



BANCA
GENERALI

CONSOLIDATED
INTERIM
REPORT

AT 30 JUNE 2021

CONSOLIDATED INTERIM REPORT **at 30 June 2021**

BOARD OF DIRECTORS
27 JULY 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 - 27 July 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 Directors Directors Directors Directors Directors Directors
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)	30.06.2021	30.06.2020	CHANGE %
Net interest income	43.9	42.4	3.5
Net financial income	55.3	50.8	8.8
Net fees	377.4	251.4	50.1
Net banking income	432.7	302.2	43.2
Net operating expenses ^{(a) (b)}	-112.3	-109.4	2.7
- of which: staff expenses	-53.3	-51.3	4.0
Operating result ^(b)	320.4	192.8	66.1
Provisions and charges related to the banking system ^(a)	-104.7	-18.4	n.a.
Adjustments to non-performing loans	-4.1	-4.7	-13.1
Profit before taxation	211.5	169.7	24.6
Net profit	190.1	131.9	44.1

PERFORMANCE INDICATORS

	30.06.2021	30.06.2020	CHANGE %
Cost/income ratio ^{(a) (b)}	22.0%	31.1%	-29.1
Operating Costs/Total Assets (AUM) – annualised ^{(c) (b)}	0.28%	0.32%	-12.0
EBTDA ^{(a) (b)}	337.5	208.3	62.0
ROE ^(d)	35.0%	30.2%	15.9
ROA ^(e)	0.47%	0.38%	23.4
EPS - Earnings per share (euros)	1.65	1.14	44.4

NET INFLOWS

(€ MILLION) (ASSORETI DATA)	30.06.2021	30.06.2020	CHANGE %
Funds and Sicavs	1,426	924	54.3
Financial wrappers	360	-67	n.a.
Insurance wrappers	707	357	98.0
Asset management	2,493	1,214	105.4
Insurance/Pension funds	-473	153	n.a.
Securities/Current accounts	1,775	1,449	22.5
Total	3,795	2,816	34.8

- (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) The figures for the comparison period were restated net of the charges related to the banking system totaling 4.0 million euros.
- (c) Ratio of operating expenses, gross of non-recurring components, to Assoreti's period-end exact AUM and AUM arising from new acquisitions, annualised.
- (d) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the year and at the end of the previous year.
- (e) Ratio of net result for the period to Assoreti's period-end exact AUM and AUM arising from new acquisitions, annualised.

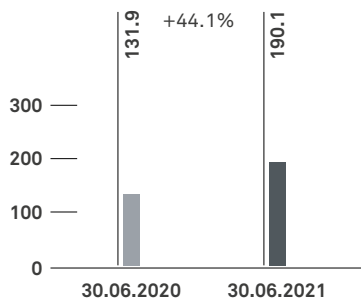
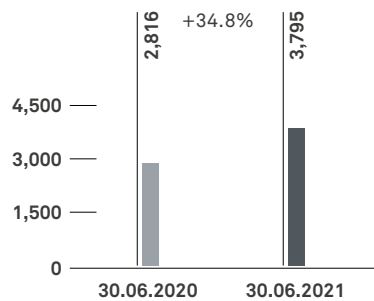
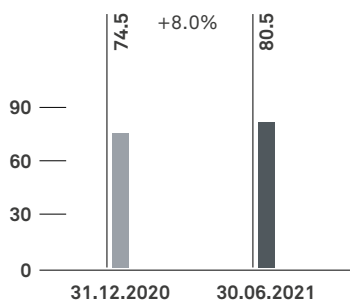
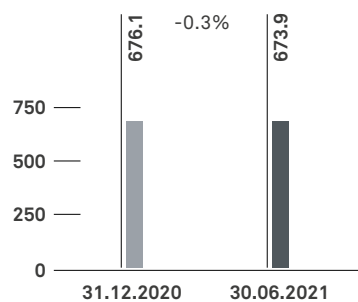
ASSETS UNDER MANAGEMENT & CUSTODY

(€ BILLION)	30.06.2021	31.12.2020	CHANGE %
Funds and Sicavs ^(f)	22.0	19.7	12.0
Financial wrappers ^(f)	8.7	8.2	6.9
Insurance wrappers	10.6	9.6	11.0
Asset management	41.4	37.4	10.6
Traditional life insurance policies	15.9	16.5	-3.1
AUC	23.2	20.7	12.2
Total	80.5	74.5	8.0

