

BANCA
GENERALI

INTERIM REPORT

AT 30 SEPTEMBER 2021

INTERIM REPORT **at 30 September 2021**

BOARD OF DIRECTORS
4 NOVEMBER 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. Administration and Control Bodies

Board of Directors - 4 November 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
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 ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	30.09.2021	30.09.2020	CHANGE %
Net interest income	65.2	67.1	-2.8
Net financial income	89.9	77.1	16.5
Net fees	523.0	370.3	41.3
Net banking income	612.9	447.4	37.0
Net operating expenses^(a)	-171.1	-163.9	4.4
- of which: Staff expenses	-80.1	-76.5	4.7
Operating result	441.8	283.5	55.9
Provisions and charges related to the banking system ^(a)	-120.6	-30.0	301.8
Adjustments to non-performing loans	-4.3	-2.3	84.8
Profit before taxation	316.7	251.0	26.2
Net profit	270.9	195.8	38.4

PERFORMANCE INDICATORS

	30.09.2021	30.09.2020	CHANGE %
Cost/Income ratio ^(a)	23.7%	31.4%	-24.5
Operating Costs/Total Assets (AUM) – annualised ^(b)	0.28%	0.31%	-8.9
EBTDA ^(a)	467.6	307.0	52.3
ROE ^(c)	32.4%	26.3%	23.2
ROA ^(d)	0.44%	0.36%	20.8
EPS - Earning per share (euros)	2.35	1.70	38.7

NET INFLOWS

(€ MILLION) (ASSORETI DATA)	30.09.2021	30.09.2020	CHANGE %
Funds and Sicavs	2,123	1,250	69.8
Financial wrappers	566	56	910.7
Insurance wrappers	1,018	530	92.1
Asset management	3,707	1,836	101.9
Insurance/Pension funds	-524	229	-328.8
Securities/Current accounts	2,282	2,000	14.1
Total	5,465	4,065	34.4

- (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 general and administrative expenses aggregate to a separate item. The restatement better represents the evolution of the costs linked to the Bank's operating structure by separating them from the systemic charges incurred.
- (b) Ratio of operating expenses, gross of non-recurring components, to Assoreti's period-end exact AUM and AUM arising from new acquisitions, annualised.
- (c) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the same period of the previous year.
- (d) Ratio of net result for the period to Assoreti's period-end exact AUM and AUM arising from new acquisitions, annualised.

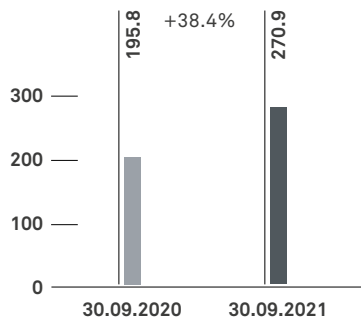
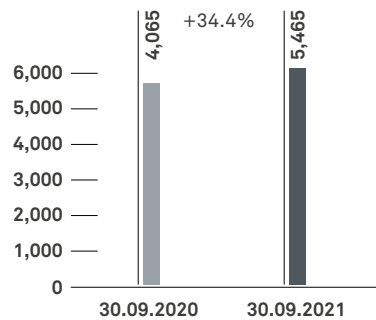
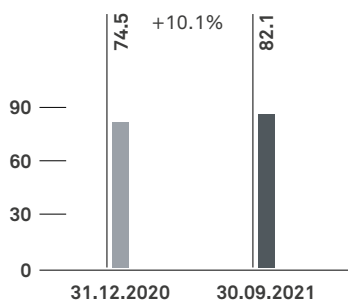
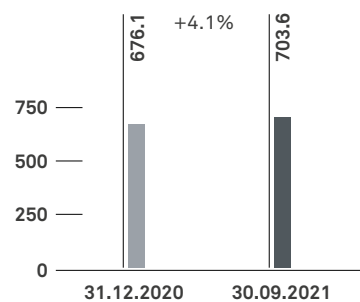
ASSETS UNDER MANAGEMENT & CUSTODY

(€ BILLION)	30.09.2021	31.12.2020	CHANGE %
Funds and Sicavs ^(e)	22.4	19.7	13.8
Financial wrappers ^(e)	8.9	8.2	9.1
Insurance wrappers	10.8	9.6	12.5
Asset management	42.1	37.4	12.4
Traditional life insurance policies	16.1	16.5	-2.0
AUC	23.8	20.7	15.4
Total ^(e)	82.1	74.5	10.1

(e) Total Assoreti AUM were increased by AUM not included in the consolidation scope and generated by the new acquisition of the Netxam Group and BG Valeur.

NET EQUITY

(€ MILLION)	30.09.2021	31.12.2020	CHANGE %
Net equity	1,045.6	1,184.5	-11.7
Own funds	703.6	676.1	4.1
Excess capital	194.7	242.1	-19.6
Total Capital Ratio	16.4%	18.4%	-11.3

NET PROFIT
(€ million)NET INFLOWS
(€ million)ASSETS UNDER MANAGEMENT
(€ billion)OWN FUNDS
(€ million)





02

CONSOLIDATED
FINANCIAL
STATEMENTS

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	39,877	48,455	-8,578	-17.7%
Financial assets at fair value through other comprehensive income	3,305,138	2,730,098	575,040	21.1%
Financial assets measured at amortised cost:	11,461,254	9,657,380	1,803,874	18.7%
a) loans to banks (*)	2,553,351	1,236,556	1,316,795	106.5%
b) loans to customers	8,907,903	8,420,824	487,079	5.8%
Equity investments	2,158	1,717	441	25.7%
Property, equipment and intangible assets	271,649	288,598	-16,949	-5.9%
Tax receivables	89,091	49,846	39,245	78.7%
Other assets	408,090	400,895	7,195	1.8%
HFS assets	1,648	-	1,648	n.a.
Total assets	15,578,905	13,176,989	2,401,916	18.2%

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

LIABILITIES AND NET EQUITY

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial liabilities measured at amortised cost:	13,462,819	11,506,596	1,956,223	17.0%
a) due to banks	838,191	598,129	240,062	40.1%
b) due to customers	12,624,628	10,908,467	1,716,161	15.7%
Financial liabilities held for trading and hedging	136,860	69,404	67,456	97.2%
Tax liabilities	57,543	42,516	15,027	35.3%
Other liabilities	588,253	181,697	406,556	n.a.
HFS liabilities	381	-	381	n.a.
Special purpose provisions	287,410	192,272	95,138	49.5%
Valuation reserves	1,309	4,139	-2,830	-68.4%
Equity instruments	50,000	50,000	-	-
Reserves	615,354	726,471	-111,117	-15.3%
Share premium reserve	55,825	57,062	-1,237	-2.2%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-64,822	-45,185	-19,637	43.5%
Net equity attributable to minority interests	258	246	12	4.9%
Net profit (loss) for the period (+/-)	270,863	274,919	-4,056	-1.5%
Total liabilities and net equity	15,578,905	13,176,989	2,401,916	18.2%

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Net interest income	65,190	67,080	-1,890	-2.8%
Net income (loss) from trading activities and dividends	24,687	10,068	14,619	145.2%
Net financial income	89,877	77,148	12,729	16.5%
Recurring fee income	688,382	575,270	113,112	19.7%
Fee expense	-361,942	-305,371	-56,571	18.5%
Net recurring fees	326,440	269,899	56,541	20.9%
Variable fee income	196,597	100,366	96,231	95.9%
Net fees	523,037	370,265	152,772	41.3%
Net banking income	612,914	447,413	165,501	37.0%
Staff expenses	-80,050	-76,471	-3,579	4.7%
Other general and administrative expenses (net of duty recovery)	-70,751	-66,988	-3,763	5.6%
Net adjustments of property, equipment and intangible assets	-25,812	-23,488	-2,324	9.9%
Other operating expenses/income	5,529	3,006	2,523	83.9%
Net operating expenses	-171,084	-163,941	-7,143	4.4%
Operating result	441,830	283,472	158,358	55.9%
Net adjustments to non-performing loans	-4,279	-2,315	-1,964	84.8%
Net provisions for liabilities and contingencies	-106,115	-18,878	-87,237	n.a.
Contributions and charges related to the banking system	-14,517	-11,148	-3,369	30.2%
Gains (losses) from equity investments	-177	-127	-50	39.4%
Operating profit before taxation	316,742	251,004	65,738	26.2%
Income taxes for the period	-45,917	-55,237	9,320	-16.9%
Net profit attributable to minority interests	-38	-13	-25	192.3%
Net profit	270,863	195,780	75,083	38.4%

STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Net profit	270,825	195,767	75,058	38.3%
Other income, net of income taxes:				
Exchange differences	-	-3	3	-100.0%
Financial assets measured at fair value through other comprehensive income	-3,325	-526	-2,799	n.a.
Actuarial gains (losses) from defined benefit plans	544	24	520	n.a.
Total other income, net of income taxes	-2,781	-505	-2,276	n.a.
Comprehensive income	268,044	195,262	72,782	37.3%
Consolidated comprehensive income attributable to minority interests	12	11	1	9.1%
Comprehensive income attributable to the Group	268,032	195,251	72,781	37.3%



03

INTERIM REPORT

at 30.09.2021

BOARD OF DIRECTORS
4 NOVEMBER 2021



1. Summary of Operations for the First Nine Months of 2021

The first nine months of 2021 closed with **net profit** amounting to **270.9 million euros**, up 38.4% compared to the same period of the previous year, which had already reported a very positive performance, setting a **new record for the period**.

The positive result was fostered by the Bank's successful commercial policies, as well as by the favourable financial market scenario.

Net inflows amounted to 5.5 billion euros, up 34% compared to the same period of the previous year and with a sharp increase in managed solutions, which accounted for over two thirds of this item (3.7 billion euros) thanks both to the Lux IM Sicav and insurance and financial wrapper solutions that offer a higher level of customisation.

At the end of the quarter, total assets attributable to managed solutions (in-house and third-party funds, financial and insurance wrappers) exceeded 42 billion euros, significantly increasing by 22% year on year and thus accounting for 51.3% of total assets under management compared to 48.9% at the end of the same period of the previous year.

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

Assets under Advisory (BGPA) stood at 6.9 billion euros, up 17% compared to the previous year and accounting for 8.4% of total assets.

ESG managed solutions offered to clients grew further, reporting over 1 billion euro net inflows year-to-date, with managed assets amounting to 6 billion euros, accounting for 14.3% of assets under management.

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

Overall, **recurring profit** amounted to **132.0 million euros (+18%)**, constantly improving compared to the previous quarters and benefiting both from the business expansion in the reporting period (82.1 billion euros; +17% YoY) and from an improved asset mix. **Non-recurring** items grew to **138.9 million euros (+22.9%)**.

With regard to the latter, it should be noted that the following trends significantly impacted the results achieved:

1. **variable fees** reached their highest level ever at **196.6 million euros** (100.4 million euros for the previous year) benefiting from the favourable financial market trend in the period and the positive net performance generated for clients;
2. the **80-million-euro extraordinary provision** allocated to cover the costs arising from a purchase offer launched for notes of securitisations of healthcare receivables reserved for professional clients, in order to protect the latter from potential losses on these investments. The purchase was successfully completed on 7 October 2021;
3. a **tax benefit totalling 13.1 million euros** generated by the redemption of the value of goodwill, trademarks and intangible assets carried out at the end of June 2021.

Net banking income rose to 612.9 million euros (+37%), driven by the sharp increase in net recurring fees (326.4 million euros; +20.9%) and in net financial income (89.9 million euros; +16.5%), in addition to the aforementioned strong contribution of variable fees (196.6 million euros; +95.9%).

Operating expenses¹ amounted to 171.1 million euros (+4.4%), confirming the thorough cost discipline and the operating leverage potential of the Bank's business model.

¹ 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.

The ratio of total operating expenses to total assets further decreased (28 bps compared to 30 bps at year-end 2020 due to the changed consolidation scope), and the **cost/income ratio adjusted** for non-recurring items remained at best practice level, decreasing to 34.4%.

Net of the above-mentioned one-off component, **provisions, net adjustments and contributions and charges related to the banking system** totalled 44.9 million euros, up 12.6 million euros compared to the same period of 2020, mainly due to higher provisions for contractual indemnities for the sales network (+6.2 million euros) and the increase in contributions to the funds for the protection of the banking system (+3.4 million euros).

At 30 September 2021, CET1 ratio was 15.2% and Total Capital Ratio (TCR) was 16.4%, compared to SREP minimum requirements of 7.8% and 11.8%, respectively.

It should be recalled that Banca Generali's capital ratios at period-end were calculated net of the cumulative dividends approved by the General Shareholders' Meeting held on 22 April 2021, totalling 385.6 million euros, and that, with regard to the 2021 net profit, capital ratios for the period were calculated based on the most prudential assumptions set forth by the dividend policies in place². Accordingly, the dividend is projected to far above the 1.25 floor established in said policies. Considering also the 2021 retained earnings, Banca Generali currently has over 500 million euro potentially distributable dividends.

In this regard, it should be noted that, as the restrictions imposed by the Supervisory Authorities have been lifted and having assessed that all other requirements set have been met, Banca Generali will pay the first tranche of the dividends (2.70 euros) on 22 November 2021.

Total **assets under management** (AUM) managed by the Group amounted to **82.1 billion euros** overall, including the 1.0 billion euro contribution deriving from the assets managed by BG Valeur. In addition, managed assets also included 1.0 billion euros in AUC of the Generali Group companies and 4.2 billion euros in funds and Sicavs distributed directly by BGFML, for an overall total of **87.3 billion euros**.

² The 2019-2021 dividend policy approved by Banca Generali envisages a 70-80% payout ratio of net profit generated in the period, with a floor of 1.25 euros. Dividend distribution is subject to the TCR level defined within the Risk-Adjusted Framework and must not exceed payout by 100%.

2. Macroeconomic context

In the third quarter of the year, financial markets went through a phase of consolidation of year-to-date earnings. In detail, developed countries outperformed emerging countries. This was mainly because of the regulatory policies introduced by the Chinese government in several key sectors of China's economy, such as technology and real estate. The macroeconomic framework is still healthy, with global GDP growth expected at about +6% this year and corporate profits projected to rise even in 2022 at a growth rate of nearly 10%.

