**.

The economic impacts of Covid-19

After the first months of 2020, when markets had shown a negative performance as a result of the spread of the Covid-19 pandemic, initial losses began a recovery trend that also continued in the first quarter of 2021.

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

From an operational standpoint, the Group's technological infrastructure and digital banking operating procedures have made it possible to implement several processes aimed at keeping up with the increased remote workload and to ensure the full operation of all company activities, without significant interruptions or service outages, in line with the government measures that have deemed banking to be essential services. Moreover, in the first three months of 2021 extraordinary sanitising of workspaces continued, including at all Bank's Agencies, as necessary to guarantee the health of the Bank's employees, Financial Advisors and clients.

Additional expenses incurred due to the measures adopted and the initiatives undertaken totalled about 0.3 million euros.

2. Macroeconomic Context

The first quarter of the year was characterised by **rallies by the major stock exchanges at the global level**. Despite the spread of variants of the virus and thus of the third wave of cases, the markets benefited from the progress of the vaccination campaign, which made it possible to keep the estimates of expected **gross domestic product growth** at the global level at +5.6% for the current year.

In particular, US and European GDP growth is forecast to amount to approximately +6.5% and +4%, respectively. After the sharp decline in 2020, the main investment firms estimate a **recovery of inflation** in both Europe and the USA.

As for the **monetary policies** implemented by the central banks, the Federal Reserve reiterated its commitment to keep interest rates low until at least 2023. In Europe, Christine Lagarde announced the continuation of the pandemic emergency purchase programme (PEPP), stating that bond purchases would continue at a significantly higher rate in the upcoming quarter in order to contain an overly rapid increase in core government bond rates.

At the level of fiscal policy, in the US the **American Rescue Plan Act**, the huge 1.9-trillion dollars stimulus plan supported by newly elected President Biden, was approved. On 31 March, President Biden then announced a 2.25-trillion dollars, eight-year infrastructure plan, funded by an increase in the corporate tax rate from 21% to 28%. In detail, the programme includes 620 billion dollars for transportation, 650 billion dollars to initiatives aimed at improving quality of life, 580 billion dollars for U.S. manufacturing and, finally, 400 billion dollars to care for the elderly and disabled.

The document containing the goals and reforms that the countries intend to implement with the **Next Generation EU** funds also continued to be formulated in Eurozone countries. The due date for submitting this document to Brussels has been set as 30 April 2021. Only then, with approval by the European Council, will European resources be available to the various countries in the euro area. Italy is the main beneficiary of the European Recovery Fund, with 209 billion euros, or approximately 28% of the funds allocated by the EU, set to be received.

During the first quarter, **equity markets** delivered positive returns of around ten percentage points in euro for developed countries and approximately 7% in euro for emerging markets. The main contribution to performance came from value stocks, particularly in the financial and energy sectors. Technology stocks — at a structural disadvantage in an environment of rising interest rates — recorded below-average performances. During the period, ESG stocks underperformed their benchmark indices, due mainly to their nature as growth stocks. However, sustainable investments will continue to benefit from the new European Union regulations, such as the recent SFDR (Sustainable Finance Disclosure Regulation).

On **bond markets**, following the expectations of an increase in gross domestic product and expected rise in inflation in 2021, the quarter saw a steepening of the main international bond curves. In particular, ten-year US bonds rose from a yield of 0.91% to 1.75% and the German Bund from -0.58% to -0.33%. Spreads between European Monetary Union countries did not undergo significant changes, with the exception of the **BTP-Bund spread**, which went from 112 to 100 bps following the formation of the new government led by former ECB chairman Mario Draghi.

Over the period, credit spreads continued to contract, reaching lows for the period due in part to the constant injection of liquidity from central banks. For example, spreads on high-yield bonds at the European level reached approximately 300 bps, whereas they had risen to 900 bps in the early months of the pandemic emergency.

On **currency markets**, the dollar appreciated against the euro, mainly due to greater expectations of growth in the United States. The euro-dollar exchange rate went from 1.22 to 1.17. The euro also depreciated by approximately 4% against the pound sterling, whereas it appreciated against the yen by approximately 3%.

In this first part of the year, the general **commodities** index continued to show the uptrend that had begun in previous months. The recovery was mainly driven by the gradual recovery of economic activity following the launch of the global vaccination campaign. In particular, the index was driven by the rise in the price of oil (approximately +22%). On the other hand, gold continued its downtrend in the first three months of the year.

Outlook

The main research institutions foresee a sharp rise in economic growth in the coming months, as indeed confirmed by the estimate of gross domestic product at the global level, expected to amount to just under 6%. The United States will grow at a faster pace than the Eurozone, due in part to the vaccination plan, which in the US is moving faster. Governments and central banks will continue to support the economy with expansionary monetary and fiscal policies. In the coming months, attention will need to be paid to any flare-ups of inflation, particularly in the United States. In addition, it will be fundamental that the vaccination campaign continue worldwide. Vaccines and their efficacy will remain one of the main drivers of financial markets in the coming quarter.

3. Banca Generali's Competitive Positioning

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

3.1 The asset management market

The Italian asset management industry closed the first three months of 2021 with positive net inflows of 16.0 billion euros, thanks to the increase in equity and balanced funds.

Assets under management amounted to 1,304 billion euros (net of assets invested in collective management solutions), of which 1,161 billion euros, or 89%, was invested in Italian and foreign funds and 143 billion euros in retail portfolio management solutions.

Long-term funds accounted for almost all open-ended funds (96% in March 2021). These funds included the following categories:

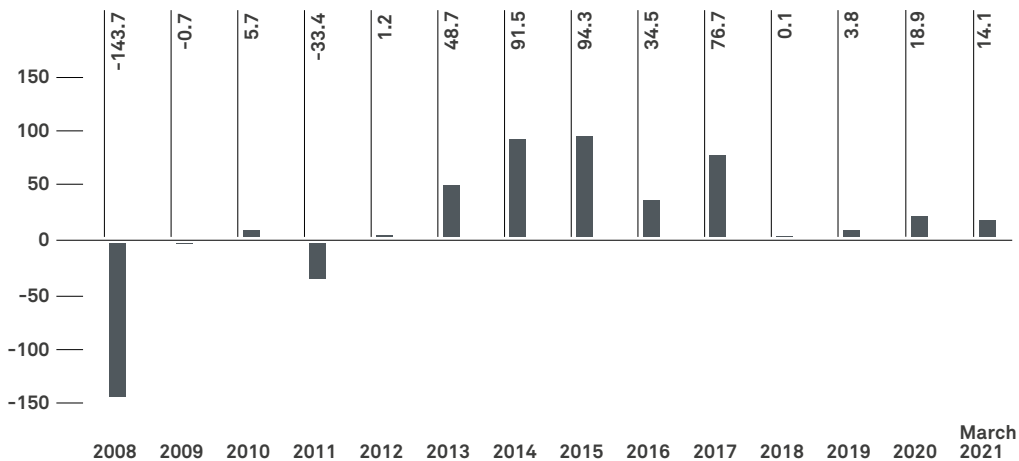
- > bond funds (37% of total assets or 430 billion euros) with an increase of 1.97 billion euros in the first three months of the year;
- > equity funds (26.7% of total assets or 309.4 billion euros), increasing by approximately 8.5 billion euros;
- > flexible funds (20.3% of total assets or 235.3 billion euros), decreasing by -2.7 billion euros;
- > balanced funds (12.3% of total assets or 142.9 billion euros), with a year-to-date increase of 4.6 billion euros;
- > hedge funds (0.2% of total assets or 2.5 billion euros), with a year-to-date drop of -0.04 billion euros;
- > money-market funds, with assets of 40.8 billion euros (3.5% of total assets). Year-to-date net inflows of this aggregate were positive for 1.7 billion euros overall.

EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

(€ MILLION)	NET INFLOWS		ASSETS	
	MARCH 2021	MARCH 2020	MARCH 2021	MARCH 2020
Italian funds	-501	-2,358	245,308	221,365
Foreign funds	14,583	-12,271	915,532	744,931
Total funds	14,082	-14,629	1,160,840	966,296
GP Retail	1,880	175	142,880	120,821
Total	15,962	-14,454	1,303,720	1,087,117

Source: Assogestioni data

THE UCITS MARKET IN ITALY (€ billion)



Source: Assogestioni data

3.2 The Assoreti Market

Net inflows amounted to +13 billion euros in the first three months of 2021, increasing by +1.4 billion euros (+12% compared to the same period of the previous year).

Net inflows of asset under management stood at +5.8 billion euros (-1.9 billion euros compared to the previous year). In this segment, mutual funds and Sicavs rose by +3.7 billion euros, whereas discretionary mandates increased by +2.1 billion euros.

Net inflows of insurance products grew by +126% compared to March 2020, reaching +4.5 billion euros (multi-line and unit-linked policies represented the main component, accounting for approximately 93% of overall net inflows from insurance products).

AUC solutions amounted to +2.8 billion euros, declining by approximately -8.8 billion euros compared to the same period of the previous year (-76%). Net inflows into money-market products (3.0 billion euros) accounted for approximately 23% of year-to-date net inflows. Net inflows generated by securities amounted to approximately -0.2 billion euros.

ASSORETI MARKET (MARCH 2021)

(€ MILLION)	ASSORETI MARKET		CHANGE
	MARCH 2021	MARCH 2020	
Asset management	5,787	-1,896	7,684
Insurance products	4,452	1,973	2,479
AUC	2,762	11,528	-8,766
Total	13,001	11,605	1,396

Source: Assoreti data

TOTAL NET INFLOWS – ASSORETI –
13 BILLION EUROS – AND MARKET SHARE %
(March 2021, € million)

FINECO BANK	2,998	23.1
BANCA FIDEURAM	2,269	17.4
ISPB	160	1.2
BANCA MEDIOLANUM	1,775	13.7
BANCA GENERALI	1,661	12.8
ALLIANZ BANK	1,627	12.5
AZIMUT	964	7.4
BNL LIFE BANKER	401	3.1
CREDEM	346	2.7
CHEBANCA!	299	2.3
DEUTSCHE BANK	283	2.2
MPS	221	1.7
BANCA EUROMOBILIARE	65	0.5
CONSULTINVEST	19	0.1
IW BANK	-86	-
	MILLION	%

Source: Assoreti

NET INFLOWS FROM AUM AND INSURANCE PRODUCTS –
ASSORETI – 10.2 BILLION EUROS – AND MARKET SHARE %
(March 2021, € million)

FINECO BANK	1,848	18.0
BANCA FIDEURAM	1,730	16.9
ISPB	940	9.2
ALLIANZ BANK	1,338	13.1
BANCA MEDIOLANUM	1,201	11.7
BANCA GENERALI	1,056	10.3
AZIMUT	915	8.9
CREDEM	303	3.0
BNL LIFE BANKER	276	2.7
CHEBANCA!	236	2.3
MPS	163	1.6
DEUTSCHE BANK	160	1.6
BANCA EUROMOBILIARE	58	0.6
CONSULTINVEST	13	0.1
IW BANK	-	-
	MILLION	%

Source: Assoreti

3.3 Banca Generali

In the first quarter of 2021, Banca Generali's net inflows amounted to 1.7 billion euros (+11% compared to the previous year), marking a significant increase in managed solutions (funds and financial and insurance wrappers).

These solutions amounted to 1.3 billion euros (five times higher than the previous quarter) and accounted for 77% of total net inflows compared to 17% for the previous year.

Funds and Sicavs were the main component of net inflows of managed products and amounted to +722 million euros (+354% compared to March 2020). Insurance wrappers (BG Stile Libero and Lux Life Protection) reported +380 million euro net inflows overall (+79% compared to the first quarter of the previous year).

Net inflows from traditional life insurance products stood at -0.2 billion euros (down compared to -0.1 billion euros in Q1 2020).

In the first quarter of 2021, net inflows from AUC products amounted to +605 million euros, declining by -55% compared to 1,354 million euros for the same period of the previous year.