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

EQUITY

(€ MILLION)	30.06.2021	31.12.2020	CHANGE %
Net equity	990.5	1,184.5	-16.4
Own funds	673.9	676.1	-0.3
Excess capital	190.9	242.1	-21.2
Total Capital Ratio	16.5%	18.4%	-10.4

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





02

INTERIM REPORT ON OPERATIONS

AT 30 JUNE 2021

BOARD OF DIRECTORS
27 JULY 2021

1. Summary of half-year operations

The first half of 2021 closed with **significant net profit of 190.1 million euros**, up 44% compared to the previous year first half. The Bank is 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.

The positive result was fostered by the successful commercial policies implemented. At the end of the first half of the year, the Bank reached and **exceeded the net inflows target set in the 2019-2021 three-year Strategic Plan**, totalling 14.8 billion euros net inflows (vs the >14.5 billion euro target), and also **exceeded the higher target for total assets, reaching 80.4 billion euros** (vs a range of 76-80 billion euros).

It should be noted that several non-recurring items strongly impacted the results for the period under review and that from any standpoint are an extraordinary element.

1. **variable fees** reached the highest amount ever at 165.0 million euros (73.2 million euros in 2020), benefiting from the favourable financial market trend in the period — especially expansionary monetary policies and peaking stock markets — and the positive net performance generated for clients (+4.6% net of all fees);
2. the **80-million-euro provision** prudentially allocated to protect clients from potential losses on investments in securitisations of healthcare receivables, reserved for professional clients.

The aforementioned 80-million-euro provision is estimated to represent the maximum impact of the purchase offer to be launched by Banca Generali, which will pay its clients an amount not lower than that initially invested — less the repayments already made and the coupons already collected — for a lower-than-expected estimated realisable value.

The amount of the provision was defined assuming that all the clients take up the purchase offer, for a notional value of 478 million euros, which is the overall position in notes from securitisations of healthcare receivables. 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. Although the Bank has 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;

3. a **tax benefit totalling 13.1 million euros** generated by the realignment of the values of goodwill, trademarks and intangible assets, in compliance with Article 110 of Legislative Decree No. 104/2020 (so-called “August Decree”) applied to some of the past M&As (Credit Suisse business unit, Prime Consult and Banca del Gottardo), as well as to the merger of Nextam Partners carried out in 2020, in line with the ordinary procedure provided for by Article 176, paragraph 2-ter, of TUIR and the special procedure pursuant to Article 15, paragraph 10, of Legislative Decree No. 185/2008.

Net banking income rose to 432.7 million euros (+43.2%), driven by the sharp increase in net recurring fees (212.4 million euros; +19.2%), the solid performance of net financial income (55.3 million euros; +8.8%) and the already strong contribution of variable fees (165 million euros; +125%).

Operating expenses¹ amounted to 112.3 million euros (+2.7%), confirming the thorough cost discipline and the operating leverage potential of the Bank’s business model.

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 35.4% (40.2% in the previous year).

Net of the above-mentioned one-off component, **provisions, net adjustments and contributions and charges related to the banking system** totalled 28.8 million euros, up 5.7 million euros compared to 2020, mainly due to higher provisions for contractual indemnities for the sales network (+3.9 million euros) and the increase in the contributions to the funds for the protection of the banking system (+2.1 million euros).

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.

At 30 June 2021, CET1 ratio was 15.3% and Total Capital Ratio (TCR) was 16.5%, 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, currently suspended due to the Supervisory Authority's Recommendations in force.

It is confirmed that, in line with the recommendations issued by the Bank of Italy and the European Central Bank, Banca Generali will pay dividends after 1 October 2021, subject to prior verification of the satisfaction of specific requirements. Considering also the 2021 earnings retained in order to implement the dividend policy approved, Banca Generali currently has over 500 million euro potentially distributable dividends.

In this regard, it should be noted that on 23 July the ECB announced that it would not extend beyond September 2021 its recommendation to all banks to limit dividends, further strengthening the Bank's commitment to the payment of the approved dividends.