In the period, the higher inflation reported both in the U.S. and Europe was particularly important. In August, in the United States, the consumer price index was +5.3% year on year, showing the highest growth since the great financial crisis of 2008. In September, in Germany the same index neared +4%, for the first time since the 1990s.

In light of the above, the debate within the boards of the central banks and, more generally, within the investor community was thus centred on whether or not these inflationary pressures could be regarded as temporary.

In particular, the Fed decided to accelerate the unwinding of the stimulus measures introduced during the pandemic. In the August bulletin issued after the meeting of its Board of Governors, the Fed stated that it could start tapering its 120-billion-dollar-a-month quantitative easing programme by the end of the year, and that the following monetary tightening could start earlier than expected. Half the members of the Board expects a first rise in interest rates to take place as soon as next year.

As for the Eurozone, the European Central Bank has announced a “moderately lower pace of net asset purchases under the pandemic emergency purchase programme (PEPP) than in the second and third quarters of this year.” However, the 1,850-billion-euro-budget of the programme remains confirmed, as is its expiry, which will not occur before the end of March 2022.

The main stock prices stabilised after the sharp increases occurred since year-start. In the quarter, the Eurostoxx50 index performed close to 0% and the S&P 500 was at about 3% in euros. Emerging markets were characterised by negative yields, with the benchmark index ending the quarter at -6.5%, penalized especially by the Chinese market at about -17%. China's marked underperformance was primarily due to the real estate crisis that hit the country, with particular reference to the real estate giant Evergrande. Due to its liquidity crisis, the company has proved unable to repay the 300 billion debt accumulated so far. Fear of global systemic contagion and of a “new Lehman Brothers” has caused turbulence on the markets, which then subsided when China issued partially reassuring statements about possible extraordinary liquidity injections.

With regard to sectors, there was a first phase in which technological stocks overperformed cyclical stocks. Then, in September, there was a sector rotation in favour of the latter, especially thanks to the traditional banking industry and the energy sector, which were driven by higher medium-to-long-term yields on government bonds and lower supply, respectively.

On the bond market, yields on ten-year German and American bonds repositioned to near their June highs of -0.20% and 1.53%, respectively, following an initial decline. The steepening of the main global bond curves was due to the upwards revision of growth and inflation estimates, as well as the monetary policy choices made by central banks. Credit spreads remained substantially unchanged over the period, and the expected rate of global defaults stood at an historic low of around 1%. Yield spreads within the Eurozone remained stable. In particular, the BTP-Bund spread went from 106 to 105 bps.

In foreign exchange, the dollar appreciated against the euro by more than two percentage points, due mainly to statements by the Federal Reserve, which was more “hawkish” than the other central banks.

In the third quarter of 2021, the general commodities index (BCOMTR Index) rose further, driven by the gradual easing of the health emergency, the resulting signs of a solid global cyclical recovery and the continuing criticalities on the supply side.

The energy sector, which is traditionally very sensitive to the performance of the economic cycle, was particularly positive. Within this sector, the natural gas segment stood out, driven above all by the slowdown of Russian production.

Industrial metals also performed positively, whereas agricultural commodities did not show particular movements. Precious metals declined, slowed by concerns about the beginning of Fed tapering.

Outlook

The current macroeconomic framework is healthy. Global GDP is expected to grow by about +6%. Corporate profits are expected to show double-digit growth both this year and the next one. In the coming months, attention should be paid particularly to inflation. Clear signs of upward inflationary pressures have been recorded in recent weeks in both the United States and Europe. It will be necessary to see whether these upward pressures will prove to be persistent and not temporary. If they persist, the U.S. Central Bank will adopt a stricter than expected monetary policy, inevitably impacting stock prices. Finally, it will be necessary to monitor the Chinese situation, with the government and central bank called on to intervene in support of an economy that, due to the recent real estate bubble and other restrictive policies, will see its growth rate fall next year.

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

In the first eight months of 2021, net inflows of the asset management industry were positive for about 58 billion euros. In this regard, foreign funds rose by approximately 47.6 billion euros, whereas Italian funds recorded positive net inflows of about 2.7 billion euros.

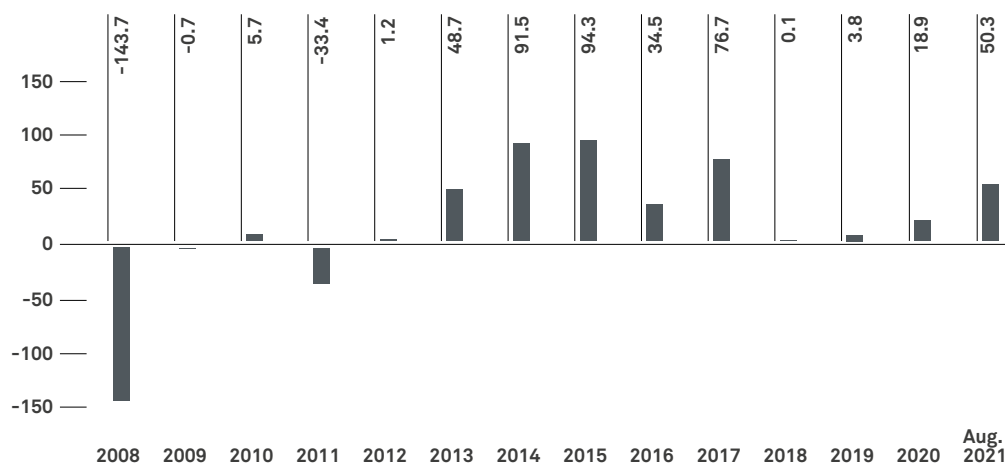
EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

(€ MILLION)	NET INFLOWS		ASSETS	
	AUGUST 2021	AUGUST 2020	AUGUST 2021	AUGUST 2020
Italian funds	2,715	-3,950	254,984	235,691
Foreign funds	47,623	12,587	988,391	820,356
Total open-ended funds	50,338	8,637	1,243,375	1,056,047
GP Retail	7,264	1,380	158,370	130,917
Total	57,602	10,017	1,401,745	1,186,964

Assogestioni data updated August 2021.

The role played by Financial Advisor networks authorised to make off-premises offers was very important: within the open-ended UCITS system, from January to August 2021, Financial Advisor networks raised 26.4 billion euros, whereas the other channels had a positive contribution of approximately 23.9 billion euros.

THE UCITS MARKET IN ITALY SINCE 2003 (€ billion)



Source: Assogestioni data updated August 2021.

3.2 The Assoreti market

In the first eight months of 2021, the Assoreti market's net inflows (which relate to the distribution activity of Financial Advisor networks) were well above those reported in 2020 (+32.8%). Approximately 73% of net resources invested (27.9 billion euros) regarded asset management and insurance products, whereas the remainder was invested in AUC.

(€ MILLION)	ASSORETI MARKET		CHANGE
	AUGUST 2021	AUGUST 2020	
Asset management	15,894	6,786	9,108
Insurance products	11,989	6,256	5,733
AUC	10,392	15,773	-5,381
Total	38,275	28,815	9,460

Assoreti data updated August 2021.

In the asset management market, the first eight months of 2021 saw the positive performance of the UCITS segment for approximately 11,216 million euros and net inflows of 4,678 million euros generated by discretionary mandates. The insurance sector continued to attract a significant share of investments with net inflows of 11,989 million euros, of which 11,207 million euros related to unit-linked and multi-line policies.

AUC net inflows amounted to 10,392 million euros, also thanks to the significant liquidity inflow (7,580 million euros).

3.3 Banca Generali

In this context, Banca Generali continued to be one of the market leaders in terms of net inflows gathered by Financial Advisors, with 5,054 million euros at the end of August 2021 (latest available figure for Assoreti comparison), with a market share of 13.2%. Per-capita net inflows per Financial Advisor were 2.4 million euros, 47% above the market average (1.6 million euros).

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

FINECO BANK	6,876	18.0
BANCA FIDEURAM	6,774	17.7
ISPB	3,781	9.9
BANCA MEDIOLANUM	5,184	13.5
BANCA GENERALI	5,054	13.2
ALLIANZ BANK	3,765	9.8
AZIMUT	1,708	4.5
BNL LIFE BANKER	1,050	2.7
CHEBANCA!	1,020	2.7
DEUTSCHE BANK	945	2.5
CREDEM	898	2.3
BANCA EUROMOBILIARE	504	1.3
MPS	442	1.2
IW BANK	210	0.5
CONSULTINVEST	65	0.2
	MILLION	%

Source: Assoreti

NET INFLOWS FROM AUM AND INSURANCE PRODUCTS –
ASSORETI – 27.9 billion euros – AND MARKET SHARE %
(August 2021, € million)

BANCA FIDEURAM	5,103	18.3
INTESA SANPAOLO PB	2,254	8.1
FINCOBANK	4,768	17.1
BANCA MEDIOLANUM	3,805	13.6
ALLIANZ BANK	3,393	12.2
BANCA GENERALI	2,867	10.3
AZIMUT	1,590	5.7
DEUTSCHE BANK	965	3.5
CREDEM	841	3.0
CHEBANCA!	793	2.8
BNL LIFE BANKER	716	2.6
MPS	404	1.4
BANCA EUROMOBILIARE	355	1.3
CONSULTINVEST	68	0.2
IW BANK	-39	
	MILLION	%

Source: Assoreti

Banca Generali was among the industry's top players in terms of net inflows of asset management and insurance products, with a 10.8% market share and net inflows of asset management and insurance products of 1.34 million euros per capita, significantly above the market average (1.16 million euros).

With specific reference to the September figures, the Bank's net inflows further increased to 5,465 million euros. This result reflected the households' high demand for financial advice, in a context where increasingly greater importance is attached to risk and volatility control and diversification potential. In this context, the Bank is increasingly seen as a beacon for households in search of a secure, reliable and highly professional partner capable of protecting their assets and providing bespoke investment solutions. The figure is even more significant when considering that it only includes net inflows from Banca Generali's Financial Advisors and Private Bankers.

NET INFLOWS OF BANCA GENERALI

(€ MILLION)	BG GROUP		CHANGES VS 30.09.2020	
	30.09.2021	30.09.2020	AMOUNT	%
BG Group funds and Sicavs	2,123	1,250	873	70%
Financial wrappers	566	56	510	911%
Insurance wrappers	1,018	530	488	92%
Total assets under management	3,707	1,836	1,871	102%
Total traditional life insurance policies	-524	229	-753	-329%
Total AUC	2,282	2,000	282	14%
Total net inflows from products placed by the network	5,465	4,065	1,400	34.4%

In terms of Assets Under Management, Banca Generali was once again one of the five top competitors in the Assoreti market (distribution activity carried out through Financial Advisors), with a market share of 13.2% (excluding ISPB).

ASSORETI TOTAL AUM
– 744.9 BILLION EUROS
– AND MARKET SHARE %
(June 2021, € billion)

BANCA FIDEURAM	142.6	19.1
ISPB	143.2	19.2
BANCA MEDIOLANUM	91.6	12.3
FINCOBANK	88.8	11.9
BANCA GENERALI	79.4	10.7
ALLIANZ BANK	60.6	8.1
AZIMUT	48.9	6.6
CREDEM	26.1	3.5
DEUTSCHE BANK	17.1	2.3
BANCA EUROMOBILIARE	12.1	1.6
IW BANK	10.2	1.4
MPS	8.0	1.1
BNL LIFE BANKER	7.9	1.1
CHEBANCA!	6.8	0.9
CONSULTINVEST	1.7	0.2
	MILLION	%

13.2% without ISPB

Fonte: Assoreti

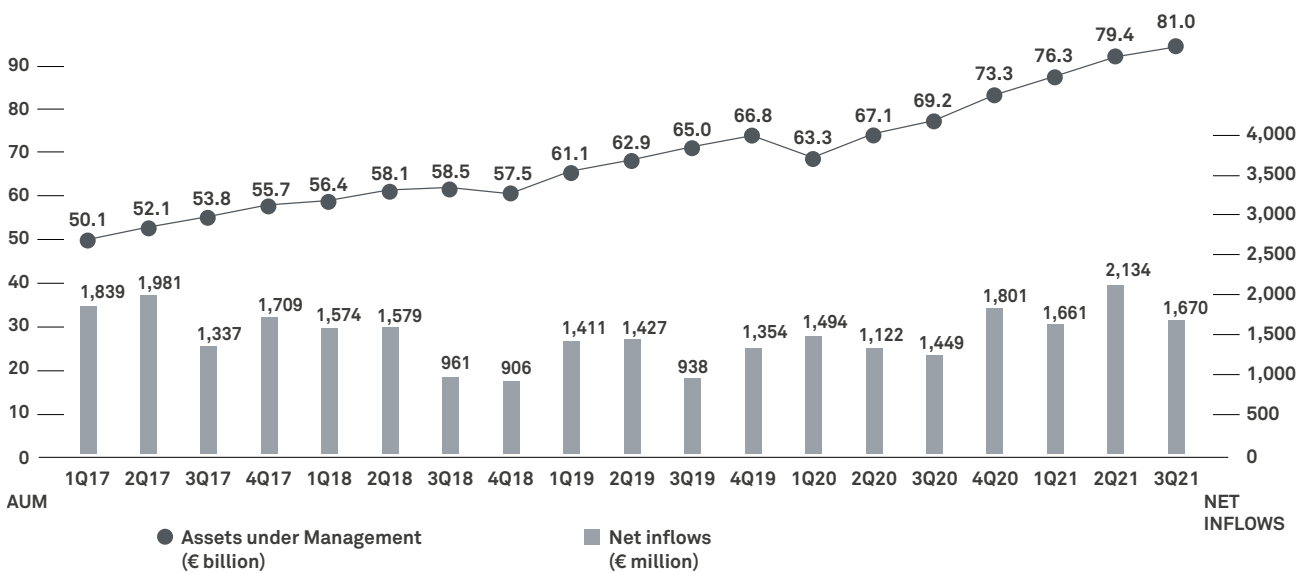
With specific reference to the September figures, Banca Generali's assets under management — as illustrated in the table below — showed a 10.5% increase in the first nine months of 2021 compared to December 2020.