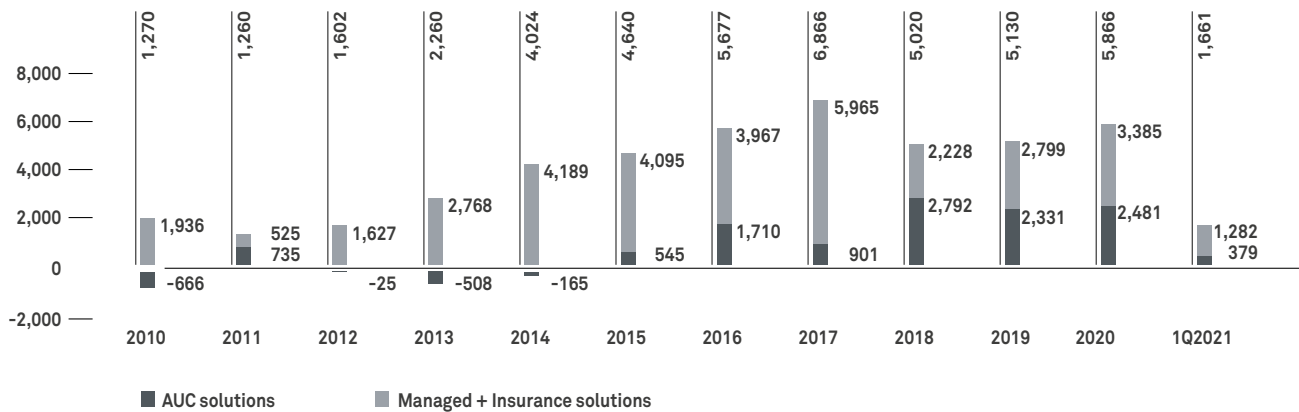
Assets under Advisory amounted to 6.5 billion euros at 31 March 2021 (4.6 billion euros at the end of March 2020).

NET INFLOWS OF BANCA GENERALI

(€ MILLION)	BG GROUP		CHANGES VS 31.03.2020	
	31.03.2021	31.03.2020	AMOUNT	%
BG Group funds and Sicavs	722	159	563	354%
Financial wrappers	180	-118	298	n.a.
Insurance wrappers	380	212	168	79%
Total assets under management	1,282	253	1,029	407%
Total traditional life insurance policies	-226	-113	-113	100%
Total AUC	605	1,354	-749	-55%
Total net inflows from products placed by the network	1,661	1,494	167	11.2%

The following chart shows how Banca Generali has consistently succeeded in attracting increasing levels of net inflows in recent years, focusing on managed solutions. As already mentioned, in the first quarter of 2021, thanks to the market recovery, net inflows of managed products accounted for 77% of total net inflows.

Banca Generali's net inflows evolution 2010-Q1 2021 (€ million)



At 31 March 2021, Banca Generali's AUM amounted to 76.3 billion euros (+4.1%), with managed solutions remaining the main component of its asset mix (50% of AUM were invested in managed products, compared with 49% at December 2020). The traditional life insurance policy component, accounting for 21% of total assets, declined slightly compared to December 2020 (with a 22% ratio to total assets). AUC products recovered slightly, accounting for 29% of total assets compared to 28% at the end of 2020.

In terms of growth rates, managed products increased (+5%), traditional life insurance policies declined slightly (-1%), whereas AUC solutions increased (+6%).

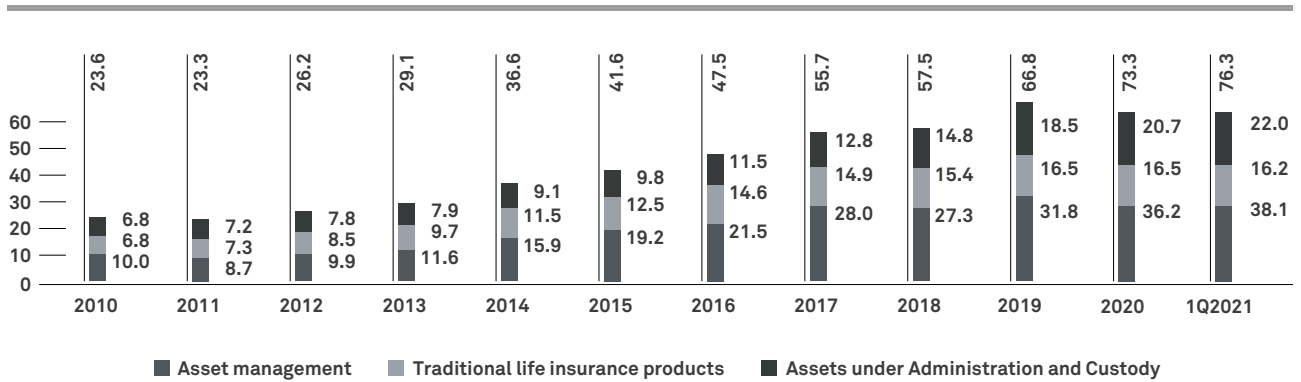
BANCA GENERALI'S AUM

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2020	
	31.03.2021	31.12.2020	AMOUNT	%
BG Group funds and Sicavs	20,474	19,343	1,132	6%
Financial wrappers	7,554	7,264	290	4%
Insurance wrappers	10,101	9,592	509	5%
Total assets under management	38,129	36,199	1,930	5%
Total traditional life insurance policies	16,230	16,453	-223	-1%
Total AUC	21,976	20,654	1,321	6%
Total AUM placed by the network	76,335	73,306	3,029	4.1%

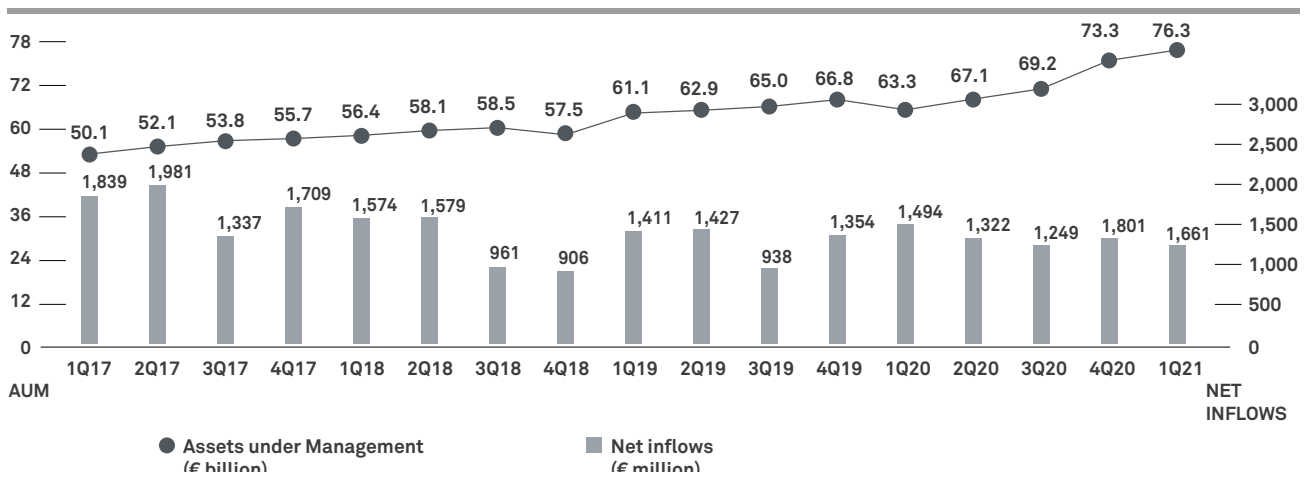
Banca Generali's total assets 2010-Q1 2021

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

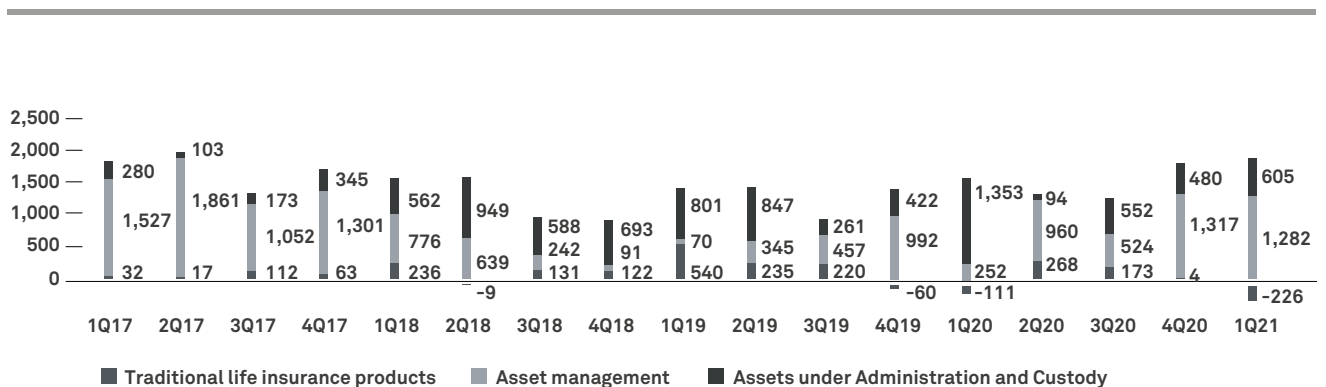
ASSET UNDER MANAGEMENT (€ billion)



EVOLUTION OF AUM AND NET INFLOWS (€ billion)



BREAKDOWN OF QUARTERLY NET INFLOWS (€ billion)



4. Operating Result¹

The Group's net profit for the first quarter of 2021 amounted to 135.4 million euros (+71% compared to the first quarter of 2020) — a result never achieved before on a quarterly basis and reported despite the unprecedented context, marked by the ongoing Covid-19 pandemic emergency and the measures undertaken to combat the virus at global level.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Net interest income	21,737	20,240	1,497	7.4%
Net income (loss) from trading activities and dividends	2,949	3,978	-1,029	-25.9%
Net financial income	24,686	24,218	468	1.9%
Recurring fee income	221,156	195,479	25,677	13.1%
Fee expense	-117,016	-104,358	-12,658	12.1%
Net recurring fees	104,140	91,121	13,019	14.3%
Variable fee income	111,037	53,412	57,625	107.9%
Net fees	215,177	144,533	70,644	48.9%
Net banking income	239,863	168,751	71,112	42.1%
Staff expenses	-26,441	-25,669	-772	3.0%
Other general and administrative expenses (net of duty recovery)	-22,318	-21,448	-870	4.1%
Net adjustments of property, equipment and intangible assets	-8,207	-7,738	-469	6.1%
Other operating expenses/income	934	770	164	21.3%
Net operating expenses	-56,032	-54,085	-1,947	3.6%
Operating result	183,831	114,666	69,165	60.3%
Net adjustments to non-performing loans	-1,386	-1,060	-326	30.8%
Net provisions for liabilities and contingencies	-11,311	-8,234	-3,077	37.4%
Contributions and charges related to the banking system	-4,629	-3,054	-1,575	51.6%
Gains (losses) from equity investments	-59	-37	-22	59.5%
Operating profit before taxation	166,446	102,281	64,165	62.7%
Income taxes for the period	-31,002	-23,230	-7,772	33.5%
Net profit attributable to minority interests	18	-1	19	n.a.
Net profit	135,426	79,052	56,374	71.3%

Reclassified net banking income reached 239.9 million euros, up 71.1 million euros (+42.1%) compared to the same period of 2020, as a result of the following factors:

- > the contribution of **net recurring fees (104.1 million euros; +14.3%)**, driven by:
 - the performance of **fees for banking and financial services (+33.3%)**, which benefited from the greater revenues generated by initiatives aimed at diversifying the offering implemented in recent years (advanced advisory, retail brokerage); and
 - the increase in **management fees income (+13.0%)**, fuelled by the significant development of average assets under management (+15.1%);

¹ The following reclassifications have been made in the presentation of the reclassified Consolidated Profit and Loss Account in order to facilitate understanding of operating performance:

- 1) reclassification to the net fee aggregate of the provisions for incentives related to sales and recruitment plans; the net provisions aggregate was restated net of these items, amounting to 3.3 million euros in 2021 and 3.0 million euros in 2020;
- 2) reclassification to the other administrative expenses aggregate of taxes recovered from customers, accounted for among other operating income and expenses and amounting to 17.1 million euros in 2021 and 15.4 million euros in 2020;
- 3) reclassification of the costs of the mandatory contributions paid by the Bank, pursuant to the DSGD and BRRD for the protection of the banking system (contributions to the Italian Interbank Deposit Protection Fund, European Single Resolution Fund and the Italian National Resolution Fund for previous interventions), from the administrative expenses aggregate to a separate item not included in the net operating expenses aggregate; this restatement aligns the Bank's disclosure with the most widespread market practice and enables a better presentation of the performance of costs more closely connected to the Bank's operating structure, separated from the amount of the systemic costs incurred.