Total **assets under management** (AUM) managed by the Group amounted to **80.5 billion euros overall**, including the 1.0-billion-euro contribution deriving from the assets managed by BG Valeur. In addition, managed assets also included 1.2 billion euros in AUC of the Generali Group companies and 4.3 billion euros in units of Sicavs managed by BGFML and directly subscribed by institutional investors, for an overall total of **86.0 billion euros**.

2. Macroeconomic context

The first half of 2021 was marked by a general recovery following the recession caused by the pandemic. At global level, GDP growth is expected at about 6% for the current year and at 4.6% for 2022. In detail, growth in the United States and the Euro area is forecast to amount to +7% and +4.2%, respectively. After the sharp decline in 2020, the main investment firms estimate a return of inflation in both Europe and the USA. In this context, stock markets mainly benefited from the progress of the vaccination campaign and the accommodating policies implemented by central banks and governments around the world.

The statements of central bankers on the possibility that the return of inflation, which has been absent for years, may be temporary or persistent had a particular influence on the monetary policy decisions implemented by the central banks. In particular, the Federal Reserve confirmed an accommodating monetary policy during the last meeting in June. However, the institution presided by Jerome Powell has left open the possibility of two interest rate hikes by the end of 2023 (more likely in 2023 than in 2022), earlier than expected by the markets and earlier than previously announced by the Federal Reserve itself. The change in communication was due to an improvement in the conditions of the US economy and labour market, and, above all, to an increase in inflation estimates in the United States over the next three years. In fact, the US CPI (Consumer Price Index) figure for June, an indicator generally used to measure the inflation trend, exceeded 5%, a level not recorded since 2008.

The US economic cycle is undoubtedly more mature than that of the Eurozone. The European Central Bank does not see any particular pressure on prices and has maintained an accommodating policy during the six-month period by continuing the PEPP (Pandemic Emergency Purchase Programme), a programme for the purchase of member state government bonds to support those countries in most difficulty due to the pandemic, which will be kept active until the end of the crisis and in any case until March 2022.

At the fiscal level, the first six months of the year saw governments continue their efforts to allow the recovery of economic activities. In America, President Biden first launched the American Rescue Plan Act, a maxi stimulus of 1.9 trillion dollars and then a further 2.25 trillion dollar aid plan over eight years to upgrade infrastructures. The latter will be funded by an increase in the corporate tax rate from 21% to 25% or 28%. In Europe, the Vice-President of the European Commission, Dombrovskis, indicated the roadmap for the long-awaited Recovery Fund. The first funds will be disbursed in July and a further amount by the end of the year, linked to the achievement of certain objectives. Italy will be the main beneficiary of this maxi European plan with about 191 billion euros, of which about 70 billion euros given as grants, amounting to about 5% of Italian GDP.

In this context, the main stock exchanges closed the first six months of the year with double-digit returns. In particular, during the period the S&P 500 and Eurostoxx50 recorded yields of around 18% and 13%, respectively, outperforming the emerging market index (about +10% in euro). During the first quarter of the year, the performance of the main stock indices was driven by value stocks (e.g., cyclical stocks). The latter benefited from the reopening of economies and a lower correlation than growth stocks to higher interest rates. In the second quarter of this year, expectations of transitory rather than persistent inflation led to a stabilisation in bond yields that favoured a shift towards high-growth-potential sectors such as technology. It should be noted that revised earnings for the first quarter of 2021 saw in Europe (Eurostoxx 600) overall results 13% higher than expected — an event that had not occurred since the 2008 financial crisis. Again in Europe, the expected growth in earnings per share stands at 42% for this year and 11% for next year, testifying to the strength of the recovery in the post-pandemic economy.

As far as the bonds are concerned, yields on the main bond curves have steepened as a result of gross domestic product and inflation growth expectations. From the beginning of the year, German ten-year yields fell from -0.58% to -0.25%, whereas US Treasury yields from 0.91% to 1.44%. The BTP-Bund spread went from 112 bps to 106 bps during the period, benefiting from Mario Draghi's presence as Italy's Prime Minister and aid from the Recovery Fund. Credit spreads continued to tighten, now reaching levels close to historic lows. The spread of European high-yield issues, for example, touched 288 bps after reaching around 900 bps during the outbreak of the pandemic.