AUM in asset management products grew by 13.4%; in detail, assets invested in funds and Sicavs rose by 14.8%, in financial wrappers by 10.6% and in insurance wrappers by 12.5%. Traditional life insurance policies declined by 2%. AUC rose by 15.4%, driven chiefly by the net inflows attributable to the acquisition of new customers and the liquidity generally deposited on current accounts in highly volatile markets contexts.

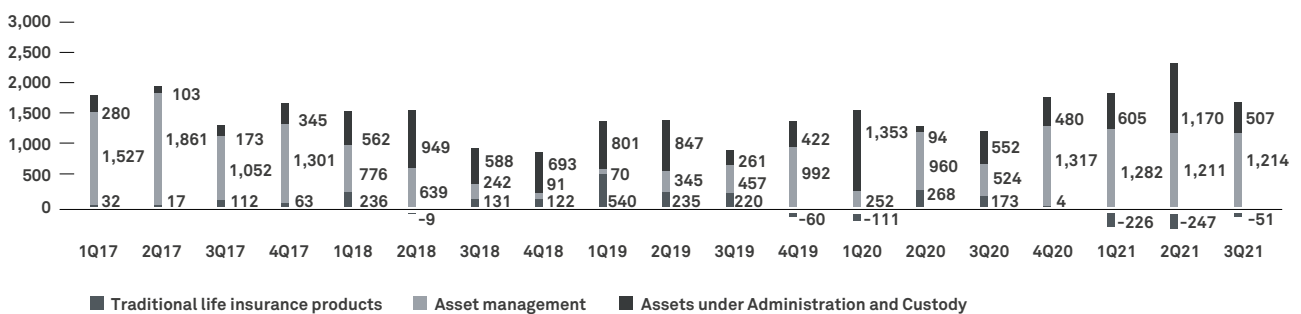
BANCA GENERALI'S ASSETS UNDER MANAGEMENT

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2020	
	30.09.2021	31.12.2020	AMOUNT	%
BG Group funds and Sicavs	22,213	19,343	2,870	14.8%
Financial wrappers	8,036	7,264	772	10.6%
Insurance wrappers	10,788	9,592	1,195	12.5%
Total assets under management	41,036	36,199	4,837	13.4%
Total traditional life insurance policies	16,132	16,453	-321	-2.0%
Total AUC	23,839	20,654	3,185	15.4%
Total AUM placed by the network	81,007	73,306	7,701	10.5%

EVOLUTION OF AUM AND NET INFLOWS



BREAKDOWN OF QUARTERLY NET INFLOWS (€ million)



4. Operating Result³

The Group's net profit for the first nine months of 2021 was **270.9 million euros**, up by +38.4% compared to the same period of 2020.

Overall, **recurring profit** amounted to **132.0 million euros (+18%)**, constantly improving compared to the previous quarters, whereas **non-recurring** items grew to **138.9 million euros (+22.9%)**.

With regard to the latter, it should be noted that the following trends significantly impacted the results achieved:

1. **variable fees** reached their highest level ever at **196.6 million euros** (100.4 million euros for the previous year) benefiting from the favourable financial market trend and the positive net performance generated for clients;
2. the **80-million-euro extraordinary provision** allocated to cover the costs arising from a purchase offer launched for senior notes of securitisations of healthcare receivables issued by SPV and held by the Bank's professional clients, in order to protect the latter from potential losses on these investments. The purchase programme was successfully completed on 7 October 2021;
3. a **tax benefit totalling 13.1 million euros** generated by the redemption of the value of goodwill, trademarks and intangible assets carried out at the end of June 2021.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Net interest income	65,190	67,080	-1,890	-2.8%
Net income (loss) from trading activities and dividends	24,687	10,068	14,619	145.2%
Net financial income	89,877	77,148	12,729	16.5%
Recurring fee income	688,382	575,270	113,112	19.7%
Fee expense	-361,942	-305,371	-56,571	18.5%
Net recurring fees	326,440	269,899	56,541	20.9%
Variable fee income	196,597	100,366	96,231	95.9%
Net fees	523,037	370,265	152,772	41.3%
Net banking income	612,914	447,413	165,501	37.0%
Staff expenses	-80,050	-76,471	-3,579	4.7%
Other general and administrative expenses (net of duty recovery)	-70,751	-66,988	-3,763	5.6%
Net adjustments of property, equipment and intangible assets	-25,812	-23,488	-2,324	9.9%
Other operating expenses/income	5,529	3,006	2,523	83.9%
Net operating expenses	-171,084	-163,941	-7,143	4.4%
Operating result	441,830	283,472	158,358	55.9%
Net adjustments for non-performing loans	-4,279	-2,315	-1,964	84.8%
Net provisions for liabilities and contingencies	-106,115	-18,878	-87,237	n.a.
Contributions and charges related to the banking system	-14,517	-11,148	-3,369	30.2%
Gains (losses) from equity investments	-177	-127	-50	39.4%
Operating profit before taxation	316,742	251,004	65,738	26.2%
Income taxes for the period	-45,917	-55,237	9,320	-16.9%
Net profit attributable to minority interests	-38	-13	-25	n.a.
Net profit	270,863	195,780	75,083	38.4%

³ 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 11.8 million euros in 2021 and 9.9 million euros in 2020;
- 2) reclassification to the other general and administrative expenses aggregate of taxes recovered from customers, accounted for among other operating income and expenses and amounting to 51.5 million euros in 2021 and 46.2 million euros in 2020;
- 3) reclassification of the costs of the mandatory contributions paid by the Bank, pursuant to the DSGD and BRRD for the protection of the banking system (contributions to the Italian Interbank Deposit Protection Fund, European Single Resolution Fund and the Italian National Resolution Fund for previous interventions), from the general and administrative expenses aggregate to a separate item not included in the net operating expenses aggregate; this restatement aligns the Bank's disclosure with the most widespread market practice and enables a better presentation of the performance of costs more closely connected to the Bank's operating structure, separated from the amount of the systemic costs incurred.

Reclassified net banking income reached **612.9** million euros, up **165.5** million euros (+37%) compared to the same period of 2020, as a result of the following factors:

- > the contribution of **net recurring fees (+97.4 million euros; +20.9%)**, driven by:
 - the performance of **underwriting fees and fees for banking and financial services (+29.4%)**, 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 fee income (+18.1%)**, fuelled by the sharp rise in average assets under management (+25%);
- > the contribution of **performance fees (+95.9%)**, as illustrated above;
- > the positive **net financial income (+12.7 million euros; +16.5%)**, mainly attributable to income from treasury management, and specifically the rebalancing of the Bank's financial investment portfolio, which therefore was able to offset the slight decline in net interest income due to a scenario that continued to be marked by extraordinarily low interest rates.

Operating expenses⁴ amounted to 171.1 million euros (+4.4%), confirming the thorough cost discipline and the operating leverage potential of the Bank's business model.

Core operating costs⁵ — reclassified including the recent acquisitions — totalled 153.4 million euros, up 4.6%, fully in line with the three-year targets and reflecting the AUM growth, the strengthened structure and the launch of new projects aimed at digitally and technologically developing the Bank's infrastructure.

The ratio of total operating expenses to total assets further decreased (28 bps compared to 30 bps at year-end 2020 due to the changed consolidation scope), and the **cost/income ratio adjusted** for non-recurring items remained at best practice level, decreasing to 34.4%.

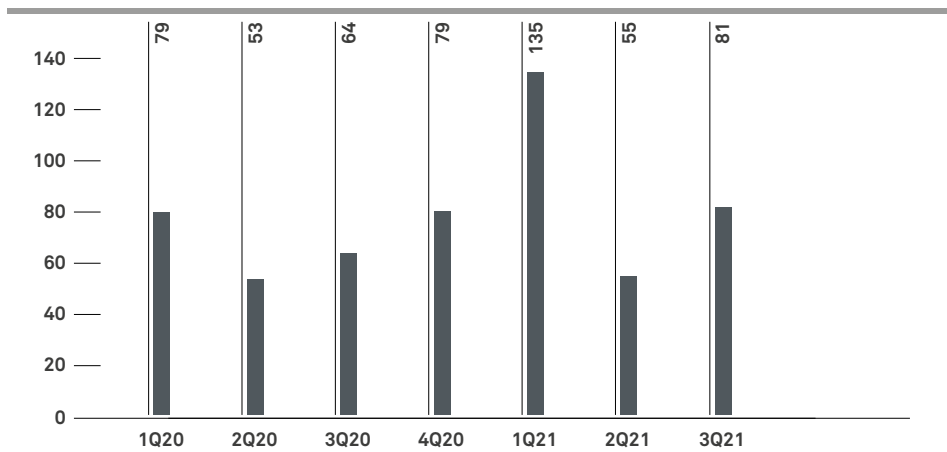
Net of the above-mentioned one-off component, **provisions, net adjustments and contributions and charges related to the banking system** totalled 44.9 million euros, up 12.6 million euros compared to 2020, mainly due to higher provisions for contractual indemnities for the sales network (+6.2 million euros) and the increase in the contributions to the funds for the protection of the banking system (+3.4 million euros).

Operating profit before taxation was 316.7 million euros, up 65.7 million euros compared to the previous year (+26.2%).

The tax burden for the reporting period, gross of the one-off component arising from the redemption of the value of goodwill, trademarks and intangible assets and the aforementioned extraordinary provisions, would amount to 21.4%, in line with the mid-period expectations, primarily due to the increased weight of the tax burden generated abroad.

Net of the extraordinary tax operations, the Group's tax rate was 14.5%.

QUARTERLY NET PROFIT (€ million)



⁴ 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.

⁵ Operating expenses net of expenses related to sales personnel and the change in the consolidation scope.

QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

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

4.1 Net interest income

At the end of the third quarter of 2021, net interest income amounted to 65.2 million euros, declining slightly by 1.9 million euros (-2.8%) compared to the same period of 2020 as a result of a context constantly marked by very low interest rates, which negatively impacted reinvestment of maturing assets.

In detail, the debt securities portfolio showed a decline in interest income of 6.7 million euros (-13.1%), fully attributable to the sharp decrease in market interest rates (-29%) that amply offset the increase in average loans (+16.1%).

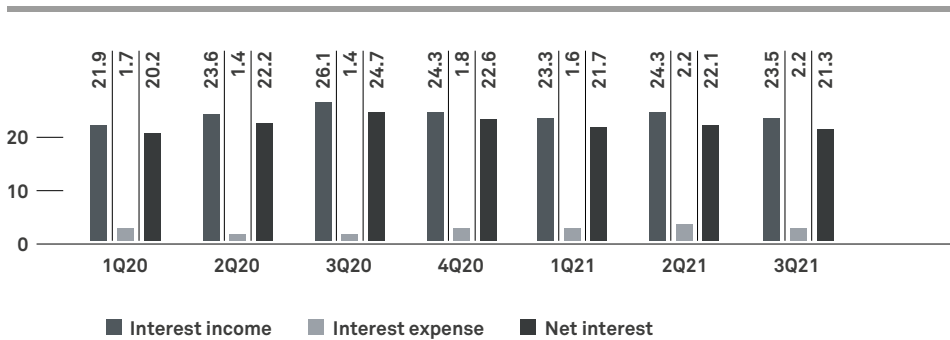
In this regard, it bears recalling that in July 2021 Banca Generali launched a purchase offer for all its interested clients who had invested in securitisations of healthcare receivables. This offer was successfully completed on 7 October 2021.

All the notes purchased from the clients were concurrently transferred to a newly established AIF, primarily underwritten by the Bank and managed by a sector specialist with the aim of managing a complex alternative investment portfolio, which also includes infrastructural and corporate lending investments, for a maximum value — once fully operational — of 550 million euros, accounting for approximately 4% of the Bank's financial assets.

To this end, in the third quarter, some positions — mainly corporate securities with high RWA absorption — were divested for a total of 440 million euros. This portfolio rebalancing led to a capital gain of about 11 million euros recognised under net income from trading activities.

This performance was only partially offset by the increase in loans to customers (+15.7%) and higher proceeds associated with the ECB's financing transactions under the TLTRO 3 programme.

NET INTEREST (€ million)



The average yield of the bond portfolio for the period was approximately 61 bps compared to 81 bps for the same period of 2020. The decline in yields was attributable to the following factors:

1. greater portfolio diversification and an Italy risk declining from 73% to 61% in favour of countries with the highest rating, above BBB+ from 5.6% to 14%;
2. the portfolio expansion (+1.7 billion euros compared to the end of the third quarter of 2020) with declining reinvestment rates, in line with the market trend;
3. the prudential reduction of the already short portfolio duration from 1.5 to 1.3 years, in line with the Bank's liabilities.

By contrast, interest on loans to customers, most of which are benchmarked on the Euribor, grew significantly (+15.9%), mainly as a result of the increase in the average loan volume (+11.2%), which benefited from both the mortgage loans secured by guarantees from the SME fund granted in 2020 and the marked increase in Lombard loans.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	74	48	26	54.2%
Financial assets measured at fair value through other comprehensive income (*)	-3,630	1,123	-4,753	n.a.
Financial assets measured at amortised cost (*)	47,663	49,606	-1,943	-3.9%
Total financial assets	44,107	50,777	-6,670	-13.1%
Loans to banks	25	145	-120	-82.8%
Loans to customers	18,098	15,620	2,478	15.9%
Other liabilities (negative interest expense)	8,925	4,996	3,929	78.6%
Total interest income	71,155	71,538	-383	-0.5%
Due to banks	385	685	-300	-43.8%
Due to customers	518	522	-4	-0.8%
IFRS 16-related financial liabilities	2,383	2,614	-231	-8.8%
Other assets (negative interest income)	2,679	637	2,042	n.a.
Total interest expense	5,965	4,458	1,507	33.8%
Net interest income	65,190	67,080	-1,890	-2.8%

(*) 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 2.7 million euros and 8.9 million euros, respectively.