- > the contribution of **performance fees (111 million euros; +107.9%)**, which benefited from the financial market rally buoyed by the launch of the vaccine campaigns and the expectations of a sustained economic recovery, in addition to the liquidity that central banks injected into the global system;
- > the stable performance of **net interest income (21.7 million euros; +7.4%)**, achieved despite a context marked by extremely low interest rates; this was the result of the expansion of the average volumes of interest-bearing assets (+12% compared to the first quarter of 2020) and an even more efficient liquidity management, partly offset by the lower contribution of **net income from trading activities and dividends**.

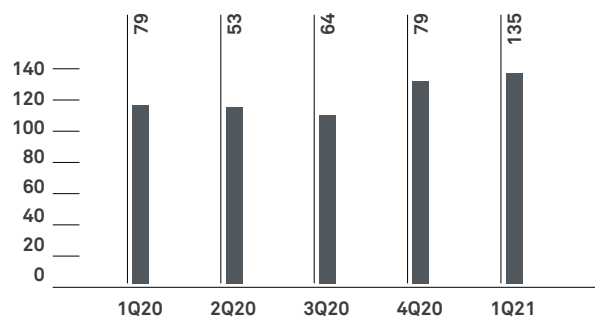
Operating expenses² amounted to 56 million euros, increasing slightly compared to the previous year (+3.6%). Net of one-off operating charges (0.9 million euros) and sales staff expenses, “core” operating expenses rose by 4.6%, in line with the plan’s new guidance, which was extended to take into account the expansion of the consolidation scope³.

Operating efficiency indicators further improved, with a ratio of total costs to total assets at 29 bps (compared with 30 bps at year-end 2020) and a **cost/income ratio⁴** that, even net of non-recurring items such as variable fees, stood at 36.6% (cost/income ratio reported was 19.9%), confirming the Bank’s outstanding operating efficiency.

Provisions, net adjustments and contributions and charges related to the banking system totalled 17.3 million euros, up 5.0 million euros compared to 2020, mainly due to higher provisions for contractual indemnities for the sales network (+5.0 million euros) and the increase in the contributions to the funds for the protection of the banking system (+1.5 million euros).

Operating profit before taxation was 166.4 million euros, up 64.2 million euros compared to the previous year (+62.7%). The tax burden for the reporting period showed a more modest increase, with an overall tax rate of 18.6%, primarily due to the lower weight of the tax burden generated abroad.

QUARTERLY NET PROFIT (€ million)



² See the previous note regarding the restatement of the mandatory contributions paid by the Bank pursuant to the DSGD and BRRD for the protection of the banking system from the net operating expenses aggregate to a separate item.

³ One-off operating charges include the M&A costs and the amortisation of intangible assets arising from the acquisition of Nextam and Valeur. The comparison data for the first quarter of 2020 was restated and amounted to 1.2 million euros.

⁴ The cost/income ratio measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income. The adjusted cost/income ratio is stated net of performance fees, charges related to the banking system reclassified to a separate item and the non-recurring items (operating income and expenses) for an amount of 0.9 million euros in the first quarter of 2021.

QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

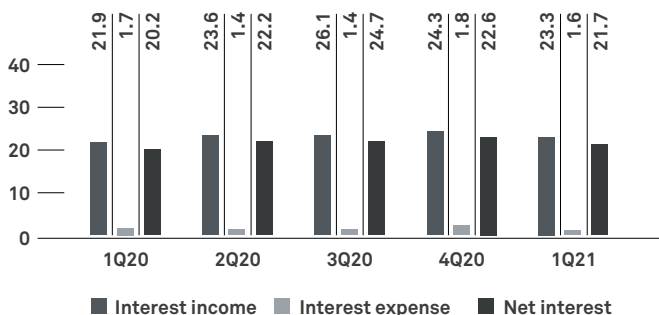
(€ THOUSAND)	1Q21	4Q20	3Q20	2Q20	1Q20
Net interest income	21,737	22,564	24,680	22,160	20,240
Net income (loss) from trading activities and dividends	2,949	9,871	1,668	4,422	3,978
Net financial income	24,686	32,435	26,348	26,582	24,218
Recurring fee income	221,156	207,082	193,268	186,523	195,479
Fee expense	-117,016	-110,716	-101,580	-99,433	-104,358
Net recurring fees	104,140	96,366	91,688	87,090	91,121
Variable fee income	111,037	41,399	27,172	19,782	53,412
Net fees	215,177	137,765	118,860	106,872	144,533
Net banking income	239,863	170,200	145,208	133,454	168,751
Staff expenses	-26,441	-27,801	-25,216	-25,586	-25,669
Other general and administrative expenses	-22,318	-27,607	-22,128	-23,412	-21,448
Net adjustments of property, equipment and intangible assets	-8,207	-9,470	-7,979	-7,771	-7,738
Other operating income/expenses	934	1,599	767	1,469	770
Net operating expenses	-56,032	-63,279	-54,556	-55,300	-54,085
Operating result	183,831	106,921	90,652	78,154	114,666
Net adjustments to non-performing loans	-1,386	1,653	2,347	-3,602	-1,060
Net provisions	-11,311	-11,950	-4,487	-6,157	-8,234
Contributions and charges related to the banking system	-4,629	-134	-7,129	-965	-3,054
Gains (losses) from equity investments	-59	-204	-52	-38	-37
Operating profit before taxation	166,446	96,286	81,331	67,392	102,281
Income taxes for the period	-31,002	-17,159	-17,505	-14,502	-23,230
Net profit attributable to minority interests	18	-12	-6	-6	-1
Net profit	135,426	79,139	63,832	52,896	79,052

4.1 Net interest income

At the end of the first quarter of 2021, net interest income amounted to 21.7 million euros, up 1.5 million euros (+7.4%) compared to the same period of 2020 as a result of both the increase in loans to customers and higher income associated with the ECB's financing transaction under the TLTRO 3 programme.

By contrast, the debt securities portfolio showed a modest decline in interest income (-5.2%) due to the sharper reduction in interest rates compared to the first quarter of 2020, which fully offset the increase in average loan volumes (+13.0%).

NET INTEREST (€ million)



In the period, the average yield of the bond portfolio was slightly above 66 bps, compared to about 79 bps for the same period of 2020, also thanks to the fair value hedging transactions

undertaken (asset swaps), which contributed a negative amount of 0.8 million euros for the quarter (-1.4 million euros compared to the same period of the previous year). The weighted average yield of the HTC portfolio, net of hedging, remained slightly above 1.0%.

Interest on loans to customers, most of which are benchmarked on the Euribor, grew significantly (+14.4%), exclusively as a result of the increase in the average loan volume, which benefited from both the new mortgage loans secured by guarantees from the SME fund carried out in 2020 and the marked increase in Lombard loans.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	25	16	9	56.3%
Financial assets at fair value through other comprehensive income ^(*)	-790	274	-1,064	n.a.
Financial assets at amortised cost ^(*)	15,555	15,309	246	1.6%
Total financial assets	14,790	15,599	-809	-5.2%
Loans to banks	12	111	-99	-89.2%
Loans to customers	5,895	5,155	740	14.4%
Other liabilities (negative interest expense)	2,590	1,027	1,563	n.a.
Total interest income	23,287	21,892	1,395	6.4%
Due to banks	238	217	21	9.7%
Due to customers	178	270	-92	-34.1%
IFRS 16-related financial liabilities	800	887	-87	-9.8%
Other assets (negative interest income)	334	278	56	20.1%
Total interest expense	1,550	1,652	-102	-6.2%
Net interest income	21,737	20,240	1,497	7.4%

(*) 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 2.6 million euros, respectively.

Income accrued referred to:

- > the ECB's refinancing transactions as part of the TLTRO 3 programme (1.3 million euros), not present in the first quarter of 2020;
- > sight deposits held with the Bank by its institutional and non-institutional customers, for specific agreements and particularly high deposit brackets (1.2 million euros);
- > to a residual extent, treasury funding repurchase agreement transactions with banks and customers (0.1 million euros).

The charges incurred primarily include interest on balances with the ECB (0.2 million euros), which however, as of the end of 2019, benefited from the wide thresholds introduced by the ECB's tiering system⁵.

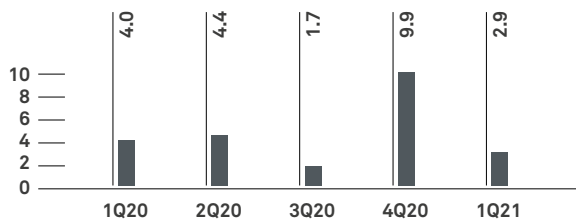
(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Banks	1,295	108	1,187	n.a.
Customers	1,295	919	376	40.9%
Total income for negative interest expense	2,590	1,027	1,563	152.2%
Banks	314	243	71	29.2%
Customers	20	35	-15	-42.9%
Total expense for negative interest income	334	278	56	20.1%
Negative net interest income and expense	2,256	749	1,507	201.2%

⁵ In particular, a variable part of the liquidity in excess of the mandatory reserve held by the credit institutions with the ECB, up to a threshold determined by the mandatory reserves multiplied by six, is exempt from the application of the deposit facility rate, which is currently at -0.5%, and is remunerated at zero percent.

4.2 Net income from trading activities and dividends

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

NET RESULT OF FINANCIAL OPERATIONS (€ million)



At the end of the first quarter of 2021, the item yielded a positive contribution of 2.9 million euros, down compared to the same period of the previous year.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Dividends and income on UCITS	193	40	153	n.a.
Trading of financial assets and equity derivatives	-158	-48	-110	n.a.
Trading of financial assets and derivatives on debt securities and interest rates	-23	-192	169	-88.0%
Trading of UCITS units	18	-3	21	n.a.
Securities transactions	-163	-243	80	-32.9%
Currency and currency derivative transactions	956	1,951	-995	-51.0%
Net income (loss) from trading activities	793	1,708	-915	-53.6%
Equity securities and UCITS	-270	-1,975	1,705	-86.3%
Debt securities	76	-34	110	n.a.
Financial Advisors' policies	-48	50	-98	n.a.
Net income (loss) of assets mandatorily measured at fair value through profit and loss	-242	-1,959	1,717	-87.6%
Net income (loss) from hedging	776	378	398	105.3%
Gains (losses) from disposal on HTC and HTCS debt securities	1,429	3,811	-2,382	-62.5%
Net result of financial operations	2,949	3,978	-1,029	-25.9%

Net income from **trading activities** amounted to 0.8 million euros, due to the lower contribution of currency operations.

Outside of the trading book, **net income on assets mandatorily measured at fair value** through profit or loss increased by 1.7 million euros as a result of lower capital gains on investments in UCITS and other securities. **Net income from hedging** was positive for 0.8 million euros, attributable to the early closing of an asset swap transaction following the disposal of the underlying security.

Treasury management of debt securities allocated to the HTCS and HTC portfolio positively contributed 1.4 million euros, down sharply compared to 3.8 million euros for the previous year. **Dividends** received in the reporting quarter referred for 0.1 million euros to the investment in Tosetti Value SIM (40 thousand euros in 2020) and for the remainder to income from UCITS investments.

4.3 Fee income

Fee income amounted to 332.2 million euros, up 33.5% compared to the first quarter of 2020, driven by the increase in recurring fees (+13.1%) and the robust growth of nearly 108% in variable fees.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Underwriting fees	9,222	11,278	-2,056	-18.2%
Management fees	187,428	165,812	21,616	13.0%
Fees for other services	24,506	18,387	6,119	33.3%
Recurring fees	221,156	195,477	25,679	13.1%
Performance fees	111,037	53,413	57,624	107.9%
Total	332,193	248,890	83,303	33.5%

With regard to recurring fees, the increase was borne by the significant rise in **fees for other banking and financial services** (+33.3%), attributable to the revenues generated by initiatives aimed at diversifying the Assets under Advisory (BGPA) range and the contribution of the retail brokerage activities, mainly through the BG Saxo platform.