On currency markets, the dollar appreciated by approximately 3% against the euro. The US currency benefited from the more hawkish monetary policy of the Federal Reserve compared to the policy conducted by the European Central Bank in Europe. The euro also depreciated by approximately 4% against the pound sterling, whereas it appreciated against the yen by approximately 4%.

During the first half of the year, the general commodities index recorded a marked rise, driven by the gradual easing of the health crisis and the consequent evidence of a solid global cyclical recovery.

The energy sector, which has traditionally been sensitive to economic cycle trends, was particularly positive. This sector also benefited from the prudent decisions taken within OPEC-PLUS regarding the withdrawal of the cuts in supply decided during 2020.

Trends in industrial metals and agricultural commodities were also positive, whilst precious metals were not part of the upturn, held back by the increase in medium/long-term global rates.

3. Banca Generali's competitive positioning

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

3.1 The asset management market

The year 2021 began with substantially improving economic indicators: at global level, GDP growth is expected at about 6% (+4.6% for 2022). In detail, growth is forecast at +4.2% in the Euro area and at +3.5% in Italy (3.8% for 2022).

According to a Bank of Italy study, the financial wealth of Italian households, after a marked decline at the beginning of the pandemic connected with the reduction in stock prices, increased during 2021, following the financial markets' return to normality and the strong increase in savings.

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

As shown by the following table, in the first five months of 2021, net inflows of the asset management market were positive for 27.7 billion euros. The increase was concentrated in foreign funds (+27.0 billion euros); Italian funds also grew, although to a far lower extent, with positive net inflows of +0.7 billion euros. Net inflows were mainly driven by longer-term funds (25.9 billion euros); money-market funds totalled 1.7 billion euros.

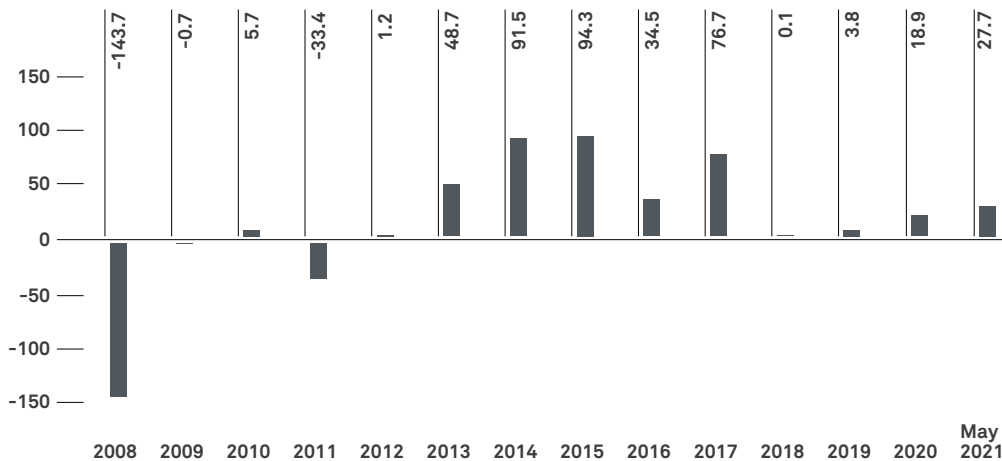
EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

(€ MILLION)	NET INFLOWS		ASSETS	
	MAY 2021	MAY 2020	MAY 2021	MAY 2020
Italian funds	719	-2,318	248,259	231,132
Foreign funds	26,953	-1,140	942,203	777,095
Total open-ended funds	27,672	-3,458	1,190,462	1,008,227
GP Retail	4,526	862	152,060	126,471
Total	32,198	-2,596	1,342,522	1,134,698

Source: Assogestioni data updated May 2021.