Income accrued referred to:

- > the ECB's refinancing transactions as part of the TLTRO 3 programme (4.8 million euros), increasing compared to the same period of 2020 (+3.3 million euros);
- > sight deposits held with the Bank by its institutional and non-institutional customers, for specific agreements and particularly high deposit brackets (3.8 million euros);

- > to a residual extent, treasury funding repurchase agreement transactions with banks and customers (0.2 million euros).

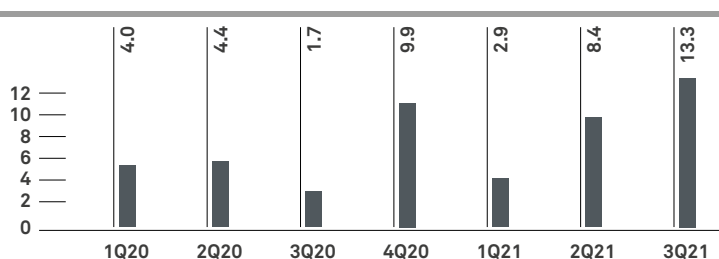
The charges incurred primarily included interest on balances with the ECB (1.7 million euros), which however, as of the end of 2019, benefited from the wide exemption thresholds introduced by the ECB's tiering system⁶.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Banks	4,999	1,829	3,170	173.3%
Customers	3,926	3,167	759	24.0%
Total negative interest expense	8,925	4,996	3,929	78.6%
Banks	2,603	569	2,034	n.a.
Customers	76	68	8	11.8%
Total expense for negative interest income	2,679	637	2,042	n.a.
Net negative interest income and expense	6,246	4,359	1,887	43.3%

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 measured at fair value through profit or loss, realised gains and losses from the disposal of financial assets measured 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)



⁶ 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.

At the end of the third quarter of 2021, the item yielded a positive contribution of 24.7 million euros, sharply increasing compared to the same period of the previous year and attributable to the above-mentioned portfolio rebalancing.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Dividends and income on UCITS	1,056	1,696	-640	-37.7%
Trading of financial assets and equity derivatives	-94	-90	-4	4.4%
Trading of financial assets and derivatives on debt securities and interest rates	51	-51	102	-200.0%
Trading of UCITS units	-57	-123	66	-53.7%
Securities transactions	-100	-264	164	-62.1%
Currency and currency derivative transactions	4,258	4,508	-250	-5.5%
Net income (loss) from trading activities	4,158	4,244	-86	-2.0%
Equity securities and UCITS	102	-2,923	3,025	-103.5%
Debt securities	98	-35	133	n.a.
Financial Advisors' policies	153	52	101	194.2%
Net income (loss) of assets mandatorily measured at fair value through profit and loss	353	-2,906	3,259	-112.1%
Net income (loss) from hedging	2,302	353	1,949	n.a.
Debt securities	16,818	6,681	10,137	151.7%
Gains (losses) from disposal on HTC and HTCS debt securities	16,818	6,681	10,137	151.7%
Net result of financial operations	24,687	10,068	14,619	145.2%

Net income from **trading activities** amounted to 4.2 million euros, due to the slight decline in the contribution of currency operations.

Outside of the trading book, **net income of assets mandatorily measured at fair value through profit or loss** increased by 3.2 million euros as a result of lower capital losses on investments in UCITS and other securities. **Net income from hedging** was positive for 2.3 million euros, attributable to the restructuring and the early closing of several asset swap transactions following the disposal of the underlying security.

With regard to the treasury management of debt securities, the HTC portfolio and, to a lower extent, the HTCS portfolios recorded net gains on disposals totalling 16.8 million euros, sharply increasing compared to 6.7 million euros for the same period of the previous year, mainly as a result to the above-mentioned portfolio rebalancing.

4.3 Fee income

Fee income amounted to 885 million euros, up 31% compared to the same period of 2020, driven by the increase in recurring fees (+19.7%) and the sharp growth of nearly 96% in variable fees.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Underwriting fees	30,744	23,388	7,356	31.5%
Management fees	586,898	496,826	90,072	18.1%
Fees for other services	70,740	55,056	15,684	28.5%
Recurring fees	688,382	575,270	113,112	19.7%
Performance fees	196,597	100,366	96,231	95.9%
Total fee income	884,979	675,636	209,343	31.0%

With regard to recurring fees, the increase in average assets under management (+25%) compared to the same period of 2020, also triggered by market performance and the gradual shift

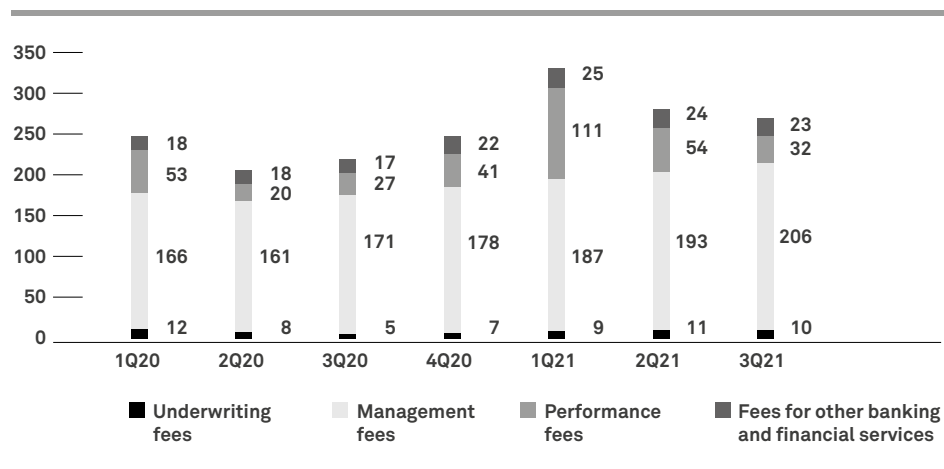
of customers towards managed solutions, led to a sharp increase in **gross management fees**, which amounted to 586.9 million euros (+18.1%).

The growth was driven by the significant rise in **underwriting fees and fees for other banking and financial services** that stood at **101.5 million euros** (+29.4%), attributable to the revenues generated by initiatives aimed at diversifying the Assets under Advisory (BGPA) range (+34.3%), the excellent results of the placement of certificates (+33.4%) and the contribution of the retail brokerage activities, among which the BG Saxo platform gained momentum.

In this regard, it should be noted that **Assets under Advisory** grew significantly at the end of the third quarter of 2021, bringing the total value of AUM to 6.9 billion euros (+17%), accounting for 8.4% of total managed assets.

The **non-recurring component** grew further as a result of the market trends and the positive performance of the Sicavs promoted by the Group (+95.9%) and reached 196.6 million euros compared with 100.4 million euros for the same period of the previous year.

BREAKDOWN OF FEE INCOME (€ million)



Fee income from the solicitation of investment and asset management of households reached 814.1 million euros, with an 18.7% increase compared to the same period of 2020, net of the aforementioned non-recurring component.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
1. Collective portfolio management	425,475	286,228	139,247	48.6%
2. Individual portfolio management	65,523	57,757	7,766	13.4%
Fees for portfolio management	490,998	343,985	147,013	42.7%
1. Placement of UCITS	105,479	77,426	28,053	36.2%
- of which: underwriting of UCITS promoted by the Group	5,359	4,465	894	20.0%
2. Placement of bonds and equity securities	17,912	15,250	2,662	17.5%
- of which: certificates	16,380	12,276	4,104	33.4%
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	799	690	109	15.8%
4. Distribution of third-party insurance products	198,382	182,756	15,626	8.6%
5. Distribution of other third-party financial products	502	474	28	5.9%
Fees for the placement and distribution of financial services	323,074	276,596	46,478	16.8%
Asset management fee income	814,072	620,581	193,491	31.2%

Fee income from **distribution of insurance products** continued to record constant progress (+8.6% compared to 2020), thanks to the steady increase in average AUM in this segment (+5.5%).

With regard to the **Sicavs** promoted by the Banking Group, management fees — net of the effect of non-recurring performance components — grew by 24.5% compared to 2020, thanks to the constant success of the Sicav Lux IM, which achieved 15.3 billion euros AUM (of which 6.7 billion euros placed directly by the Financial Advisor network). In this regard, it should be noted that the Sicav was recently expanded with 23 new sub-funds focused on responsible investments, macro-trends and the real economy.

Fees for the **placement of UCITS** amounted to 105.5 million euros, with an increase of 36.2% on 2020 that showed the constant demand by customers for à-la-carte funds and Sicavs.

The placement of **certificates**, which grew by 33.4% compared to the same period of the previous year (+4.1 million euros), was already back to pre-pandemic levels, nearing the record levels reported in the first quarter of 2020.

Fee income for other services, of a banking and financial nature, amounted to 70.9 million euros, thanks to the robust growth in Assets under Advisory (+34.3%) and greater fees for trading driven by the increase in retail customers' trading volumes (+22.5%), especially with regard to the excellent growth of operations on the BG Saxo trading platform (+97.4%).

The marked rise in current account keeping fees (+164.8%) was the result of the effects of the current account repricing action, implemented at the beginning of February this year⁷.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Fees for trading and custody	29,345	23,958	5,387	22.5%
Investment advisory fees	32,186	24,160	8,026	33.2%
- of which: BG Advisory	26,207	19,510	6,697	34.3%
Fees for collection and payment services	3,104	2,992	112	3.7%
Fee income and account-keeping expenses	3,625	1,369	2,256	164.8%
Fees for other services	2,647	2,577	70	2.7%
Total fee income for other services	70,907	55,056	15,851	28.8%

4.4 Fee expense

Fee expense, including fee provisions⁸, amounted to 361.9 million euros. The 18.5% increase for the period was essentially in line with the recurring fee income performance (+19.7%).

The Bank's ratio of total payout to total fee income (net of performance fees) was thus 52.6%.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Fees for off-premises offer	320,806	271,680	49,126	18.1%
Ordinary payout	246,847	206,834	40,013	19.3%
Extraordinary payout	73,959	64,846	9,113	14.1%
Other fees	41,136	33,691	7,445	22.1%
Fees for portfolio management	26,541	22,676	3,865	17.0%
Fees for trading in securities and custody	7,742	5,723	2,019	35.3%
Fees for collection and payment services	2,933	2,889	44	1.5%
Fees for other services	3,920	2,403	1,517	63.1%
Total fee expense	361,942	305,371	56,571	18.5%

⁷ The repricing action mainly concerns the item of expenditure referred to as "Annual expenses for interest and fee calculation", for which an increase of 25 euros per annum has been set. This can be reduced to zero if the assets invested by the customer in asset management and/or insurance products, at 31 December in the year, amount to at least 100,000 euros or the customer has entered into an advanced advisory contract.

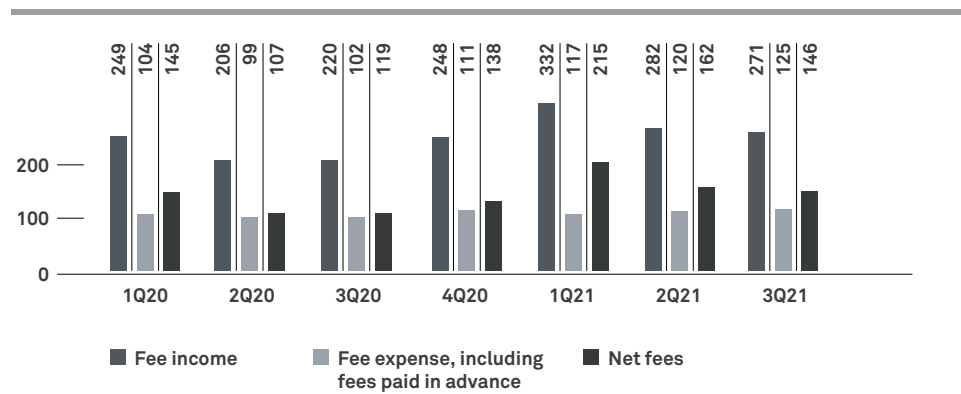
⁸ In order to ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentives related to sales and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 11.8 million euros for 2021 and 9.9 million euros for 2020.

Fee expense for off-premises offer paid to the Financial Advisor network amounted to 320.8 million euros, up 49.1 million euros compared to the same period of 2020 (+18.1%), mainly attributable to the increase in ordinary payout (+40.0 million euros), driven by the placement of certificates and advisory and, to a lower extent, to incentive fees (+9.1 million euros).

Fees for portfolio management amounted to 26.5 million euros and mostly referred to administration and third-party management fees incurred by the Group's management company for the management of the Sicavs under administration.

Other **fee expense for other services, of both a banking and financial nature**, totalled 14.6 million euros, increasing compared to the same period of 2020 (+32.5%) as a result of higher fees for trading and custody of securities (+2.0 million euros) and the increase in other fees (+1.5 million euros).

QUARTERLY NET FEES (€ million)



4.5 Operating expenses

Operating expenses⁹ amounted to 171.1 million euros, increasing by 7.1 million euros compared to the same period of 2020 (+4.4%)¹⁰.

Core operating costs¹¹ — reclassified including the recent acquisitions — totalled 153.4 million euros (+4.6%), showing an increase that fell within the range set in the three-year Plan and reflecting the AUM growth, the strengthened structure and the launch of new projects aimed at developing the Bank's infrastructure from a digital and technological standpoint.

⁹ 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.

¹⁰ The aggregate included one-off charges of approximately 4.1 million euros and one-off income of 1.2 million euros, both linked to M&A transactions.

They mainly included costs linked to M&A transactions underway for 3.4 million euros and the amortisation of intangible assets arising from the acquisition of Nextam and Valeur for 0.7 million euros.

One-off income, amounting to 1.2 million euros, referred to the reduction of the variable amount payable to sales personnel, as a result of the settlement agreement entered into with some of them.