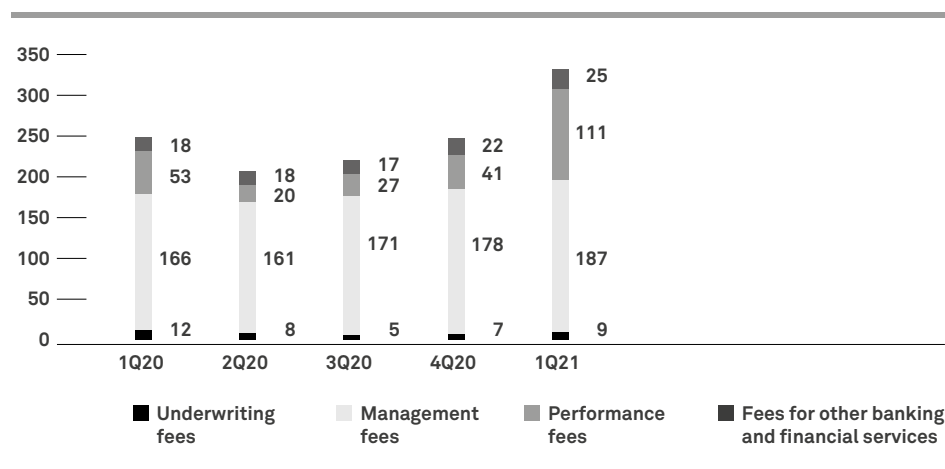
In this regard, it should be noted that **Assets under Advisory** grew significantly at the end of the first quarter of 2021, bringing the total value of AUM to 6.5 billion euros, compared to 4.6 billion euros at the end of the first quarter of 2020 (+40%).

The performance of **underwriting fees (front)** was instead penalised by the comparison with the record results achieved by the placement of **certificates** at the end of the first quarter of 2020, before the outbreak of the pandemic emergency; it was however in line with the average for the period.

The increase in average assets under management (+15.1%) compared to the first quarter of 2020, triggered by market performance and the gradual shift of customers towards managed solutions, favoured the aggregate of **management fees**, which recorded an overall positive growth compared to 2020 (+13.0%).

The **non-recurring component** grew sharply by 107% compared to the already excellent results reported by the Sicavs promoted by the Group in the first two months of 2020, before the outbreak of the pandemic. This increase was also driven by the financial market rally, which in the first quarter of 2021 was buoyed by central banks' ample interventions, the launch of vaccine campaigns and the expectations for a robust economic recovery.

BREAKDOWN OF FEE INCOME (€ million)



Fee income from the solicitation of investment and asset management of households reached 307.7 million euros, with a 11% increase compared to the first quarter of 2020, net of the aforementioned non-recurring component.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
1. Collective portfolio management	183,107	115,864	67,243	58.0%
2. Individual portfolio management	21,726	18,661	3,065	16.4%
Fees for portfolio management	204,833	134,525	70,308	52.3%
1. Placement of UCITS	34,221	27,186	7,035	25.9%
- of which: underwriting of UCITS promoted by the Group	2,622	1,995	627	31.4%
2. Placement of bonds and equity securities	3,802	7,803	-4,001	-51.3%
- of which certificates	3,566	7,298	-3,732	-51.1%
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	222	198	24	12.1%
4. Distribution of third-party insurance products	64,435	60,645	3,790	6.2%
5. Distribution of other third-party financial products	174	146	28	19.2%
Fees for the placement and distribution of financial services	102,854	95,978	6,876	7.2%
Asset management fee income	307,687	230,503	77,184	33.5%

Fee income from **distribution of insurance products** continued to report constant progress (+6.2% compared to 2020), thanks to the steady increase in average AUM in this segment (+5.7%).

With regard to the **Sicavs** promoted by the Banking Group, management fees — net of the effect of non-recurring performance components — grew by 16.6% compared to 2020, thanks to the constant success of the Sicav Lux IM, which reported 14.2 billion euro AUM (of which 6.0 billion euros placed directly by the Financial Advisor network).

Fees for the **placement of UCITS** amounted to 34.2 million euros, with an increase of 25.9% on 2020 that showed the constant demand by customers for à-la-carte funds and Sicavs.

The placement of certificates decreased markedly (-51.1%) compared to the record levels achieved in the first quarter of 2020, before the outbreak of the pandemic, but remained however in line with the fourth quarter of 2020, gradually recovering.

Fee income for other services, of a banking and financial nature, amounted to 24.5 million euros, thanks to the robust growth in Assets under Advisory (+26.8%), greater fees for trading driven by retail customers' trading volumes (+34.2%), especially with regard to the excellent growth of operations on the BG Saxo trading platform.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Fees for trading and custody	11,498	8,567	2,931	34.2%
Investment advisory fees	9,679	7,631	2,048	26.8%
Fees for collection and payment services	999	947	52	5.5%
Fee income and account-keeping expenses	1,324	437	887	n.a.
Fees for other services	1,006	806	200	24.8%
Total fee income for other services	24,506	18,388	6,118	33.3%

4.4 Fee expense

Fee expense, including fee provisions⁶, amounted to 117 million euros. The 12.1% 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 52.9%.

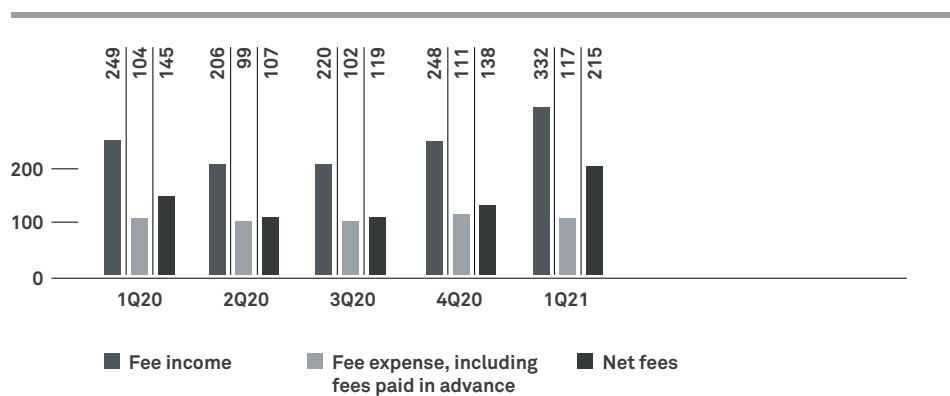
(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Fees for off-premises offer	103,794	92,862	10,932	11.8%
Ordinary payout	81,025	71,376	9,649	13.5%
Extraordinary payout	22,769	21,486	1,283	6.0%
Other fees	13,222	11,496	1,726	15.0%
Fees for portfolio management	8,480	8,104	376	4.6%
Fees for dealing in securities and custody	3,021	1,655	1,366	82.5%
Fees for collection and payment services	896	995	-99	-9.9%
Fees for other services	825	742	83	11.2%
Total fee expense	117,016	104,358	12,658	12.1%

Fee expense for off-premises offer paid to the Financial Advisor network amounted to 103.8 million euros, up 10.9 million euros compared to the same period of 2020 (+11.8%), mainly attributable to the increase in ordinary payout (+9.6 million euros), driven by the placement of certificates and advisory and, to a lower extent, to incentive fees (+1.3 million euros).

Fees for portfolio management amounted to 8.5 million euros and mostly referred to administration and third-party management fees incurred by the Group's management company for the management of the Sicavs under administration.

Other **fee expense for other banking and financial services** totalled 4.7 million euros, increasing compared to the same period of 2020 (+39.8%), as a result of higher fees for order collection services.

QUARTERLY NET FEES (€ million)



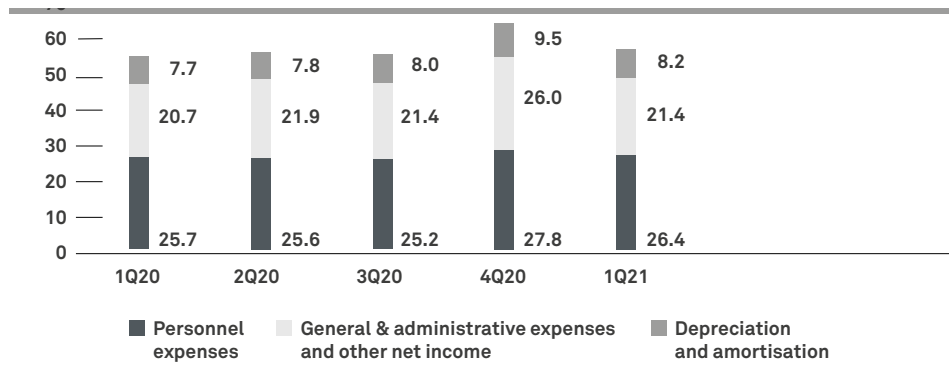
⁶ In order to ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentives related to sales and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 3.3 million euros for 2021 and 3.0 million euros for 2020.

4.5 Operating expenses

Operating expenses⁷ amounted to 56 million euros, increasing by 1.9 million euros compared to the same period of 2020 (+3.6%). The change included one-off charges linked to M&A transactions amounting to approximately 0.9 million euros⁸. Net of these items, the increase in 'core' operating expenses⁹ would have been 4.6%, in line with the plan's new guidance, which was extended to take into account the expansion of the consolidation scope.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Staff expenses	26,441	25,669	772	3.0%
General and administrative expenses and other net income	21,384	20,678	706	3.4%
Net adjustments of property, equipment and intangible assets	8,207	7,738	469	6.1%
Operating expenses	56,032	54,085	1,947	3.6%

BREAKDOWN OF OPERATING EXPENSES (€ million)



Within this aggregate, **staff expenses** including full-time employees, interim staff and directors, reached 26.4 million euros, up 0.8 million (+3.0%), mainly attributable to the more dynamic trend of the variable component, which benefited from a more favourable context than that foreseeable at the end of the first quarter of 2020.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
1) Employees	26,061	25,109	952	3.8%
Ordinary remuneration	19,125	19,380	-255	-1.3%
Variable remuneration and incentives	5,422	4,041	1,381	34.2%
Other employee benefits	1,514	1,688	-174	-10.3%
2) Other staff	-39	97	-136	-140.2%
3) Directors and Auditors	419	463	-44	-9.5%
Total	26,441	25,669	772	3.0%

⁷ See the previous note regarding the restatement of the mandatory contributions paid by the Bank pursuant to the DSGD and BRRD for the protection of the banking system from the net operating expenses aggregate to a separate item.

⁸ They mainly included costs linked to M&A transactions underway for 0.7 million euros and the amortisation of intangible assets arising from the acquisition of Nextam and Valeur for 0.2 million euros. One-off operating charges for the first quarter of 2020 were restated to eliminate the effect of the changes in the consolidation scope and therefore amounted to 1.2 million euros, of which 0.2 million euros referring to amortisation of intangible assets and the remainder to M&A transactions.

⁹ 'Core' operating expenses include operating expenses net of expenses related to sales personnel. The total amount at the end of the first quarter of 2021 was 4.7 million euros (4.7 million euros at the end of the first quarter of 2020)

The Group had an employee headcount of 980 at period end, virtually stable compared to the previous period, whereas average headcount rose by 8 compared to the same period of 2020.

	31.03.2021	31.03.2020	CHANGE		31.12.2020	WEIGHTED AVERAGE ^(*)	
			AMOUNT	%		2021	2020
Managers	65	68	-3	-4.4%	65	65	68
Executives	322	302	20	6.6%	321	322	303
- 3 rd and 4 th level executives	174	177	-3	-1.7%	175	175	177
- 1 st and 2 nd level executives	148	125	23	18.4%	146	147	126
Other employees	593	609	-16	-2.6%	576	556	564
- of whom: part-time	58	60	-2	-3.3%	57	58	60
Total	980	979	1	0.1%	962	942	935

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

Other general and administrative expenses and other net income amounted to 21.4 million euros, increasing by 0.7 million euros compared to the previous period (+3.4%), due to the expansion of the Bank and the increase in overall operations (+5.2%, net of M&A charges).