Money-market funds had assets of 41.0 billion euros in May 2021 (3.4% of total open-ended funds), with total net inflows positive at 1.8 billion euros. Long-term funds, which accounted for almost all open-ended funds (96.6% in May 2021), also reported positive net inflows (+25.9 billion euros). Within this category, bond funds remained the main type (36.3% of the total, with assets of 431.7 billion euros) with an increase of +4.2 billion euros in the first five months of the year. They were followed, in order of importance, by equity funds with 27.8% of total assets at 330.9 billion euros, after inflows of approximately +17.1 billion euros. Flexible funds (assets of 236.6 billion euros; 19.9%) reported a year-to-date decline of -4.0 billion euros. Balanced funds (assets of 148.0 billion euros; 12.4%) recorded a year-to-date increase of +8.8 billion euros. Hedge funds (assets of 2.4 billion euros; 0.2%) showed a year-to-date drop of -0.2 billion euros.

THE UCITS MARKET IN ITALY SINCE 2008 (€ billion)



Source: Assogestioni data updated May 2021.

3.2 The Assoreti market

In the first five months of 2021, net inflows recorded by the Assoreti market (which relate to the distribution activity of FA networks) amounted to 23.6 billion euros, with a 25.1% increase compared to the figure reported in 2020.

Approximately 74% of net inflows generated (17.5 billion euros) was allocated to insurance and asset management products, whereas the remainder was invested in AUC.

(€ MILLION)	ASSORETI MARKET		
	MAY 2021	MAY 2020	CHANGE
Asset management	10,068	2,277	7,792
Insurance products	7,462	3,555	3,907
AUC	6,039	13,004	-6,965
Total	23,570	18,837	4,734

Source: Assoreti data updated May 2021.

In the asset management market, the first five months of 2021 saw the positive performance of both the UCITS segment for approximately 6,766 million euros and discretionary mandates for 3,302 million euros.

The insurance sector continued to attract a significant share of investments with net inflows of 7,462 million euros, of which 6,967 million euros related to unit-linked and multi-line policies. Net inflows generated by AUC amounted to 6,039 million euros, thanks to the significant influx of cash.

3.3 Banca Generali

Against this background, Banca Generali continued to be one of the market leaders in terms of net inflows through Financial Advisors, with 3,065 million euros at the end of May 2021 (latest available figure for Assoreti comparison), with a market share of 13.0%. Excluding ISPB, which differs in terms of business model, the market share was 13.8%. Per-capita net inflows per Financial Advisor were 1.44 million euros, 45% above the market average (0.99 million euros).

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

FINECO BANK	4,827	20.5
BANCA FIDEURAM	4,126	17.5
ISPB	1,337	5.7
BANCA MEDIOLANUM	3,357	14.3
BANCA GENERALI	3,065	13.0
ALLIANZ BANK	2,438	10.4
AZIMUT	1,395	5.9
CREDEM	622	2.6
BNL LIFE BANKER	616	2.6
CHEBANCA!	593	2.5
DEUTSCHE BANK	512	2.2
MPS	310	1.3
BANCA EUROMOBILIARE	290	1.2
IW BANK	45	0.2
CONSULTINVEST	36	0.2
	MILLION	%

NET INFLOWS FROM AUM AND INSURANCE PRODUCTS
ASSORETI – 17.5 BILLION EUROS – AND MARKET SHARE %
(May 2021, € million)

FINECO BANK	3,326	19.0
BANCA FIDEURAM	3,255	18.6
ISPB	1,337	7.6
BANCA MEDIOLANUM	2,417	13.8
ALLIANZ BANK	2,148	12.3
BANCA GENERALI	1,582	9.0
AZIMUT	1,317	7.5
CREDEM	498	2.8
BNL LIFE BANKER	469	2.7
CHEBANCA!	424	2.4
DEUTSCHE BANK	363	2.1
MPS	217	1.2
BANCA EUROMOBILIARE	140	0.8
CONSULTINVEST	35	0.2
IW BANK	4	-
	MILLION	%

Source: Assoreti

Source: Assoreti

In terms of net inflows of asset management and insurance products, Banca Generali had a 9.0% market share (1.6 billion euros). Per-capita net inflows of asset management and insurance products amounted to 0.742 million euros, in line (+1%) with the market average of 0.738 million euros.

With specific reference to the June figures, the Bank's net inflows further increased to 3,795 million euros. This result reflected the households' high demand for financial advice, in a context where increasingly greater importance is attached to the control of risk and volatility and the diversification potential offered by wrapper products. The Bank is increasingly seen as a beacon for households in search of a secure, reliable and highly professional partner.