One-off operating charges for the first nine months of 2020 — restated to eliminate the effect of the changes in the consolidation scope — had amounted to 3.3 million euros, of which 0.9 million euros for Covid-19-related donations, 0.7 million euros referring to amortisation of intangible assets and the remainder (1.7 million euros) to M&A transactions.

¹¹ 'Core' operating expenses include operating expenses net of expenses related to sales personnel and amounted to 14.8 million euros at the end of the third quarter of 2021 (14.0 million euros at the end of the third quarter of 2020).

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Staff expenses	80,050	76,471	3,579	4.7%
General and administrative expenses and other net income	65,222	63,982	1,240	1.9%
Net adjustments of property, equipment and intangible assets	25,812	23,488	2,324	9.9%
Operating expenses	171,084	163,941	7,143	4.4%

Within this aggregate, **staff expenses** including full-time employees, interim staff and directors, reached 80 million euros, up 3.6 million euros (+4.7%) as a result of a slower workforce turnover and the increase in the variable component, which reflected the excellent results the Group reported in the period.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
1) Employees	78,990	75,245	3,745	5.0%
Ordinary remuneration	57,649	56,046	1,603	2.9%
Variable remuneration and incentives	17,309	14,741	2,568	17.4%
Other employee benefits	4,032	4,458	-426	-9.6%
2) Other staff	-167	-18	-149	n.a.
3) Directors and Auditors	1,227	1,244	-17	-1.4%
Total	80,050	76,471	3,579	4.7%

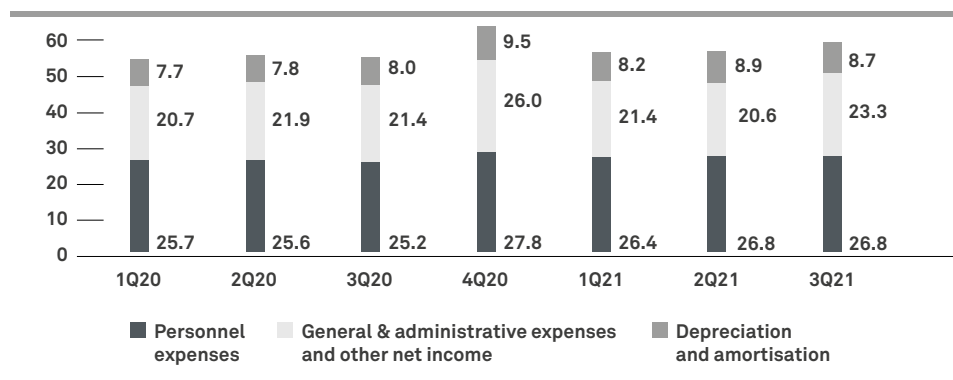
The Group had an employee headcount of 991 at 30 September 2021, slightly increasing compared to the previous year, whereas average headcount rose slightly by 9 compared to the same period of 2020.

	30.09.2021	30.09.2020	CHANGE		WEIGHTED AVERAGE (*)		
			NUMBER	%	31.12.2020	2021	2020
Managers	66	67	-1	-1.5%	65	66	68
Executives	339	326	13	4.0%	321	329	310
- 3 rd and 4 th level executives	184	178	6	3.4%	175	179	178
- 1 st and 2 nd level executives	155	148	7	4.7%	146	151	132
Other employees	586	583	3	0.5%	576	556	565
Total	991	976	15	1.5%	962	951	942

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

Other general and administrative expenses and other net income amounted to 65.2 million euros, slightly increasing compared to the previous year (+1.2 million euros).

BREAKDOWN OF OPERATING EXPENSES (€ million)



4.6 Net provisions

Net provisions not related to fees¹² amounted to 106.1 million euros, up 87.2 million euros compared to the previous year, mainly due to the 80-million-euro provision set aside to protect professional clients from a potential loss related to investments in securitisations of healthcare receivables and the residual amount being due to higher provisions to cover contractual commitments to the sales network (+6.2 million euros) and for legal disputes (+1.2 million euros).

Net provisions for contractual indemnities included 11.0 million euros referring to the Framework Loyalty Programme for the Financial Advisor Network, of which the fifth cycle has been launched for the period 2020-2026, and 10.6 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 applied¹³ 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 made¹⁴.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Provisions for staff liabilities and contingencies	1,107	1,435	-328	-22.9%
Provisions for legal disputes	2,038	836	1,202	143.8%
Provisions for contractual indemnities to the sales network	21,634	15,478	6,156	39.8%
Other provisions for liabilities and contingencies	1,367	1,116	251	22.5%
Provisions for healthcare receivables	80,000	-	80,000	n.a.
Guarantees and commitments	-31	13	-44	n.a.
Total	106,115	18,878	87,237	n.a.

Provision for securitisations of healthcare receivables

Banca Generali allocated a 80-million-euro provision to protect its professional clients from a potential loss from investments on senior notes of securitisations of healthcare receivables, issued by SVP, for a notional amount of 478 million euros.

With reference to such securitisations, Banca Generali launched a purchase offer addressed to all its interested clients that was successfully completed on 30 September 2021 and was settled on 7 October 2021. The transaction had a 100% success rate, with all clients accepting the offer.

The above-mentioned provision thus covered the difference between the overall amount paid to clients, equal to about 96% of the amount of the outstanding notes (457.6 million euros), and the lower amount earned from the disposal of the notes, equal to about 79% of the outstanding amount (377.7 million euros).

As highlighted, the purchasing and subsequent disposal transactions of the notes were finalized in early October.

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

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

¹² Fee provisions, which amounted to 11.8 million euros (9.9 million euros in 2020), are recognised under the fee expense aggregate.

¹³ 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 September 2020–September 2021 period.

¹⁴ 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 4.8 million euros, up compared to the previous year.

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	30.09.2021	30.09.2020	CHANGE
Specific adjustments/reversals	-1,098	551	-547	-1,066	519
Non-performing loans of the banking book	-928	541	-387	-544	157
Operating loans to customers	-170	10	-160	-522	362
Portfolio adjustments/reversals	-3,732	-	-3,732	-1,249	-2,483
Performing debt securities	-501	-	-501	134	-635
Performing loans to customers and banks	-3,231	-	-3,231	-1,383	-1,848
Total	-4,830	551	-4,279	-2,315	-1,964

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 3.7 million euros.

The portfolio of performing loans to customers showed higher adjustments for 3.2 million euros, mainly attributable to the new rating models for the private and corporate segments.

The debt securities portfolio recorded net adjustments for 0.5 million euros as a result of the expansion of investment volumes, only partly offset by a lower risk level of the government bond portfolio.

Specific adjustments totalled 0.5 million euros and referred to new positions classified as unlikely-to-pay and past-due (0.3 million euros) and the impairment or write-off of past advances to Financial Advisors and operating receivables for services rendered to customers (0.2 million euros).

4.8 Contributions and charges related to the banking system

Expenses related to the contributions to the Italian National Resolution and Interbank Deposit Protection Funds amounted to 14.5 million euros and included both the ordinary contributions to the Single Resolution Fund (4.6 million euros) and the additional contribution requested by the National Resolution Fund managed by the Bank of Italy to cover the prior expenses related to interventions undertaken in 2015 as part of the Resolution plan for four local banks (1.5 million euros).

In accordance with the international accounting standards (IFRIC 21) and the Bank of Italy's technical guidelines, the ordinary contributions to the Italian Interbank Deposit Protection Fund — which will accrue in the third quarter of the year — were estimated at 8.4 million euros, up due to the marked performance of the reference base for the current year, namely protected deposits (+1.2 million euros).

4.9 Income taxes

Income taxes for the period on a current and deferred basis were estimated at 45.9 million euros and included the benefits arising from the operations to realign the carrying and tax values of goodwill, trademarks and other intangible assets at the end of the half-year, amounting to 13.1 million euros.

Gross of this component, ordinary taxes for the period would have been 59.1 million euros, up 3.8 million euros.

The estimated total tax rate declined to 14.5%, whereas the tax rate gross of the realignment operations was 18.6%, down compared to the same period of the previous year (22.0%), chiefly due to the increase in the share of profits generated abroad.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Current taxes for the period	-92,081	-55,303	-36,778	66.5%
Prior years' taxes	91	78	13	16.7%
Changes of prepaid taxation (+/-)	39,545	-272	39,817	n.a.
Changes of deferred taxation (+/-)	6,528	260	6,268	n.a.
Total	-45,917	-55,237	9,320	-16.9%
Realignment operations	13,143	-	13,143	n.a.
Taxes gross of realignment operations	-59,060	-55,237	-3,823	6.9%

Realignment operations

At the end of the first half of the year, Banca Generali proceeded to exercise the option to carry out several realignments of the carrying and tax values of goodwill, trademarks and other intangible assets, through payment of the related substitute taxes by the income tax payment deadline for the 2020 tax period, for the details of which reference should be made to the Half-Year Financial Statements.

The aforementioned operations led to:

- > the **release of the deferred tax liabilities (DTLs)** for the accounting items deriving from taxable operations (purchase of business units) for which the off-balance sheet amortisation of the tax value has already been made, for an amount of 6.2 million euros;
- > the **recognition**, based on the method indicated in the OIC application document No. 1 of February 2009¹⁵, of **deferred tax assets (DTAs)** for the accounting items from **non-taxable operations (mergers)**, for an amount of 10.9 million euros;
- > the **recognition through profit and loss of the substitute tax** paid and to be paid in instalments for an amount of 4.0 million euros.

Substitute tax on realignments	-4,026
DTAs recognised on realigned goodwill	10,979
Reversal of DTLs on goodwill, trademarks and intangible assets	6,190
Economic impact of realignments	13,143

¹⁵ In particular, the OIC application document No. 1 of 27 February 2009 relating to the "Accounting treatment of substitute tax on the redemption of goodwill pursuant to Article 15, paragraph 10, of Decree-Law No. 185 of 29 November 2008 (converted into Law No. 2 of 28 January 2009) for entities that prepare financial statements according to IAS/IFRS" provided for 3 accounting treatment models based on different interpretations of IAS 12:

1. recognition through profit and loss of just the substitute tax without recognition of DTAs, but with subsequent recognition of DTLs, against the off-balance sheet deduction of the redeemed goodwill (prepaid expenses);
2. immediate recognition through profit and loss of both the substitute tax and DTAs representing the future tax benefit, with their subsequent reabsorption (advance benefit);
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over the years in which the off-balance deduction of the redeemed amortised amounts will be applied (deferred benefit).

Banca Generali had already decided to apply the third method for previous redemption operations.

4.9 Earnings per Share

In the third quarter of 2021, basic net earnings per share were 2.35 euros, up sharply compared to the previous year (+0.66 euros).

	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	270,863	195,780	75,083	38.4%
Earnings attributable to ordinary shares (€ thousand)	270,863	195,780	75,083	38.4%
Average number of outstanding shares (thousand)	115,138	115,427	-289	-0.3%
EPS - Earning per share (euros)	2.35	1.70	0.66	38.7%
Average number of outstanding shares with diluted share capital (thousand)	115,138	115,427	-289	-0.3%
EPS - Diluted earnings per share (euros)	2.35	1.70	0.66	38.7%

4.10 Comprehensive income

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

At the end of the third quarter of 2021, the latter component provided a negative overall contribution of -3.3 million euros, compared to a net negative change of -0.5 million euros recorded at the end of the same period of the previous year.

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

- > a decrease in net valuation capital gains totalling -2.8 million euros, gross of adjustments and reversal of collective reserves;
- > the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-2.2 million euros);
- > a positive net tax effect (+1.7 million euros) associated with the above changes and mainly resulting from a net reduction in DTLs.

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Net profit	270,825	195,767	75,058	38.3%
Other income, net of income taxes:				
Exchange differences	-	-3	3	-100.0%
Financial assets measured at fair value through other comprehensive income	-3,325	-526	-2,799	n.a.
Actuarial gains (losses) from defined benefit plans	544	24	520	n.a.
Total other income, net of income taxes	-2,781	-505	-2,276	n.a.
Comprehensive income	268,044	195,262	72,782	37.3%
Consolidated comprehensive income attributable to minority interests	12	11	1	9.1%
Comprehensive income attributable to the Group	268,032	195,251	72,781	37.3%

5. Balance sheet and net equity aggregates

At the end of the first nine months of 2021, total consolidated assets amounted to 15.6 billion euros, increasing by over 2.4 billion euros (+18.2%) compared to the end of 2020.

Total net inflows reached 13.5 billion euros, up 2.0 billion euros overall, as a result of the increase in customer's current account deposits (+1.7 billion euros) and in the interbank position, due to a new TLTRO (+0.2 billion euros).

Core loans thus totalled 14.8 billion euros, up 2.4 billion euros (+19.1%).