4.6 Net provisions

Net provisions not related to fees¹⁰ amounted to 11.3 million euros, up 3.1 million euros compared to the previous year, mainly due to higher provisions to cover contractual commitments to the sales network (+5.0 million euros) and for legal disputes (+1.0 million euros), partly offset by the decline in other provisions for risks and charges.

Net provisions for contractual indemnities included 8.9 million euros referring to the Framework Loyalty Programme for the Sales Network, of which the fifth cycle has been launched for the period 2020-2026, and 1.9 million euros referring to the end-of-service indemnity pursuant to Article 1751 of the Italian Civil Code and other correlated contractual mechanisms (portfolio development, management development, retirement bonus).

Net of the Framework Loyalty Programme, the increase in provisions for contractual indemnities was due to the significant increase in the base fees accrued, the change in the discount rate curve applied¹¹ and the revision of the demographic parameters used due to the modification of the retirement age of Financial Advisors on the basis of the most recent observations made¹².

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	-	736	-736	-100.0%
Provisions for legal disputes	1,012	11	1,001	n.a.
Provision for contractual indemnities to the sales network	10,853	5,897	4,956	84.0%
Other provisions for liabilities and contingencies	-529	1,601	-2,130	-133.0%
Guarantees and commitments	-25	-11	-14	127.3%
Total	11,311	8,234	3,077	37.4%

¹⁰ Fee provisions, which amounted to 3.3 million euros (3.0 million euros in 2020), are recognised under the fee expense aggregate.

¹¹ In particular, the discount rate applied to actuarial provisions is determined on the basis of the annual average EURIRS rates applicable to the average life of the population, increased by the spread between the ten-year BTP and ten-year EURIRS. The rate used was therefore decreased as a result of the narrowing of spreads on government bonds in the June 2020–March 2021 period.

¹² In particular, on the basis of observations of the average retirement age over a 5-year time horizon, the estimated age for Financial Advisors was raised to about 70, an increase of two years over the estimate based on the legal parameters.

4.7 Adjustments

Net adjustments to non-performing loans amounted to 1.4 million euros, slightly up compared to the previous year.

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	31.03.2021	31.03.2020	CHANGE
Specific adjustments/reversals	-457	430	-27	-528	501
Debt securities	-	-	-	-	-
Non-performing loans of the banking book	-382	426	44	-452	496
Operating loans to customers	-75	4	-71	-76	5
Portfolio adjustments/reversals	-1,772	413	-1,359	-532	-827
Debt securities	-	413	413	108	305
Performing loans to customers and banks	-1,772	-	-1,772	-640	-1,132
Total	-2,229	843	-1,386	-1,060	-326

Provisions for expected credit losses (ECLs) on the portfolio of debt securities and on performing loans to customers and banks (Stage 1 and Stage 2) showed net adjustments for 1.4 million euros.

The portfolio of performing loans to customers showed higher adjustments for 1.8 million euros, mainly attributable to the new rating models for the private and corporate segments.

The debt securities portfolio showed net reversals for 0.4 million euros, mainly due to the lower risk level of the government bond portfolio, partially offset by the greater adjustments necessary in light of the expansion of investment volumes.

Specific analytical adjustments were not significant in terms of amount and improved by 0.5 million euros compared to the same period of the previous year.

4.8 Contributions and charges related to the banking system

In accordance with international accounting standards (IFRIC 21), and the Bank of Italy's technical standards, as at 31 March 2021 the **charges relating to the Resolution and Interbank Deposit Protection Funds** amounting to 4.6 million euros included the ordinary contributions due to the Single Resolution Fund only, but not the ordinary contributions to the Interbank Deposit Protection Fund (FITD), which come due in the third quarter of the year.

4.9 Income taxes

Income taxes for the reporting period on a current and deferred basis were estimated at 31.0 million euros, up 7.8 million euros compared to estimated taxes at the end of the same period of 2020.

The estimated total tax rate was 18.6%, down compared to the same period of the previous year (22.7%), chiefly due to the increase in the share of profits generated abroad.

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Current taxes for the year	-36,123	-24,433	-11,690	47.8%
Prior years' taxes	34	78	-44	-56.4%
Changes of prepaid taxation (+/-)	3,248	1,109	2,139	n.a.
Changes of deferred taxation (+/-)	1,839	16	1,823	n.a.
Total	-31,002	-23,230	-7,772	33.5%

4.10 Earnings per Share

In the first quarter of 2021, basic net earnings per share were 1.18 euros, up sharply compared to the previous year (+0.49 euro).

	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	135,426	79,052	56,374	71.3%
Earnings attributable to ordinary shares (€ thousand)	135,426	79,052	56,374	71.3%
Average number of outstanding shares (thousand)	115,084	115,384	-300	-0.3%
EPS – Earning per share (euros)	1.18	0.685	0.49	71.8%
Average number of outstanding shares with diluted share capital (thousand)	115,084	115,384	-300	-0.3%
EPS – Diluted earnings per share (euros)	1.18	0.685	0.49	71.8%

4.11 Comprehensive income

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

At the end of the first quarter of 2021, the latter component provided a negative overall contribution of 1.9 million euros, compared to a net negative change of 14.6 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:

- > a decrease in net valuation capital gains totalling 2.6 million euros, net of 0.1 million euros referring to reversal of collective reserves;
- > a positive net tax effect associated with the above changes and mainly resulting from a net reduction in DTLs (+0.9 million euros).

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Net profit	135,444	79,051	56,393	71.3%
Other income, net of taxes:				
With transfer to Profit and Loss Account:				
Financial assets at fair value through other comprehensive income	-1,919	-14,625	12,706	-86.9%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	141	-52	193	-371.2%
Total other income, net of taxes	-1,778	-14,677	12,899	-87.9%
Comprehensive income	133,666	64,374	69,292	107.6%
Consolidated comprehensive income attributable to minority interests	35	-8	43	-516.7%
Comprehensive income attributable to the Group	133,631	64,382	69,249	107.6%

5. Balance sheet and net equity aggregates

At the end of the first quarter of 2021, total consolidated assets amounted to 14.0 billion euros, increasing by nearly 0.9 billion euros (+6.5%) compared to the end of 2020.

Total net inflows reached 12.2 billion euros, up 0.7 billion euros overall, as a result of the increase of customer current account deposits (+0.5 billion euros) and of the interbank position, due to a new TLTRO (+0.2 billion euros).

Core loans thus totalled 13.3 billion euros, up 0.9 billion euros (+7.3%).

ASSETS (€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	45,555	48,455	-2,900	-6.0%
Financial assets at fair value through other comprehensive income	3,411,976	2,730,098	681,878	25.0%
Financial assets at amortised cost:	9,889,588	9,657,380	232,208	2.4%
a) loans to banks (*)	1,484,204	1,236,556	247,648	20.0%
b) loans to customers	8,405,384	8,420,824	-15,440	-0.2%
Equity investments	1,658	1,717	-59	-3.4%
Property, equipment and intangible assets	280,322	288,598	-8,276	-2.9%
Tax receivables	52,882	49,846	3,036	6.1%
Other assets	353,403	400,895	-47,492	-11.8%
HFS assets	1,847	-	1,847	n.a.
Total assets	14,037,231	13,176,989	860,242	6.5%

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

LIABILITIES AND NET EQUITY (€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial liabilities at amortised cost:	12,183,528	11,506,596	676,932	5.9%
a) due to banks	805,612	598,129	207,483	34.7%
b) due to customers	11,377,916	10,908,467	469,449	4.3%
Financial liabilities held for trading and hedging	78,082	69,404	8,678	12.5%
Tax liabilities	69,593	42,516	27,077	63.7%
Other liabilities	184,119	181,697	2,422	1.3%
HFS liabilities	384	-	384	n.a.
Special purpose provisions	201,785	192,272	9,513	4.9%
Valuation reserves	2,444	4,139	-1,695	-41.0%
Equity instruments	50,000	50,000	-	-
Reserves	1,002,866	726,471	276,395	38.0%
Share premium reserve	57,062	57,062	-	-
Share capital	116,852	116,852	-	-
Treasury shares (-)	-45,185	-45,185	-	-
Net equity attributable to minority interests	275	246	29	11.8%
Net profit (loss) for the period (+/-)	135,426	274,919	-139,493	-50.7%
Total liabilities and net equity	14,037,231	13,176,989	860,242	6.5%

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Financial assets at fair value through profit or loss	45,555	48,455	47,487	46,448	62,072	64,998
Financial assets at fair value through other comprehensive income	3,411,976	2,730,098	2,363,387	2,430,834	3,117,048	2,778,836
Financial assets at amortised cost:	9,889,588	9,657,380	9,703,228	9,107,038	8,558,941	8,206,525
a) loans to banks	1,484,204	1,236,556	1,484,651	1,347,317	1,005,579	1,130,690
b) loans to customers	8,405,384	8,420,824	8,218,577	7,759,721	7,553,362	7,075,835
Equity investments	1,658	1,717	1,906	1,959	2,024	2,061
Property, equipment and intangible assets	280,322	288,598	283,030	286,155	291,560	298,354
Tax assets	52,882	49,846	47,980	47,735	54,407	51,168
Other assets	353,403	400,895	386,671	402,505	420,815	363,634
HFS assets	1,847	-	-	-	1,268	-
Total assets	14,037,231	13,176,989	12,833,689	12,322,674	12,508,135	11,765,576

LIABILITIES AND NET EQUITY (€ THOUSAND)	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Financial liabilities at amortised cost:	12,183,528	11,506,596	11,317,120	10,788,256	11,145,226	10,503,986
a) due to banks	805,612	598,129	593,496	580,630	119,156	94,807
b) due to customers	11,377,916	10,908,467	10,723,624	10,207,626	11,026,070	10,409,179
Financial liabilities held for trading and hedging	78,082	69,404	40,891	27,243	11,059	8,685
Tax liabilities	69,593	42,516	42,331	27,094	31,492	13,618
Other liabilities	184,119	181,697	184,842	472,417	159,176	147,097
HFS liabilities	384	-	-	-	356	-
Special purpose provisions	201,785	192,272	180,774	176,336	177,981	174,522
Valuation reserves	2,444	4,139	3,284	877	-10,866	3,813
Equity instruments	50,000	50,000	50,000	50,000	50,000	50,000
Reserves	1,002,866	726,471	689,914	507,834	727,414	454,465
Share premium reserve	57,062	57,062	57,066	57,202	57,729	57,729
Share capital	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-45,185	-45,185	-45,200	-33,395	-37,356	-37,356
Net equity attributable to minority interests	275	246	35	10	20	26
Net profit (loss) for the period (+/-)	135,426	274,919	195,780	131,948	79,052	272,139
Total net equity and liabilities	14,037,231	13,176,989	12,833,689	12,322,674	12,508,135	11,765,576

5.1 Direct inflows from customers

Total direct inflows from customers amounted to 11.4 billion euros, with an increase of 469 million euros (+4.3%) compared to the figure at 31 December 2020, chiefly attributable to the rise in the balances of the accounts of retail customers.

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
1. Current accounts and sight deposits	11,055,013	10,440,898	614,115	5.9%
2. Financing	30,169	144,937	-114,768	-79.2%
Repurchase agreements	30,169	144,937	-114,768	-79.2%
3. Other debts	292,734	322,632	-29,898	-9.3%
IFRS 16-related lease liabilities	144,381	148,952	-4,571	-3.1%
Operating debts to sales network	122,290	122,752	-462	-0.4%
Other debts (money orders, amounts at the disposal of customers)	26,063	50,928	-24,865	-48.8%
Total due to customers	11,377,916	10,908,467	469,449	4.3%

Inflows from sight deposits rose by 614 million euros, chiefly gathered by Financial Advisors' networks from retail customers (+595 million euros) and awaiting reinvestment as part of a specific investment plan.

By contrast, captive inflows generated from the treasury activity of the companies within the Assicurazioni Generali Group grew by 17 million euros to 350 million euros at the end of the period, accounting for 3.1% of total inflows.

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Inflows from Parent Company	40,512	25,235	15,277	60.5%
Inflows from other subsidiaries of the Generali Group	240,026	236,703	3,323	1.4%
IFRS 16-related lease financial liabilities	69,449	71,191	-1,742	-2.4%
Total inflows from Generali Group	349,987	333,129	16,858	5.1%
Inflows from other parties	11,027,929	10,575,338	452,591	4.3%
<i>of which: current accounts</i>	<i>10,775,247</i>	<i>10,179,540</i>	<i>595,707</i>	<i>5.9%</i>
Total inflows from customers	11,377,916	10,908,467	469,449	4.3%

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

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

5.2 Core loans

Core loans totalled 13.3 billion euros overall, with a net increase of over 911 million euros compared to 31 December 2020 (+7.3%).

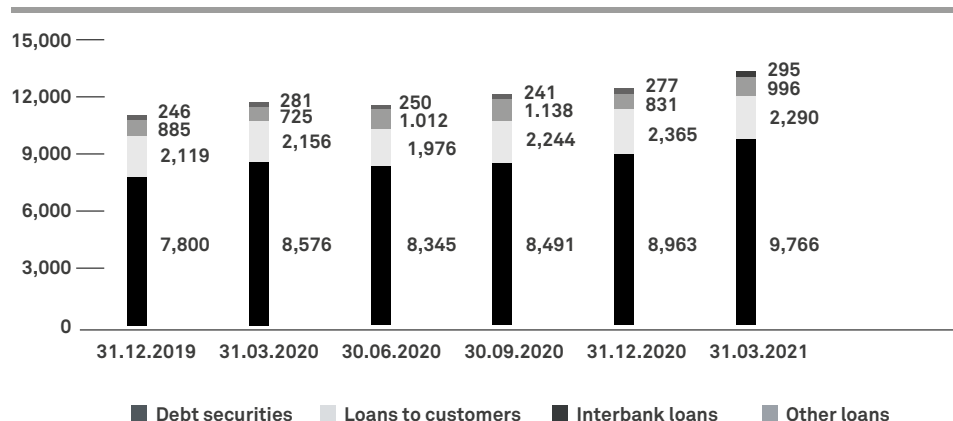
The investments in the portfolio of financial assets, which grew by 800 million euros (+8.9%), make up the largest component of the aggregate, which, however, was also driven by the rise in loans to banks (+165 million euros), mainly attributable to the increase in sight deposits with the ECB.

Exposures to customers decreased (-75 million euros), mainly due to the unwinding of several repurchase transactions on the eMTS Repo market managed by CC&G.

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	45,555	48,455	-2,900	-6.0%
Financial assets at fair value through other comprehensive income	3,411,976	2,730,098	681,878	25.0%
Financial assets at amortised cost	6,368,872	6,247,549	121,323	1.9%
Financial assets	9,826,403	9,026,102	800,301	8.9%
Loans to and deposits with banks ^(*)	996,244	831,313	164,931	19.8%
Loans to customers	2,289,717	2,364,706	-74,989	-3.2%
Operating loans and other loans	234,755	213,812	20,943	9.8%
Total interest-bearing financial assets and loans	13,347,119	12,435,933	911,186	7.3%

(*) ECB sight deposits included.

QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, investments in financial instruments accounted for 73.6% of total core loans, slightly increasing compared to 72.6% at the end of 2020, and continued to be mainly driven by the expansion of the government securities portfolio (+8.7%), and a careful and prudent diversification process regarding investments on corporate and financial bonds.

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Government securities	8,248,932	7,611,129	637,803	8.4%
Other public institutions	75,613	49,236	26,377	53.6%
Securities issued by banks	703,886	605,190	98,696	16.3%
Securities issued by other issuers	737,969	697,621	40,348	5.8%
Equity securities and other securities	60,003	62,926	-2,923	-4.6%
Total financial assets	9,826,403	9,026,102	800,301	8.9%

During the quarter, such investments were mainly directed at the held-to-collect-and-sell (HTCS) portfolio, i.e., financial assets at fair value with a balancing entry to net equity without any particular time constraints, which increased by 682 million euros (+25%).

Within this portfolio, growth was mostly driven by purchases of government bonds (+678 million euros), with a sharp prevalence of the foreign component.

The held-to-collect (HTC) portfolio, driven by financial assets at amortised cost and held for long-term investment purposes, performed more modestly (+1.9%), amounting to 6.4 billion euros.

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

For each hedging derivative, a specific highly effective fair value hedging relationship is formed. At the end of the first quarter of 2021, the notional amounts of the hedging derivatives outstanding amounted to approximately 2,003 million euros, of which 360 million euros relating to the HTCS portfolio with a net negative fair value of 73.0 million euros.

The overall portfolio remained focused on sovereign debt and increased by 664 million euros, accounting for 84.7% of total investments in financial instruments, slightly down compared to the end of the previous year (84.9%).

Italian government bonds stood at 5,488 million euros, or 55.8% of the total volume of financial assets, and remained unchanged compared to the situation at the end of 2020.

Foreign sovereign debt increased by approximately 650 million euros (+29.7%) to 2,836 million euros, or 34.1% of the total government portfolio.

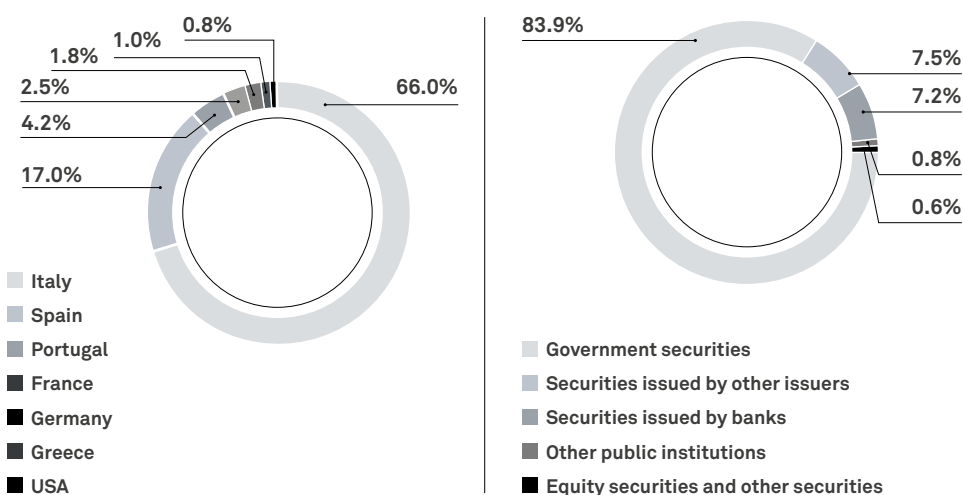
This component was allocated primarily to the HTCS portfolio (2,196 million euros) and was concentrated primarily in EU bonds, with a particular focus on the Iberian peninsula, Greece and Eastern countries.

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Exposure to the sovereign risk by portfolio:				
Financial assets at fair value through profit or loss	48	45	3	6.7%
Financial assets at fair value through other comprehensive income	3,016,133	2,337,209	678,924	29.0%
Financial assets at amortised cost	5,308,364	5,323,111	-14,747	-0.3%
Total	8,324,545	7,660,365	664,180	8.7%

The overall geographical breakdown of the debt securities portfolio indicates a decline in the concentration of investments in Italian securities, which fell from 70.6% at the end of 2020 to 66.0%, reflecting an increase in the exposure to Spain, primarily represented by government bonds, which amounted to 17.0%.

GEOGRAPHICAL BREAKDOWN
OF SECURITIES PORTFOLIO AT 31.03.2021

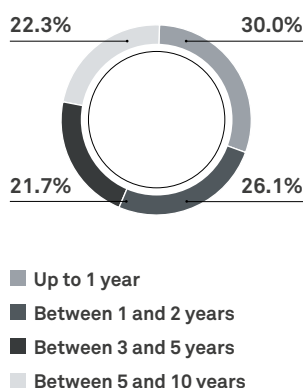
BREAKDOWN OF FINANCIAL ASSETS
PORTFOLIO AT 31.03.2021



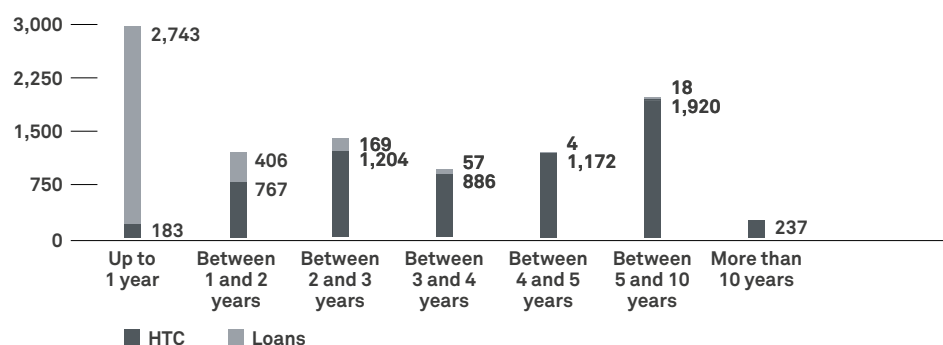
At the end of the first quarter of 2021, the share of financial assets with a maturity of more than 3 years was 56.1%, up compared to the end of 2020 (50.8%).

The portfolio of debt securities had an overall average residual life of about 3.5 years. In particular, the average maturity of the HTC portfolio was 4.9 years, whereas the average maturity of the HTCS portfolio declined to 0.6 years.

46.3% of the portfolio was made up of variable-rate or hedged issues (47.5% at year-end 2020), 52.8% of fixed-rate and zero-coupon issues and 1.0% of mixed-rate securities.

BREAKDOWN OF BONDS
PORTFOLIO BY MATURITY
AT 31.03.2021

BONDS PORTFOLIO MATURITY(€ million)



Loans to customers reached 2,290 million euros and, net of short-term treasury repurchase agreement transactions on the multilateral system eMTS Repo managed by CC&G, rose by over 54 million euros compared to the end of 2020 (+2.5%) due to both new Lombard loans and, to a lower extent, initiatives in support of the economic system within the framework of the Covid-19 emergency.

In detail, the volume of new Lombard loans, fully secured by pledged financial instruments, grew by over **81 million euros**, bringing the total for this type of exposure to exceed **1,024 million euros**.

Moratorium applications, both public and specific to the Bank, such as the initiative “Liquidity for the Nation”, totalled 178 million euros, whereas new mortgage loans secured by guarantees from the SME fund, pursuant to Article 13 of the Liquidity Decree-Law No. 23/2020, amounted to 124 million euros at the end of the quarter.

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Current accounts	1,346,245	1,299,682	46,563	3.6%
Mortgages and personal loans	906,948	898,703	8,245	0.9%
Other financing and loans not in current accounts	4,869	5,414	-545	-10.1%
RRPs with CC&G on MTS REPO	31,655	160,907	-129,252	-80.3%
Loans	2,289,717	2,364,706	-74,989	-3.2%
Operating loans to management companies	159,139	150,735	8,404	5.6%
Sums advanced to Financial Advisors	49,671	23,297	26,374	113.2%
Stock exchange interest-bearing daily margin	7,709	24,096	-16,387	-68.0%
Charges to be debited and other loans	16,116	14,977	1,139	7.6%
Operating loans and other loans	232,635	213,105	19,530	9.2%

Operating receivables and other transactions increased (+9.2%), driven by advance payments to the sales networks in relation to the results achieved in the previous period, partly offset by a reduction in guarantee margins in relation with derivatives trading on the Eurex market.

Net **non-performing exposures** on loans to customers amounted to **26.2 million** euros, or 1.14% 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 **8.5 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 **0.6 million** euros, or around **0.02%** of total loans to customers.

The portfolio of non-performing loans (loans to customers excluding performing loans and securities) increased by 1.5 million euros, mostly attributable to the growth of positions past due or expired (+2.3 million euros).