ASSETS (€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss:	39,877	48,455	-8,578	-17.7%
Financial assets at fair value through other comprehensive income	3,305,138	2,730,098	575,040	21.1%
Financial assets measured at amortised cost	11,461,254	9,657,380	1,803,874	18.7%
a) loans to banks (*)	2,553,351	1,236,556	1,316,795	106.5%
b) loans to customers	8,907,903	8,420,824	487,079	5.8%
Equity investments	2,158	1,717	441	25.7%
Property, equipment and intangible assets	271,649	288,598	-16,949	-5.9%
Tax receivables	89,091	49,846	39,245	78.7%
Other assets	408,090	400,895	7,195	1.8%
HFS assets	1,648	-	1,648	n.a.
Total assets	15,578,905	13,176,989	2,401,916	18.2%

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

LIABILITIES AND NET EQUITY (€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial liabilities measured at amortised cost:	13,462,819	11,506,596	1,956,223	17.0%
a) due to banks	838,191	598,129	240,062	40.1%
b) due to customers	12,624,628	10,908,467	1,716,161	15.7%
Financial liabilities held for trading and hedging	136,860	69,404	67,456	97.2%
Tax liabilities	57,543	42,516	15,027	35.3%
Other liabilities	588,253	181,697	406,556	n.a.
HFS liabilities	381	-	381	n.a.
Special purpose provisions	287,410	192,272	95,138	49.5%
Valuation reserves	1,309	4,139	-2,830	-68.4%
Equity instruments	50,000	50,000	-	-
Reserves	615,354	726,471	-111,117	-15.3%
Share premium reserve	55,825	57,062	-1,237	-2.2%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-64,822	-45,185	-19,637	43.5%
Net equity attributable to minority interests	258	246	12	4.9%
Net profit (loss) for the period (+/-)	270,863	274,919	-4,056	-1.5%
Total liabilities and net equity	15,578,905	13,176,989	2,401,916	18.2%

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Financial assets at fair value through profit or loss	39,877	40,766	45,555	48,455	47,487	46,448	62,072	64,998
Financial assets at fair value through other comprehensive income	3,305,138	3,522,999	3,411,976	2,730,098	2,363,387	2,430,834	3,117,048	2,778,836
Financial assets measured at amortised cost:	11,461,254	11,308,313	9,889,588	9,657,380	9,703,228	9,107,038	8,558,941	8,206,525
a) loans to banks	2,553,351	2,304,706	1,484,204	1,236,556	1,484,651	1,347,317	1,005,579	1,130,690
b) loans to customers	8,907,903	9,003,607	8,405,384	8,420,824	8,218,577	7,759,721	7,553,362	7,075,835
Equity investments	2,158	2,205	1,658	1,717	1,906	1,959	2,024	2,061
Property, equipment and intangible assets	271,649	277,073	280,322	288,598	283,030	286,155	291,560	298,354
Tax receivables	89,091	88,545	52,882	49,846	47,980	47,735	54,407	51,168
Other assets	408,090	443,971	353,403	400,895	386,671	402,505	420,815	363,634
HFS assets	1,648	1,650	1,847	-	-	-	1,268	-
Total assets	15,578,905	15,685,522	14,037,231	13,176,989	12,833,689	12,322,674	12,508,135	11,765,576
LIABILITIES AND NET EQUITY (€ THOUSAND)								
Financial liabilities measured at amortised cost:	13,462,819	13,465,086	12,183,528	11,506,596	11,317,120	10,788,256	11,145,226	10,503,986
a) due to banks	838,191	877,405	805,612	598,129	593,496	580,630	119,156	94,807
b) due to customers	12,624,628	12,587,681	11,377,916	10,908,467	10,723,624	10,207,626	11,026,070	10,409,179
Financial liabilities held for trading and hedging	136,860	96,758	78,082	69,404	40,891	27,243	11,059	8,685
Tax liabilities	57,543	60,595	69,593	42,516	42,331	27,094	31,492	13,618
Other liabilities	588,253	789,391	184,119	181,697	184,842	472,417	159,176	147,097
HFS liabilities	381	284	384	-	-	-	356	-
Special purpose provisions	287,410	282,928	201,785	192,272	180,774	176,336	177,981	174,522
Valuation reserves	1,309	2,871	2,444	4,139	3,284	877	-10,866	3,813
Equity instruments	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reserves	615,354	613,397	1,002,866	726,471	689,914	507,834	727,414	454,465
Share premium reserve	55,825	55,875	57,062	57,062	57,066	57,202	57,729	57,729
Share capital	116,852	116,852	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-64,822	-38,888	-45,185	-45,185	-45,200	-33,395	-37,356	-37,356
Net equity attributable to minority interests	258	275	275	246	35	10	20	26
Net profit (loss) for the period (+/-)	270,863	190,098	135,426	274,919	195,780	131,948	79,052	272,139
Total liabilities and net equity	15,578,905	15,685,522	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 12.6 billion euros, with an increase of 1,716 million euros (+15.7%) compared to the figure at 31 December 2020, chiefly attributable to the rise in the balances of customers' current accounts.

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
1. Current accounts and sight deposits	12,293,423	10,440,898	1,852,525	17.7%
2. Term deposits	-	-	-	n.a.
3. Financing	22,988	144,937	-121,949	-84.1%
Repurchase agreements	22,988	144,937	-121,949	-84.1%
4. Other debts	308,217	322,632	-14,415	-4.5%
IFRS 16 - related lease liabilities	142,904	148,952	-6,048	-4.1%
Operating debts to sales network	139,823	122,752	17,071	13.9%
Other debts (money orders, amounts at the disposal of customers)	25,490	50,928	-25,438	-49.9%
Total due to customers	12,624,628	10,908,467	1,716,161	15.7%

Inflows from sight deposits, not related to the Assicurazioni Generali Group, rose by 1,773 million euros, chiefly generated by the Financial Advisor network with customers included in the Assoreti perimeter (+1,428 million euros) and awaiting reinvestment as part of a specific investment plan.

Captive inflows generated from the treasury management of the companies within the Assicurazioni Generali Group grew by nearly 74 million euros to 407 million euros at period-end, accounting for 3.2% of total inflows.

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Inflows from Parent Company	52,212	25,235	26,977	106.9%
Inflows from other subsidiaries of the Generali Group	288,811	236,703	52,108	22.0%
IFRS 16-related lease financial liabilities	65,770	71,191	-5,421	-7.6%
Total inflows from Generali Group	406,793	333,129	73,664	22.1%
Inflows from other parties	12,217,835	10,575,338	1,642,497	15.5%
- of which: current accounts	11,953,031	10,179,540	1,773,491	17.4%
Total inflows from customers	12,624,628	10,908,467	1,716,161	15.7%

Net inflows from repurchase agreements referred exclusively to very short-term treasury repurchase agreements entered into on the eMTS Repo market managed by CC&G, whose decline was essentially attributable to the unwinding of the related agreements in place.

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 14.8 billion euros overall, with a net increase of over 2,370 million euros compared to 31 December 2020 (+19.1%).

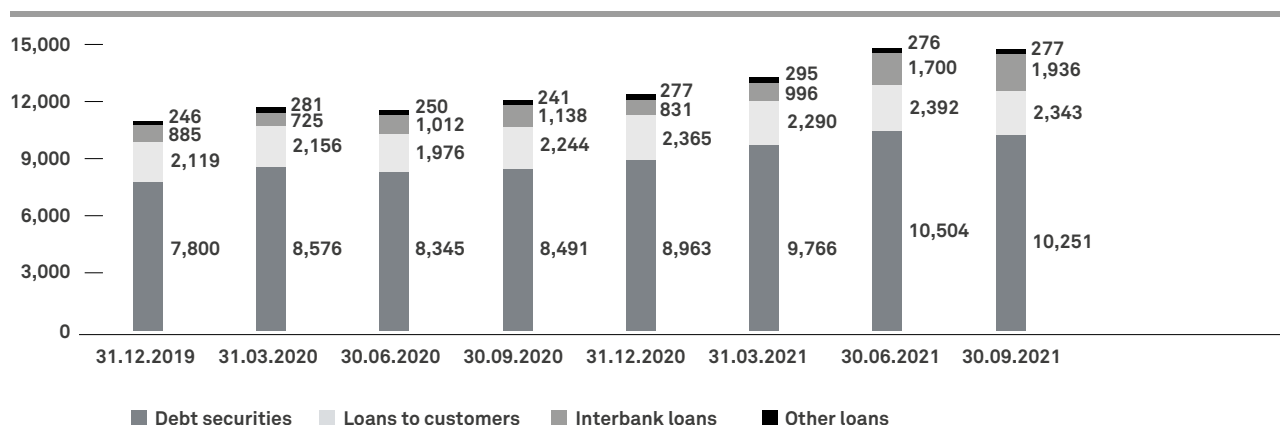
The investments in the portfolio of financial assets, which grew by nearly 1,279 million euros (+14.2%), made up the largest component of the aggregate, which, however, was also driven by the rise in loans to banks (+1,105 million euros), mainly attributable to the increase in sight deposits with the ECB (+845 million euros).

Exposures towards customers, net of the unwinding of several treasury repurchase agreements on the eMTS Repo market managed by CC&G, grew by 139 million euros, driven by current account overdraft facilities.

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	39,877	48,455	-8,578	-17.7%
Financial assets measured at fair value through other comprehensive income	3,305,138	2,730,098	575,040	21.1%
Financial assets measured at amortised cost	6,960,285	6,247,549	712,736	11.4%
Financial assets	10,305,300	9,026,102	1,279,198	14.2%
Loans to and deposits with banks ^(*)	1,935,863	831,313	1,104,550	132.9%
Loans to customers	2,342,894	2,364,706	-21,812	-0.9%
- of which: treasury transactions on the eMTS Repo market	-	160,907	-160,907	-100.0%
Operating loans and other loans	222,212	213,812	8,400	3.9%
Total interest-bearing financial assets and loans	14,806,269	12,435,933	2,370,336	19.1%

(*) ECB sight deposits included.

QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, investments in financial instruments accounted for 69.6% of total core loans, slightly decreasing compared to 72.6% at the end of 2020, and continued to be mainly driven by the expansion of the portfolio of securities issued by the government and other public institutions (+15%), and a careful and prudent diversification process regarding investments on corporate and financial debt securities.

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Government securities	8,465,913	7,611,129	854,784	11.2%
Other public institutions	344,465	49,236	295,229	n.a.
Securities issued by banks	911,096	605,190	305,906	50.5%
Securities issued by other issuers	529,299	697,621	-168,322	-24.1%
Equity securities and other securities	54,527	62,926	-8,399	-13.3%
Total financial assets	10,305,300	9,026,102	1,279,198	14.2%

As of the second quarter, however, investments concentrated in the held-to-collect (HTC) portfolio, driven by financial assets measured at amortised cost and held for long-term investment purposes, which amounted to nearly 7 billion euros at period-end, increasing by 713 million euros (+11.4%).

The held-to-collect-and-sell (HTCS) portfolio, i.e., financial assets measured at fair value with a balancing entry to net equity without any particular time constraints, increased by 575 million euros (+21.1%), chiefly driven by purchases of government bonds (+582 million euros), with a sharp prevalence of the foreign component.

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

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

At the end of the first nine months of 2021, the notional amounts of the hedging derivatives outstanding amounted to approximately 2,405 million euros, of which 360 million euros relating to the HTCS portfolio. The asset swap portfolio showed a net balance of 2,429 million euros and a fair value of 2,485 million euros overall.

The overall portfolio remained focused on sovereign debt which increased by 1,150 million euros, accounting for 85.5% of total investments in financial instruments, slightly up compared to the end of the previous year (84.9%).

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Exposure to the sovereign risk by portfolio:				
Financial assets measured at fair value through profit or loss	-	45	-45	-100.0%
Financial assets measured at fair value through other comprehensive income	2,918,885	2,337,209	581,676	24.9%
Financial assets measured at amortised cost	5,891,493	5,323,111	568,382	10.7%
Total	8,810,378	7,660,365	1,150,013	15.0%
Total foreign government bonds	3,262,469	2,186,250	1,076,219	49.2%
Total Italian government bonds	5,547,909	5,474,115	73,794	1.3%

The portion of the portfolio invested in Italian government bonds was essentially stable at 5,547 million euros, with a ratio to total volumes decreasing to 63.0% compared to 71.5% at the end of 2020.

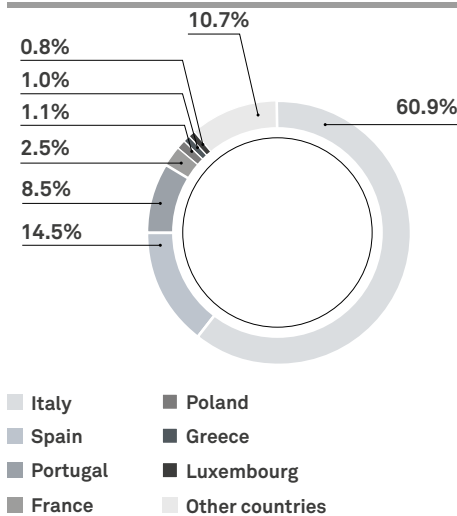
Foreign sovereign debt increased by approximately 1,076 million euros (+49.2%) to 3,262 million euros, or 37% of the total government portfolio.

This component was allocated primarily to the HTCS portfolio (2,145 million euros) and was concentrated primarily on EU bonds, with a particular focus on the Iberian Peninsula, Greece and Eastern countries.

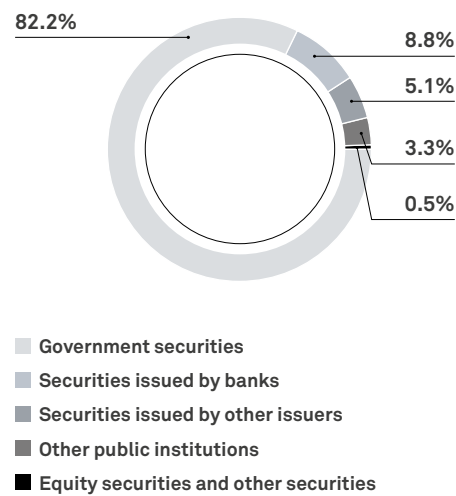
The overall geographical breakdown of the debt securities portfolio indicated therefore a decline in the concentration of investments in Italian securities, which fell from 70.6% at the end of 2020 to 60.9%, against an exposure to Spain, primarily represented by government bonds, which amounted to 14.5%.