(€ THOUSAND)	31.03.2021				31.12.2020				DELTA	CHANGE %
	BAD LOANS	UNLIKELY TO PAY	PAST-DUE AND/OR EXPIRED EXPOSURES	TOTAL	BAD LOANS	UNLIKELY TO PAY	PAST-DUE AND/OR EXPIRED EXPOSURES	TOTAL		
Gross exposure	28,759	3,281	6,131	38,171	29,034	4,078	3,563	36,675	1,496	4%
Adjustments	10,104	900	989	11,993	10,129	1,212	738	12,079	-86	-1%
Total net exposure	18,655	2,381	5,142	26,178	18,905	2,866	2,825	24,596	1,582	6%
Gross exposure	26,198	-	-	26,198	26,116	-	-	26,116	82	-
Adjustments	8,484	-	-	8,484	8,484	-	-	8,484	-	-
Exposure guaranteed by net indemnity	17,714	-	-	17,714	17,632	-	-	17,632	82	-
Gross exposure	2,561	3,281	6,131	11,973	2,918	4,078	3,563	10,559	1,414	13%
Adjustments	1,620	900	989	3,509	1,645	1,212	738	3,595	-86	-2%
Exposure net of indemnity	941	2,381	5,142	8,464	1,273	2,866	2,825	6,964	1,500	22%
Net guaranteed exposure	914	2,097	4,875	7,886	1,246	2,596	2,574	6,416	1,470	23%
Net exposure not guaranteed	27	284	267	578	27	270	251	548	30	5%

At 31 March 2021, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of nearly 191 million euros, down compared to a net exposure of 233 million euros at the end of the previous year, mainly due to the reduction in net exposure towards central banks (-66 million euros).

In the quarter, a new financing transaction with the ECB was undertaken under the seventh cycle of the TLTRO 3 programme for further 200 million euros, partly offset by a limited increase in sight deposits with the said Central Bank (+133 million euros) and in collateral margins paid.

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
1. Repayable on demand	797,218	640,814	156,404	24.4%
Sight deposits with ECB and Bank of Italy (*)	681,778	548,980	132,798	24.2%
Sight deposits with credit institutions	200	190	10	5.3%
Transfer accounts	115,240	91,644	23,596	25.7%
2. Time deposits	199,026	190,499	8,527	4.5%
Mandatory reserve	107,662	107,772	-110	-0.1%
Term deposits	17,195	24,585	-7,390	-30.1%
Collateral margins	74,169	58,142	16,027	27.6%
Total loans to banks	996,244	831,313	164,931	19.8%
1. Due to Central Banks	696,072	497,361	198,711	40.0%
TLTRO	696,072	497,361	198,711	40.0%
2. Due to banks	109,540	100,768	8,772	8.7%
Transfer accounts	61,002	77,034	-16,032	-20.8%
Repurchase agreements	30,736	6,014	24,722	n.a.
Other debts	17,802	17,720	82	0.5%
Total due to banks	805,612	598,129	207,483	34.7%
Net interbank position	190,632	233,184	-42,552	-18.2%

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

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

- > TLTRO 3, series IV, in the amount of 500 million euros, disbursed on 24 June 2020 and maturing on 24 June 2023, without prejudice to the possibility of early repayment starting in September 2021;

- > TLTRO 3, series VII, in the amount of 200 million euros, disbursed on 24 March 2021 and maturing on 27 March 2024, without prejudice to the possibility of early repayment as of the end of March 2022.

Following the modifications to the TLTRO programme approved by the ECB in January 2021, the interest rate applicable to each transaction was set at a level equal to the average of the main Eurosystem refinancing operations, currently -0.5%, except for periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022, in which a special interest rate reduced by 50 basis points could apply under certain conditions and up to a maximum negative rate of 1%. In particular, the special interest rate will apply where in the period 23 March 2020–23 March 2021 (special reference period) and 24 March 2021–24 March 2022 (additional special reference period), net eligible loan flows disbursed to households for credit purposes other than home purchases and to non-financial companies residing in the euro area (net lending special) are greater than or equal to zero.

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

5.3 Provisions

Total special purpose provisions amounted to nearly 202 million euros overall, up 9.5 million euros compared to the previous year (+4.9%) chiefly due to the provisions for contractual indemnities of the sales network (+10.3 million euros).

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Provision for termination indemnity	4,903	4,936	-33	-0.7%
Provisions for guarantees issued and commitments	99	124	-25	-20.2%
Provisions for pensions and similar obligations	3,108	3,751	-643	-17.1%
Other provisions for liabilities and contingencies	193,675	183,461	10,214	5.6%
Provisions for staff expenses	16,281	15,541	740	4.8%
Restructuring provision - Redundancy incentives plan	-	162	-162	-100.0%
Provisions for legal disputes	13,247	12,923	324	2.5%
Provisions for contractual indemnities to the sales network	131,779	121,433	10,346	8.5%
Provisions for sales network incentives	27,694	27,522	172	0.6%
Other provisions for liabilities and contingencies	4,674	5,880	-1,206	-20.5%
Total funds	201,785	192,272	9,513	4.9%

Contractual indemnities referred to:

- > allocations to cover termination indemnities for Financial Advisors provided for in Article 1751 of the Italian Civil Code, assessed on an actuarial basis, in the amount of 73.3 million euros;
- > other indemnities relating to termination of the agency or management position (management development indemnity, portfolio development indemnity, retirement eligibility bonus) of 29.0 million euros;
- > the provision for the service of the annual cycles of the 2017-2026 *Framework Loyalty Programme for the Sales Network*, which saw the launch of the fifth annual cycle (2021-2026) in 2021, in the amount of 29.5 million euros. The provisions relating to the latter cycle refer to 50% of the accrued indemnity to be paid in cash, whereas the portion payable in Banca Generali shares has been accounted for pursuant to IFRS 2.

The increase in provisions for contractual indemnities was mainly due to the new annual cycle of the Loyalty Framework Programme (+8.9 million euros) due to both the expansion of the beneficiaries and the excellent results achieved in terms of net inflows and assets under management during the reporting quarter.

Net of this item, the increase in other actuarial provisions, amounting to 1.9 million euros, was due to the significant increase in the relevant bases for fees, the reduction in the discounting rates used and the revision of the demographic parameters used, as a result of the adjustment of the retirement age of the Financial Advisors on the basis of the most recent surveys conducted¹³.

¹³ In particular, on the basis of the surveys of the average retirement age over a five-year period, the estimated age for Financial Advisors was adjusted to approximately 70, an increase of two years on the estimate based on the legal parameters.

Accruals to other provisions for risks and charges also included accruals to account for tax disputes in the amount of 2.6 million euros, unchanged on the end of 2020, in the absence of the progress of the exchange launched in previous years with the Italian Agency of Revenues¹⁴.

5.4 Net equity and regulatory aggregates

At 31 March 2021, the Banking Group's consolidated net equity, including net profit for the period, was 1,320 million euros.

This aggregate also includes the 2020 dividend of 385.6 million euros authorised by the Board of Directors on 5 March 2021 and approved by the General Shareholders' Meeting on 22 April 2021, distribution of which was suspended in accordance with the recommendation on dividend policy during the Covid-19 pandemic, issued by the ECB on 15 December 2020 and extended by the Bank of Italy to less significant directly supervised institutions¹⁵.

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	57,062	57,062	-	-
Reserves	1,002,866	726,471	276,395	38.0%
(Treasury shares)	-45,185	-45,185	-	-
Valuation reserves	2,444	4,139	-1,695	-41.0%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the period	135,426	274,919	-139,493	-50.7%
Group net equity	1,319,465	1,184,258	135,207	11.4%
Net equity attributable to minority interests	275	246	29	11.8%
Consolidated net equity	1,319,740	1,184,504	135,236	11.4%

The change in equity in the first quarter of 2021 was attributable for 135.2 million euros to the significant amount of consolidated net profit for the period and, to a lesser extent, to other components such as the decline in valuation reserves taken to other comprehensive income (OCI) and the change in reserves for share-based payments (IFRS 2), as shown in the following table.

	31.03.2021	31.12.2020
Net equity at period-start	1,184,504	917,668
Purchase of treasury shares	-	-12,440
Change in IFRS 2 reserves	1,470	5,823
Change in OCI valuation reserves	-1,678	332
Changes and dividends on AT1 equity instruments	-	-1,632
Consolidated net profit	135,444	274,894
Other effects	-	-141
Net equity at period-end	1,319,740	1,184,504
Change	135,236	266,836

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a net decrease of 1.9 million euros, due to the stronger

¹⁴ In this regard, reference should be made to the Annual Integrated Report 2020.

¹⁵ In accordance with the applicable 2019-2021 dividend policy, on 22 April 2021 the General Shareholders' Meeting of Banca Generali approved the proposal formulated by the Board of Directors on 5 March 2021 to distribute a dividend of 3.30 euros per share in a total maximum amount of 385.6 million euros, corresponding to a payout ratio of 70.5%, calculated on the total consolidated net profit for the years 2019 and 2020. Dividend payout will take place in two tranches, namely 2.70 euros in the fourth quarter of 2021 and 0.60 euros in the first quarter of 2022, and will be subject to the satisfaction of the following conditions, in accordance with the provisions of the Recommendation ECB/2020/62: (i) the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; (ii) guaranteeing a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively;

volatility that impacted financial markets as a result of the inflation forecasts and the various developments of the vaccination campaign that have now been launched in all the countries in order to combat the pandemic emergency.

(€ THOUSAND)	31.03.2021			31.12.2020	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	5,140	-	5,140	7,030	-1,890
Valuation reserves - OCI equity securities		-439	-439	-510	71
Exchange differences	-	-130	-130	-131	1
Actuarial gains (losses) from defined benefit plans	-	-2,127	-2,127	-2,250	123
Total	5,140	-2,696	2,444	4,139	-1,695

Consolidated own funds amounted to 678.4 million euros, up by 2.2 million euros compared to the end of the previous year, chiefly due to the regulatory allocation to dividend of the entire consolidated net profit for the period.

In fact, 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 within the limit of 100% of the consolidated net profit earned during the year. For the first quarter of 2021, no portion of the consolidated net profit for the reporting period was included in own funds.

Own funds at 31.12.2020	676,103
Change in IFRS 2 reserves	1,470
Change in OCI reserves on HTCS	-1,820
Change in IAS 19 OCI reserves	124
Change in goodwill and intangible assets (net of related DTLs)	2,978
Negative prudential filters (prudent valuation - simplified method)	-679
DTAs through P&L not arising on temporary differences (tax losses)	198
Other effects (other reserves)	7
Total changes in Tier 1 capital	2,278
Total changes in Tier 2 capital	-
Own funds at 31.03.2021	678,381
Change	2,278

(€ THOUSAND)	31.03.2021	31.12.2020	CHANGE	
			AMOUNT	%
Common Equity Tier 1 capital (CET1)	628,381	626,103	2,278	0.4%
Additional Tier 1 (AT1) capital	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total Own funds	678,381	676,103	2,278	0.3%
Credit and counterparty risk	235,801	218,677	17,124	7.8%
Market risk	42	38	4	10.5%
Operating risk	74,507	74,507	-	-
Total absorbed capital (Pillar 1)	310,350	293,222	17,128	5.8%
Total SREP minimum requirements (Pillar 2)	459,318	433,969	25,349	5.8%
Excess over SREP minimum requirements	219,063	242,134	-23,071	-9.5%
Risk-weighted assets	3,879,375	3,665,275	214,100	5.8%
CET1/Risk-weighted assets	16.2%	17.1%	-0.9%	-5.2%
Tier 1/Risk-weighted assets	17.5%	18.4%	-1.0%	-5.2%
Total own funds/Risk-weighted assets (Total Capital Ratio)	17.5%	18.4%	-1.0%	-5.2%

Capital absorption increased by 17.1 million euros (+5.9%) due mainly to the expansion of exposures to companies (+11.2 million euros) and greater capital absorption of exposures to supervised intermediaries (+5.4 million euros).

At the end of the reporting period, CET1 ratio reached 16.2%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 17.5%, compared to the SREP minimum requirement of 11.84%¹⁶.

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

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

In this regard, it should be noted that Banca Generali has not adopted the aforementioned optional phase-in rules. On the other hand, the implementation of the SME supporting factor had a positive impact in terms of the capital requirements for credit risk, whereas the recognition of investments in software increased own funds by approximately 10 million euros.