GEOGRAPHICAL BREAKDOWN
OF SECURITIES PORTFOLIO

30.09.2021

BREAKDOWN OF FINANCIAL ASSETS
PORTFOLIO

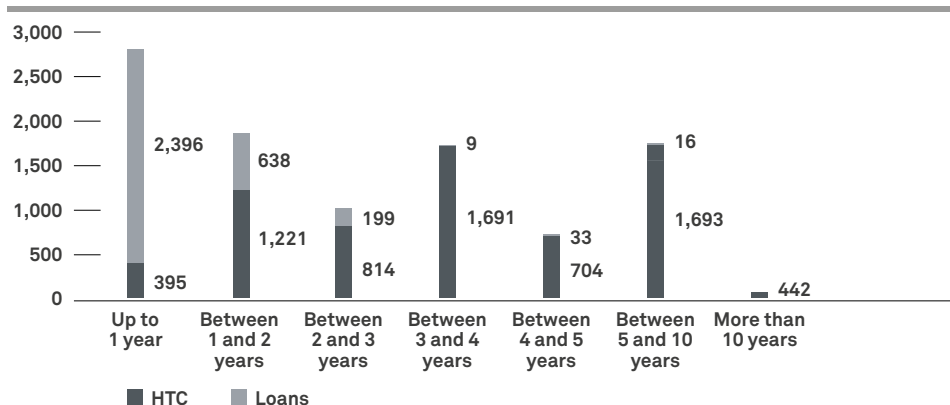
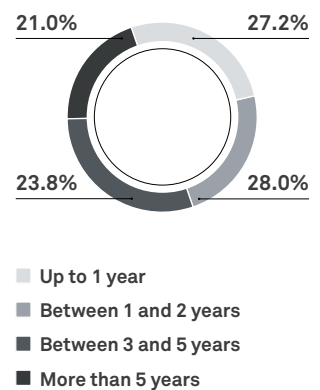
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At the end of the first nine months of 2021, the share of financial assets with a maturity of more than 3 years was 55.2%, up slightly compared to the end of 2020 (50.8%).

The portfolio of debt securities had an overall average residual life of about 3.7 years. In particular, the average maturity of the HTC portfolio was 5.0 years, whereas the average maturity of the HTCS portfolio declined to 0.8 years.

53.2% of the portfolio was made up of issues with variable-rate or inflation-linked coupons, including hedged securities, and 46.8% of fixed-rate issues with zero coupons.

BONDS PORTFOLIO MATURITY
(€ million)BREAKDOWN OF BONDS
PORTFOLIO BY MATURITY
30.09.2021

Loans to customers reached nearly 2,342 million euros and, net of short-term treasury repurchase agreement transactions on the multilateral system eMTS Repo managed by CC&G, rose by over 139 million euros compared to the end of 2020 (+6.3%) 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 **212 million euros**, bringing the total for this type of exposures to over **1,154 million euros**.

Moratorium applications, both public and specific to the Bank, such as the "Liquidity for the Nation" initiative, totalled 178 million euros, with a residual amount still outstanding at the end of the period of about 41 million euros. New mortgage loans secured by guarantees from the SME

fund, pursuant to Article 13 of the Liquidity Decree-Law No. 23/2020, amounted to 127 million euros at the end of the period.

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Current accounts	1,465,887	1,299,682	166,205	12.8%
Mortgages and personal loans	872,162	898,703	-26,541	-3.0%
Other financing and loans not in current accounts	4,845	5,414	-569	-10.5%
RRPs with CC&G on MTS REPO	-	160,907	-160,907	-100.0%
Loans	2,342,894	2,364,706	-21,812	-0.9%
Operating loans to management companies	163,793	150,735	13,058	8.7%
Sums advanced to Financial Advisors	28,323	23,297	5,026	21.6%
Stock exchange interest-bearing daily margin	3,153	24,096	-20,943	-86.9%
Charges to be debited and other loans	19,693	14,977	4,716	31.5%
Operating loans and other loans	214,962	213,105	1,857	0.9%

Operating loans and other loans grew slightly (+0.9%) as a result of the increase in trade receivables accrued on the placement and distribution of financial and insurance products, partly offset by the reduction in collateral margins paid in relation with derivatives trading on the Eurex market.

Net **non-performing exposures** on loans to customers amounted to **31.7 million euros**, or 1.35% of total loans to customers reported in the table above.

The aggregate includes all the exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. (now EFG Bank AG) upon the sale of the said company and chiefly secured to that end by cash collateral payments by the counterparty. Net of this aggregate, non-performing exposures on loans to customers amounted to **13.8 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 on loans to customers, for which risk is effectively borne by the Bank, amounted to just **0.6 million euros**, or around **0.03%** of total loans to customers.

The portfolio of non-performing loans (loans to customers excluding performing loans and securities) increased by 6.8 million euros, mostly attributable to the growth of positions past due or expired (+6.4 million euros).

(€ THOUSAND)	30.09.2021				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	28,422	5,118	9,979	43,519	29,034	4,078	3,563	36,675	6,844	19%
Adjustments	9,565	1,170	1,121	11,856	10,129	1,212	738	12,079	-223	-2%
Total net exposure	18,857	3,948	8,858	31,663	18,905	2,866	2,825	24,596	7,067	29%
Gross exposure	25,949	-	-	25,949	26,116	-	-	26,116	-167	-1%
Adjustments	8,040	-	-	8,040	8,484	-	-	8,484	-444	-5%
Exposure guaranteed by net indemnity	17,909	-	-	17,909	17,632	-	-	17,632	277	2%
Gross exposure	2,473	5,118	9,979	17,570	2,918	4,078	3,563	10,559	7,011	66%
Adjustments	1,525	1,170	1,121	3,816	1,645	1,212	738	3,595	221	6%
Exposure net of indemnity	948	3,948	8,858	13,754	1,273	2,866	2,825	6,964	6,790	98%
Net guaranteed exposure	918	3,718	8,463	13,099	1,246	2,596	2,574	6,416	6,683	104%
Net exposure not guaranteed	30	230	395	655	27	270	251	548	107	20%

At 30 September 2021, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of over 1,097 million euros, up sharply compared to a net exposure of 233 million euros at the end of the previous year, mainly due to the marked increase in net exposure towards central banks (+665 million euros).

In the first half of the year, a new financing transaction with the ECB was undertaken under the seventh cycle of the TLTRO 3 programme for further 200 million euros, which was however partly offset by a significant increase in sight deposits with the said Central Bank (+845 million euros).

In the reporting period, repurchase agreements with underlying ABSs for a residual amount of 199 million euros were entered into with banking counterparties.

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
1. Repayable on demand	1,462,562	640,814	821,748	128.2%
Sight deposits with ECB and Bank of Italy ^(*)	1,394,296	548,980	845,316	154.0%
Sight deposits with credit institutions	104	190	-86	-45.3%
Transfer accounts	68,162	91,644	-23,482	-25.6%
2. Time deposits	473,301	190,499	282,802	148.5%
Mandatory reserve	121,866	107,772	14,094	13.1%
Term deposits	21,701	24,585	-2,884	-11.7%
Repurchase agreements	199,831	-	199,831	n.a.
Collateral margins	129,903	58,142	71,761	123.4%
Total loans to banks	1,935,863	831,313	1,104,550	132.9%
1. Due to Central Banks	692,514	497,361	195,153	39.2%
TLTRO	692,514	497,361	195,153	39.2%
2. Due to banks	145,677	100,768	44,909	44.6%
Transfer accounts	110,406	77,034	33,372	43.3%
Repurchase agreements	17,282	6,014	11,268	187.4%
Other debts	17,989	17,720	269	1.5%
Total due to banks	838,191	598,129	240,062	40.1%
Net interbank position	1,097,672	233,184	864,488	n.a.

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

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

- > TLTRO 3, series IV, in the amount of 500 million euros, disbursed on 24 June 2020 and maturing on 24 June 2023, without prejudice to the possibility of early repayment starting 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 at 30 September 2021 Banca Generali was well above the targets.

5.3 Provisions

Total special-purpose provisions amounted to over 287 million euros, increasing by 95.1 million euros compared to the previous year (+49.5%), mainly due to the 80-million-euro provision set aside to protect professional clients from a potential loss related to investments in securitisations of healthcare receivables and the residual amount due to provisions for contractual indemnities of the sales network (+17.3 million euros).

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Provision for termination indemnity	4,671	4,936	-265	-5.4%
Provisions for guarantees issued and commitments	93	124	-31	-25.0%
Provisions for pensions and similar obligations	2,788	3,751	-963	-25.7%
Other provisions for liabilities and contingencies	279,858	183,461	96,397	52.5%
Provisions for staff expenses	15,269	15,541	-272	-1.8%
Restructuring provision - Redundancy incentives plan	-	162	-162	-100.0%
Provisions for legal disputes	13,053	12,923	130	1.0%
Provisions for contractual indemnities to the sales network	138,698	121,433	17,265	14.2%
Provisions for sales network incentives	26,714	27,522	-808	-2.9%
Other provisions for liabilities and contingencies	6,124	5,880	244	4.1%
Other provisions for liabilities and contingencies - initiatives for healthcare receivables	80,000	-	80,000	n.a.
Total provisions	287,410	192,272	95,138	49.5%

Contractual indemnities referred to:

- > provisions to cover termination Financial Advisor indemnities provided for under Article 1751 of the Italian Civil Code, assessed on an actuarial basis, in the amount of 77.9 million euros;
- > other indemnities relating to termination of the agency or management position (management development indemnity, portfolio development indemnity, retirement eligibility bonus) of 29.2 million euros;
- > the provision for the service of the annual cycles of the 2017-2026 Framework Loyalty Programme for the Sales Network, which saw the launch of the fifth annual cycle (2021-2026) in 2021, in the amount of 31.6 million euros. The amounts allocated to the latter provision refer to 50% of the accrued indemnity to be paid in cash, whereas the portion payable in Banca Generali shares has been accounted for pursuant to IFRS 2.

The increase in provisions for contractual indemnities was mainly due to the new annual cycle of the Loyalty Framework Programme (+11.0 million euros), as a result of both the expansion of the beneficiaries and the excellent results achieved in terms of net inflows and assets under management during the reporting period.

Net of this item, the net change in other actuarial provisions, amounting to 10.6 million euros, was due to the significant increase in the relevant bases for fees, the reduction in the discounting rates used and the revision of the demographic parameters applied, as a result of the adjustment of the retirement age of Financial Advisors based on the most recent surveys conducted¹⁶.

Accruals to other provisions for liabilities and contingencies also included amounts allocated 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 Revenues¹⁷.

¹⁶ 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.

¹⁷ In this regard, reference should be made to the Annual Integrated Report 2020.

5.4 Net equity and regulatory aggregates

At 30 September 2021, the Banking Group's consolidated net equity, inclusive of net profit for the period, amounted to 1,045.6 million euros, net of the dividend of 385.6 million euros related to financial year 2020, authorised by the Shareholders' Meeting on 22 April 2021, the distribution of which has been temporarily suspended in accordance with the Recommendation issued by the ECB on 15 December 2020 on dividend policy within the framework of the Covid-19 emergency, extended by the Bank of Italy to less significant directly supervised institutions¹⁸.

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	55,825	57,062	-1,237	-2.2%
Reserves	615,354	726,471	-111,117	-15.3%
(Treasury shares)	-64,822	-45,185	-19,637	43.5%
Valuation reserves	1,309	4,139	-2,830	-68.4%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the period	270,863	274,919	-4,056	-1.5%
Group net equity	1,045,381	1,184,258	-138,877	-11.7%
Net equity attributable to minority interests	258	246	12	4.9%
Consolidated net equity	1,045,639	1,184,504	-138,865	-11.7%

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

(€ THOUSAND)	30.09.2021	31.12.2020
Net equity at period-start	1,184,504	917,668
Allocation for prior years' dividend	-385,611	-
Purchase of treasury shares	-25,984	-12,440
Change in IFRS 2 reserves	5,496	5,823
Change in OCI valuation reserves	-2,780	332
Changes and dividends on AT1 equity instruments	-815	-1,632
Consolidated net profit	270,825	274,894
Other effects	4	-141
Net equity at period-end	1,045,639	1,184,504
Change	-138,865	266,836

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 3.3 million euros, due to the stronger volatility that impacted financial markets as a result of the inflation forecasts.

¹⁸ In accordance with the applicable 2019-2021 dividend policy, on 22 April 2021 the General Shareholders' Meeting of Banca Generali approved the proposal formulated by the Board of Directors on 5 March 2021 to distribute a dividend of 3.30 euros per share in a total maximum amount of 385.6 million euros, corresponding to a payout ratio of 70.5%, calculated on the total cumulated net profit for the years 2019 and 2020.

Dividend 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. On 29 September 2021, the Bank's Board of Directors resolved that, having the targets been met, the payout of the two dividends will be made on 22 November 2021 and 21 February 2022, respectively.

(€ THOUSAND)	30.09.2021			31.12.2020		CHANGE
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE		
Valuation reserves - HTCS debt securities	4,012	-517	3,495	7,030	-3,535	
Valuation reserves - OCI equity securities	303	-602	-299	-510	211	
Exchange differences	-	-130	-130	-131	1	
Actuarial gains (losses) from defined benefit plans	-	-1,757	-1,757	-2,250	493	
Total	4,315	-3,006	1,309	4,139	-2,830	

On 22 April 2020, the General Shareholders' Meeting also authorised the repurchase of a maximum of 700,000 treasury shares in service of remuneration plans for Key Personnel for 2020, the fifth cycle of the Framework Loyalty Programme and the new Long Term Incentive Plan for the three-year period 2021-2023.

The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 1 July 2021, was completed during the third quarter of the year.

As part of the plan, a total of 700,000 treasury shares were repurchased for an overall value of 25,984 thousand euros for the service of the Banking Group's Remuneration Policies.

In particular, the repurchased shares will be used to cover the commitments under remuneration plans for Key Personnel in 2020, the fourth cycle of the Framework Loyalty Programme for 2020 and the Long-Term Incentive Plan for the three-year period 2020-2022.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 248,207 treasury shares, with a value of 6,347 thousand euros, of which 82,684 shares in service of the 2018 LTIP, were also allotted to the Group's employees and Financial Advisors falling within the Group's Key Personnel, as well as to network managers.

At 30 September 2021, the Parent Company, Banca Generali, thus held 2,219,469 treasury shares, with a value of 64,822 thousand euros, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

	NO. OF SHARES	VALUE (EURO)	AVERAGE PRICE (EURO)	AVERAGE NO. OF SHARES
Amount at period-start	1,767,676	45,185,184	25.56	1,767,676
Allotments	-248,207	-6,347,093	25.57	-104,347
Purchases	700,000	25,984,332	37.12	58,416
Amount at period-end 2021	2,219,469	64,822,424	29.21	1,721,745

Consolidated own funds amounted to 703.6 million euros, up 27.5 million euros on the end of the previous year, mainly due to the estimated retained earnings (+54.2 million euros), partly offset by the effects of the plan for the buy-back of treasury shares (-25.9 million euros) and the increase in DTAs in excess deducted from own funds (-10.9 million euros), which were fully neutralized, as shown in the table below.