Lastly, the Bank's liquidity ratios maintained excellent levels, with the Liquidity Coverage Ratio (LCR) at 444% and Net Stable Funding Ratio (NSFR) at 212%. The Bank's leverage ratio stood at 4.8%.

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

(€ THOUSAND)	31.03.2021		
	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	1,071,279	162,244	1,233,523
Differences between net equity and book value of companies consolidated using the line-by-line method	67,201	-	67,201
- profit carried forward of consolidated companies	57,448	-	57,448
- goodwill	8,707	-	8,707
- other changes	1,046	-	1,046
Dividends from consolidated companies	54,550	-151,550	-97,000
Consolidated companies' result for the period	-	124,791	124,791
Net profit attributable to minority interests	257	18	275
Result of associates valued at equity	-154	-59	-213
Valuation reserves - consolidated companies	-130	-	-130
Goodwill	-8,707	-	-8,707
Consolidation adjustments	18	-18	-
Net equity of the Banking Group	1,184,314	135,426	1,319,740

¹⁶ Moreover, it should be noted that on 12 March 2021 the ECB introduced various prudential mitigation measures aimed at reducing the impact of the Covid-19 emergency on the banking system, such as an option to operate temporarily beneath the capital conservation buffer and Pillar 2 guidance (P2G) and to comply with the binding Pillar 2 requirement (P2R) partially by using equity instruments not classified as CET1. On the basis of these measures, the total binding requirement for the Banking Group would temporarily amount to 9.34%, exceeding own funds by over 300 million euros.

6. Performance of Group Companies

6.1 Performance of Banca Generali S.p.A.

Banca Generali closed the first quarter of 2021 with net profit of 162.2 million euros, up compared to 123.9 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 115.0 million euros to 151.6 million euros.

Reclassified net banking income¹⁷, net of the dividends from the Banking Group's equity investments, rose by approximately 9.7 million euros (+11.8%) compared to the same period of the previous year. This increase was largely attributable to the rise in net fees (+9.2 million euros). Net income (loss) from trading activities amounted to about 2.8 million euros, down compared to the first quarter of 2020 (-1.2 million euros).

(€ THOUSAND)	31.03.2021	31.03.2020	CHANGE	
			AMOUNT	%
Net interest income	21,909	20,389	1,520	7.5%
Net income (loss) from trading activities	2,770	3,943	-1,173	-29.7%
Dividends	151,743	115,040	36,703	31.9%
- of which: dividends from equity investments	151,550	115,000	36,550	31.8%
Net financial income	176,422	139,372	37,050	26.6%
Fee income	175,471	153,795	21,676	14.1%
Fee expense	-108,595	-96,103	-12,492	13.0%
Net fees	66,876	57,692	9,184	15.9%
Net banking income	243,298	197,064	46,234	23.5%
Staff expenses	-23,479	-21,187	-2,292	10.8%
Other general and administrative expenses	-21,424	-20,200	-1,224	6.1%
Net adjustments of property, equipment and intangible assets	-7,774	-7,206	-568	7.9%
Other operating expenses/income	985	652	333	51.1%
Net operating expenses	-51,692	-47,941	-3,751	7.8%
Operating result	191,606	149,123	42,483	28.5%
Net adjustments for non-performing loans	-1,386	-1,060	-326	30.8%
Net provisions	-11,310	-8,233	-3,077	37.4%
Contributions and charges related to the banking system	-4,629	-3,054	-1,575	51.6%
Operating profit before taxation	174,281	136,776	37,505	27.4%
Income taxes for the period on current operations	-12,037	-12,871	834	-6.5%
Net profit	162,244	123,905	38,339	30.9%

Net interest income increased by a net amount of 1.5 million euros, largely attributable to the negative interest expense accrued on the LTRO with the ECB of 1.3 million euros launched in the second quarter of 2020.

¹⁷ In order to ensure a better understanding of operating performance, in the Profit and Loss Account the provisions for sales incentives and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 3.3 million euros for 2021 and 3.0 million euros for 2020.

The increase in net fees (+15.9%) to 66.9 million euros at the end of the period is to be attributed to the combined effect of the increase in fee income (+21.7 million euros), particularly on the placement of securities and UCITS (+8.5 million euros) and distribution of third-party financial services (+3.9 million euros), and the increase in fee expense (+12.5 million euros), with particular regard to fees for off-premises offer (+11.1 million euros).

Net **operating expenses**¹⁸ amounted to approximately 51.7 million euros, up 7.8% 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 47.9%.

Provisions and net adjustments amounted to 12.7 million euros, up compared to the same period of 2020 (+3.4 million euros), mainly due to the greater net provisions for contractual indemnities for the sales network (+5.0 million euros).

Operating profit before taxation amounted to 174.3 million euros, up by 27.4% compared to the same period of 2020.

The expected tax burden was 12.0 million euros, with an overall tax rate at 6.9%.

Total AUM managed by the Group on behalf of its customers — which is the figure used for communications to Assoreti — amounted to 76.3 billion euros at 31 March 2021, up 4.1% compared to the end of the previous year. Net inflows amounted to 1.7 billion euros, up by 11.2% compared to the figures reported at the end of the same period of 2020.

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 March 2020, the management company also acquired delegated management of the Luxembourg Sicav Nextam Partners Sicav.

BGFML reported a net profit of 125 million euros in the first quarter of 2021, up by over 54 million euros on the same period of 2020, largely due to performance fees, which rose by 57.6 million euros.

Net banking income amounted to 145.6 million euros (+62.4 million euros). Operating expenses were in line with the figure at 31 March 2020, amounting to 1.9 million euros (1.2 million euros of which consisted of staff expenses).

The company's net equity amounted to 87.4 million euros, net of a dividend payout of 151.6 million euros, as payment in advance and total payment for 2020.

Overall, assets under management at 31 March 2021 amounted to 19,541 million euros, up 723.7 million euros compared to 18,818 million euros at 31 December 2020.

¹⁸ In order to facilitate the understanding of operating performance, in the presentation of the profit and loss account, taxes recovered from customers have been reclassified to the other administrative expenses aggregate. As a result, the other income aggregate was restated net of these items for an amount of 17.1 million euros for 2021 and 15.3 million euros for 2020. In addition, the costs of the mandatory contributions paid by the Bank, pursuant to the DSGD and BRRD for the protection of the banking system (contributions to the Italian Interbank Deposit Protection Fund, European Single Resolution Fund and the Italian National Resolution Fund for previous interventions) have been separated from the administrative expenses aggregate and reclassified to a separate item in order to better represent the performance of the costs most closely connected to the Bank's operating structure.

6.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the first quarter of 2021 with a slight net loss and net equity amounting to about 0.8 million euros.

Net banking income amounted to about 0.3 million euros and virtually covered operating expenses.

Assets under management totalled 1,299 million euros (1,238 million euros for 2020).

6.4 Performance of BG Valeur S.A.

BG Valeur S.A., which became part of the Banca Generali Group on 15 October 2019, is a private banking boutique based in Lugano, Switzerland.

The company ended the first quarter of 2021 with net profit of CHF 10.8 thousand (9.9 thousand euros), calculated based on local GAAP.

Revenues from asset management and advisory services amounted to approximately CHF 2.4 million, whereas operating expenses totalled CHF 2.2 million (of which CHF 1.7 million consisted of staff expenses).

The BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled CHF 3.0 million at 31 March 2021.

At 31 March 2021, assets under management amounted to 1,041 million euros, down compared to 1,067 million euros at 31 December 2020.

6.5 Nextam Partners SIM and Nextam Partners Ltd.

The reorganisation of the Nextam Partners Group¹⁹ continued in the first quarter of 2021 with the approval of the divestment of the controlling interest in Nextam Partners SIM S.p.A.

In particular, on 5 March 2021, Banca Generali's Board of Directors approved the sale of an 80.1% interest in the company's share capital.

Following the transaction, subject to prior authorisation by the Bank of Italy, Banca Generali will thus remain the holder of a 19.9% equity interest in the company, qualifying it as an associate.

Pursuant to IFRS 5, the assets and liabilities relating to the company as at 31 March 2021 have been reclassified to the assets and liabilities referring to disposal groups and liabilities associated with disposal groups.

Within the framework of the agreements reached with the Nextam Group's previous shareholders, settlement agreements were also reached to identify any amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to permit the termination of the relationship of employment between Banca Generali and the main key manager of the acquired group.

Nextam SIM S.p.A. ended the first quarter of 2021 with a net loss of 432 thousand euros, up compared to a net loss of 68 thousand euros for the same period of the previous year. Net banking income amounted to 125 thousand euros and operating expenses were 304 thousand euros, of which 150 thousand euro staff expenses.

Nextam Partners Ltd launched the member's voluntary liquidation procedure on 16 December 2020 and was essentially inactive in the first quarter of 2021.

The company has a residual net equity of GBP 212 and the liquidation procedure is expected to be completed by the end of the current year.

¹⁹ For further information, reference should be made to the Annual Integrated Report 2020.

7. Basis of Preparation

The Interim Report for the first three months of 2021 was prepared in accordance with the provisions set forth in Article 154-ter, paragraph 5, of Italian Legislative Decree No. 58/98.

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

- > eliminating the requirement to publish an interim report;
- > allowing issuers to continue to disclose to the market — entirely on a voluntary basis — “additional periodic financial information” beside the annual and half-year reports, in compliance with the principles and application criteria set out by Consob.

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

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

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

The Interim Report provides:

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

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

- > the consolidated condensed balance sheet at 31 March compared with the figures at the end of the previous year;
- > the consolidated condensed profit and loss account for the first three months of the year, compared with data for the same period of the previous year;
- > the statement of comprehensive income for the first three months of the year, compared with data for the same period of the previous year.

The Consolidated Balance Sheet is presented in a format that summarises the primary asset and liability items. The Consolidated Profit and Loss Account is presented in a condensed, reclassified format and states the intermediate profit margins that make up net profit.

The Report also includes explanatory notes that refer to the accounting standards employed and other specific explanatory notes on transactions undertaken during the reporting period.

The amounts included in the Financial Statements and Notes and Comments are expressed in thousands of euros, unless otherwise indicated.

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

However, the Interim Report does not include the Financial Report or certain explanatory notes that would be required to represent the financial situation and financial performance for the quarter of Banca Generali S.p.A. and the Banca Generali Group in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) adopted by the European Union.

7.1 Accounting Standards

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2020.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2021, several amendments to the IASs/IFRSs and IFRICs were adopted and new IFRICs were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2021

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)	2020/297	16.12.2020	01.01.2021

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2021 AND EFFECTIVE AS OF 2021

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 9. IAS 39. IFRS 7. IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	2021/25	14.01.2021	01.01.2021

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards. The standards and interpretations that entered into force in 2021 did not have a significant impact on the Group's balance sheet and profit and loss account.

Measurement

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

The estimates and assumptions used are based on the information available on operations and are subjective judgements, which may be based on historical trends.

Given their nature, the estimates and assumptions used may vary from year to year, meaning that the actual amounts reported herein may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:

- > the quantification of allocations for staff incentives and provisions for liabilities and contingencies;
- > the quantification of incentives for the distribution network currently being accrued;
- > the determination of the fair value of financial instruments and derivatives used for reporting purposes;
- > the determination of value adjustments and reversals of non-performing loans;
- > estimates and assumptions used to determine current and deferred taxation.

7.2 Consolidated companies and business combinations

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

COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
				INVESTOR	% OF OWNERSHIP INTEREST	
Banca Generali S.p.A.	Trieste	Trieste, Milan		Parent Company		
BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
Nextam Partners SIM S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
Nextam Partners Ltd in liquidation	London	London	1	Banca Generali	100.00%	100.00%
BG Valeur S.A.	Lugano	Lugano	1	Banca Generali	90.1%	90.1%

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 31 March 2021, properly reclassified and adjusted where necessary to take account of consolidation requirements, except for Nextam Partners Ltd, in liquidation procedure, which during the quarter was not operating. The most significant intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

Trieste, 11 May 2021

The Board of Directors



04



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

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



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

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

declares

that the Interim Report on Operations as of 31 March 2021 corresponds to document results, books and accounts records.

Trieste, 11 May 2021

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



Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste - Italy

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

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

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

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



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