(€ THOUSAND)

Own funds at 31.12.2020	676,103
Estimated regulatory provisions for retained earnings	54,173
Purchase and sale of treasury shares	-25,984
Change in IFRS 2 reserves	5,496
Change in OCI reserves on HTCS	-3,324
Change in IAS 19 OCI reserves	494
Change in goodwill and intangible assets (net of related DTLs)	8,938
Excess DTAs through PL arising on temporary differences	-10,962
DTAs through P&L not arising on temporary differences (tax losses)	77
Negative prudential filters (prudent valuation - simplified method)	-566
Changes and dividends on AT1 equity instruments	-815
Other effects (other reserves)	3
Total changes in Tier 1 capital	27,531
Total changes in Tier 2 capital	-
Own funds at 30.09.2021	703,634
Change	27,531

With reference to the regulatory retained earnings estimate, the dividend policy, approved by Banca Generali for the 2019-2021 plan period, provides for the distribution, in compliance with the risk profile defined under the Risk Appetite Framework and the overall capital adequacy, of a dividend between 70% and 80% of consolidated net profit, with a floor of 1.25 euros per share and in any event up to the limit of 100% of the consolidated net profit accrued during the year. A regulatory retained earnings estimate was therefore made taking into account the maximum value in the expected payout range, equal to 80% of the year-to-date consolidated net profit.

On the other hand, the deduction from own funds of the amount of net DTAs exceeding 10% of CET1 was determined by the significant increase in this aggregate, attributable to the realignment operations carried out and the higher provisions for liabilities and contingencies, which are fiscally significant, carried out in the half year. The overall non-deducted amount of the increase in DTAs, weighted with a coefficient of 250%, led to an increase in credit risk amounting to 5.1 million euros.

Capital absorption grew by 50.7 million euros (+23.2%), largely due to the commitments undertaken in underwriting UCITS (+54 million euros) and the aforementioned increase in the capital requirement associated with DTAs, partly offset by a reduction of capital absorbed due to exposures to companies and supervised intermediaries (-21 million euros).

(€ THOUSAND)	30.09.2021	31.12.2020	CHANGE	
			AMOUNT	%
Common Equity Tier 1 capital (CET1)	653,634	626,103	27,531	4.40%
Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total own funds	703,634	676,103	27,531	4.07%
Credit and counterparty risk	269,342	218,677	50,665	23.17%
Market risk	30	38	-8	-22.31%
Operating risk	74,507	74,507	-	-
Total absorbed capital (Pillar I)	343,878	293,222	50,656	17.28%
Total SREP minimum requirements (Pillar II)	508,939	433,969	74,971	17.28%
Excess over SREP minimum requirements	194,695	242,134	-47,440	-19.59%
Risk-weighted assets	4,298,475	3,665,275	633,200	17.28%
CET1/Risk-weighted assets	15.2%	17.1%	-1.9%	-11.0%
Tier 1/Risk-weighted assets	16.4%	18.4%	-2.1%	-11.3%
Total own funds/Risk-weighted assets (Total Capital Ratio)	16.4%	18.4%	-2.1%	-11.3%

At the end of the reporting period, CET1 ratio reached 15.2%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 16.4%, compared to a SREP minimum requirement of 11.84%¹⁹.

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 11.7 million euros.

The Bank's liquidity ratios maintained excellent levels, with the Liquidity Coverage Ratio (LCR) at 404% and Net Stable Funding Ratio (NSFR) at 232%. The Bank's leverage ratio stood at 4.359%.

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

(€ THOUSAND)	30.09.2021		
	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	661,310	294,930	956,240
Differences between net equity and book value of companies consolidated using the line-by-line method	67,649	-	67,649
- <i>profit carried forward of consolidated companies</i>	57,444	-	57,444
- <i>goodwill</i>	8,707	-	8,707
- <i>other changes</i>	1,498	-	1,498
Dividends from consolidated companies	54,550	-283,550	-229,000
Consolidated companies' result for the period	-	259,640	259,640
Net profit attributable to minority interests	296	-38	258
Result of associates valued at equity	-154	-157	-311
Valuation reserves - consolidated companies	-130	-	-130
Goodwill	-8,707	-	-8,707
Consolidation adjustments	-38	38	-
Net equity of the Banking Group	774,776	270,863	1,045,639

¹⁹ Moreover, it should be noted that in March 2020 the ECB introduced various prudential mitigation measures aimed at reducing the impact of the Covid-19 emergency on the banking system, such as an option to operate temporarily beneath the capital conservation buffer and Pillar 2 guidance (P2G) and to comply with the binding Pillar 2 requirement (P2R) partially by using equity instruments not classified as CET1. On the basis of these measures, the total binding requirement for the Banking Group would temporarily amount to 9.34%, exceeding own funds by over 300 million euros.

6. Performance of Group companies

6.1 Performance of Banca Generali S.p.A.

Banca Generali closed the third quarter of 2021 with net profit of 294.9 million euros, up compared to 225 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 188.3 million euros to 283.6 million euros.

The result for the first nine months of 2021 was also impacted by the effect of non-recurring components, as already described in the analysis of the Consolidated Profit and Loss Account, and that from any standpoint are an extraordinary element:

- > the 80-million-euro provision allocated to protect clients from potential losses on investments in securitisations of healthcare receivables, reserved for professional clients;
- > a tax benefit totalling 13.1 million euros following the activation of the optional rule regimes for aligning the value of goodwill, trademarks and intangible assets, in compliance with Article 110 of Legislative Decree No. 104/2020 (so-called "August Decree"), the special procedure pursuant to Article 15, paragraph 10, of Legislative Decree No. 185/2008 and the ordinary procedure provided for by Article 176, paragraph 2-ter, of TUIR.

Reclassified net banking income²⁰, net of the dividends from the Banking Group's equity investments, rose by approximately 48.0 million euros (+19.2%) compared to the same period of the previous year. This increase was attributable to both the increase in net fees (+35 million euros) and in net income from trading activities (+15.3 million euros).

(€ THOUSAND)	30.09.2021	30.09.2020	CHANGE	
			AMOUNT	%
Net interest income	65,714	67,377	-1,663	-2.5%
Net income (loss) from trading activities	23,737	8,425	15,312	181.7%
Dividends	284,606	190,016	94,590	49.8%
- of which: dividends from equity investments	283,550	188,320	95,230	50.6%
Net financial income	374,057	265,818	108,239	40.7%
Fee income	542,695	455,047	87,648	19.3%
Fee expense	-335,612	-282,984	-52,628	18.6%
Net fees	207,083	172,063	35,020	20.4%
Net banking income	581,140	437,881	143,259	32.7%
Staff expenses	-70,488	-66,180	-4,308	6.5%
Other general and administrative expenses	-68,108	-63,707	-4,401	6.9%
Net adjustments of property, equipment and intangible assets	-24,507	-22,530	-1,977	8.8%
Other operating expenses/income	5,695	2,781	2,914	104.8%
Net operating expenses	-157,408	-149,636	-7,772	5.2%
Operating result	423,732	288,245	135,487	47.0%
Net adjustments for non-performing loans	-4,279	-1,913	-2,366	123.7%
Net provisions	-106,115	-18,875	-87,240	462.2%
Contributions and charges related to the banking system	-14,517	-11,148	-3,369	30.2%
Gains (losses) from the disposal of equity investments	-20	16	-36	-225.0%
Operating profit before taxation	298,801	256,325	42,476	16.6%
Income taxes for the period on current operations	-3,871	-31,342	27,471	-87.6%
Net profit	294,930	224,983	69,947	31.1%

²⁰ 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 11.8 million euros for 2021 and 9.9 million euros for 2020.

Net interest income showed a net decline of 1.7 million euros, largely due to lower interests on financial assets (-6.7 million euros), only partly offset by the transactions with the ECB (+3.1 million euros as imbalance between the TLTRO proceeds and the charges associated with excess sight deposits).

The **increase in net fees** (+20.4%) to 207.1 million euros at the end of the period was attributed to the combined effect of the increase in fee income (+87.6 million euros), particularly on the placement of securities and UCITS (+50.2 million euros) and distribution of third-party financial services (+15.8 million euros), and the increase in fee expense (+52.6 million euros), with particular regard to fees for off-premises offer (+49 million euros).

Net operating expenses²¹ amounted to approximately 157.4 million euros, up 5.2% 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 44.7%.

Net of the above-mentioned **one-off component, provisions, net adjustments and contributions and charges related to the banking system** totalled 44.9 million euros, up 13.0 million euros compared to the same period of 2020, mainly due to higher provisions for contractual indemnities for the sales network (+6.2 million euros) and the increase in the contributions to the funds for the protection of the banking system (+3.4 million euros).

Operating profit before taxation amounted to 298.8 million euros, up by 16.6% compared to the same period of 2020.

The tax burden for the reporting period, gross of the one-off component arising from the realignment, decreased markedly, with an overall tax rate declining from 12.2% for the third quarter of 2020 to 1.3%, as a result of:

- > the higher weight of the result of dividends from equity investments subject to reduced taxation;
- > the reduction of profit before taxation net of aforementioned dividends, following the recognition of the extraordinary provisions.

Total AUM managed by the Group on behalf of its customers — which is the figure used for communications to Assoreti — amounted to 81 billion euros at 30 September 2021, up 10.5% compared to the end of the previous year. Net inflows reached 5.5 billion euros, up by 34.4% compared to the figures recorded 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 260.6 million euros in the third quarter of 2021, up by over 99 million euros on the same period of 2020, largely due to performance fee income, which rose by 95.9 million euros.

²¹ 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 general and administrative expenses aggregate. As a result, the other income aggregate was restated net of these items for an amount of 51.3 million euros for 2021 and 46.1 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 general and administrative expenses aggregate and reclassified to a separate item in order to better represent the performance of the costs most closely connected to the Bank's operating structure.

Net banking income amounted to 308.1 million euros (+117.7 million euros). Operating expenses were in line with the figure at 30 September 2020, amounting to 5.7 million euros (3.8 million euros of which consisted of staff expenses).

The company's net equity amounted to 90.9 million euros, net of a dividend payout of 283.6 million euros, as payment in advance and total payment for 2020.

Overall, assets under management at 30 September 2021 amounted to 20,362 million euros, up 1,544 million euros compared to 18,818 million euros at 31 December 2020.

6.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the third quarter of 2021 with a slight net profit and net equity amounting to about 0.9 million euros.

Net banking income amounted to about 1 million euros and virtually covered operating expenses.

Assets under management totalled 1,306 million euros (1,238 million euros in 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 third quarter of 2021 with net loss of CHF 617.5 thousand (566 thousand euros), calculated based on local GAAP.

Revenues from asset management and advisory services amounted to approximately CHF 7.1 million, whereas operating expenses totalled CHF 6.9 million (of which CHF 5.4 million consisted of staff expenses).

The BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled CHF 2.4 million at 30 September 2021.

6.5 Nextam Partners SIM and Nextam Partners Ltd.

The reorganisation of the Nextam Partners Group²² continued in the first half 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 as an associate.

Pursuant to IFRS 5, the assets and liabilities relating to the company at 30 September 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 some of the previous shareholders of the Nextam Group, settlement agreements were also reached to identify any amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to permit the termination of the relationship of employment between Banca Generali and the main key manager of the acquired group²³, whereas the relationship of employment with the other two key managers has been maintained.

²² For further information, reference should be made to the Annual Integrated Report 2020.

²³ In this regard, at period-end, Banca Generali adjusted the value of the liability recognised on the basis of the variable consideration set in the group acquisition contract in favour of the sellers, amounting to 1.2 million euros.

Nextam SIM S.p.A. ended the third quarter of 2021 with a net loss of 598.5 thousand euros, down compared to a net loss of 656 thousand euros for the same period of the previous year. Net banking income amounted to 459 thousand euros and operating expenses were 805 thousand euros, of which 390 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 half of 2021.

The company has a residual net equity of GBP 208 and the liquidation procedure is expected to be completed by the end of the current year.

7. Basis of preparation

The Interim Report for the first nine 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;
- b) an illustration of the significant events and transactions that occurred during the period of reference and their impact on the balance sheet of the issuer and its subsidiaries.

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

- > the consolidated condensed balance sheet at 30 September compared with the figures at the end of the previous year;
- > the consolidated condensed profit and loss account for the first nine months of the year, compared with data for the same period of the previous year;
- > the statement of comprehensive income for the first nine 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.

It bears recalling that Banca Generali's Separate and Consolidated Interim Report at 30 September 2021 is subject to a limited audit by the independent auditing firm for the purposes of determining the profit for the period to be included in Common Equity Tier 1 capital, as required by Article 26, paragraph 2, of the Regulation (EU) No. 575/2013.

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 IFRS 19 (issued on 25 June 2020)	2020/297	16.12.2020	01.01.2021

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2021 AND EFFECTIVE AS OF 2021

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 — Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	2021/25	14.01.2021	01.01.2021
Amendments to IFRS 16 – Leases: Covid-19-Related Rent Concessions beyond 30 June 2021	2021/1421	31.08.2021	01.04.2021

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BUT NOT YET EFFECTIVE

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IFRS 3 – Business Combinations; IAS 16 – Property, Plant and Equipment; IAS 37 – Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (all issued on 14 May)	2021/1080	02.07.2021	01.01.2022

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 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 liquidazione	London	London	1	Banca Generali	100.00%	100.00%
BG Valeur S.A.	London	London	1	Banca Generali	90.10%	90.10%

Legend

type of control:

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

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 September 2021, properly reclassified and adjusted where necessary to take account of consolidation requirements, except for Nextam Partners Ltd, in liquidation procedure, which during the period 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, 4 November 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 Article 154-bis, Second Paragraph, of Legislative Decree No. 58 of 24 February 1998



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

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

declares

that the Interim Report on Operations as of 30 September 2021 corresponds to document results, books and accounts records.

Trieste, 04 November 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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