NET INFLOWS OF BANCA GENERALI

(€ MILLION)	BG GROUP		CHANGES VS 30.06.2020	
	30.06.2021	30.06.2020	AMOUNT	%
BG Group funds and Sicavs	1,426	924	502	54%
Financial wrappers	360	-67	427	-637%
Insurance wrappers	707	357	350	98%
Total assets under management	2,493	1,214	1,279	105%
Total traditional life insurance policies	-473	153	-626	-409%
Total AUC	1,775	1,449	326	22%
Total net inflows from products placed by the network	3,795	2,816	979	35%

In terms of assets under management, in March 2021 Banca Generali was once again one of the five top competitors in the Assoreti market, with 76.3 billion euros AUM and a market share of 11.0%.

BANCA FIDEURAM	136.8	19.7	
ISPB	116.8	16.8	
BANCA MEDIOLANUM	87.6	12.6	
FINECOBANK	84.4	12.2	
BANCA GENERALI	76.3	11.0	
ALLIANZ BANK	58.4	8.4	
AZIMUT	47.3	6.8	
CREDEM	25.2	3.6	
DEUTSCHE BANK	16.3	2.3	
BANCA EUROMOBILIARE	11.3	1.6	
IW BANK	10.2	1.5	
MPS	7.7	1.1	
BNL LIFE BANKER	7.4	1.1	
CHEBANCA!	6.2	0.9	
CONSULTINVEST	1.5	0.2	
	MILLION	%	

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

Source: Assoreti

With reference to Banca Generali's assets under management, as illustrated in the table below, the portfolio increased by approximately 8.3% in the first six months of 2021 compared to the figure at December 2020.

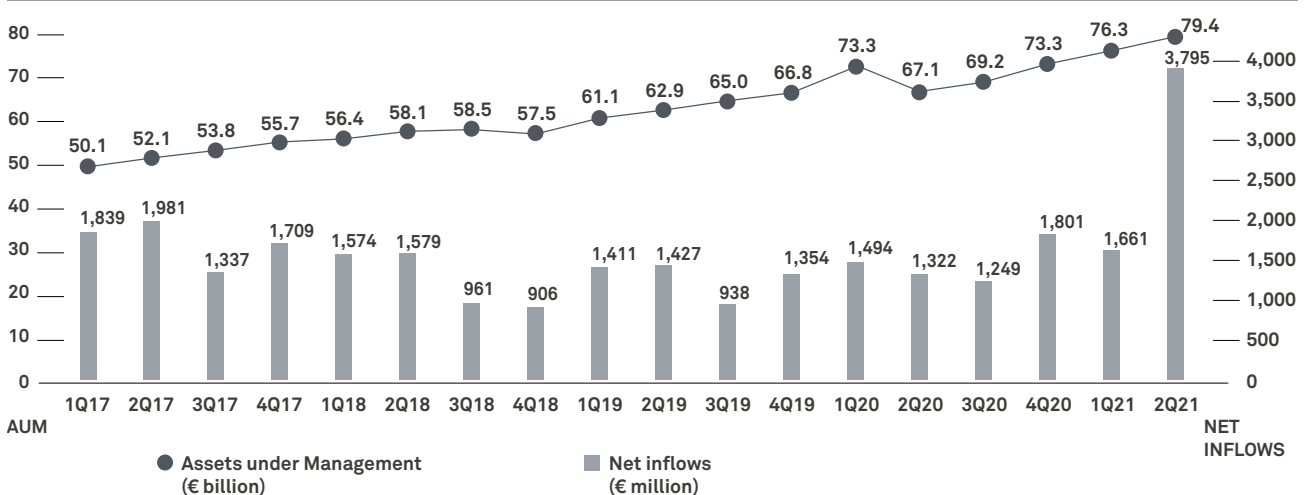
The value of the portfolio at June 2021, amounting to 79.4 billion euros, refers to the Assoreti market, which is directly attributable to the distribution activity carried out through Financial Advisors.

AUM in asset management products increased by +11.1% (funds and Sicavs +12.4%; financial wrappers +7.9%; insurance wrappers +11%), whereas traditional life insurance policies declined by -3.1%. AUC products grew by 12.2%.

BANCA GENERALI'S ASSETS UNDER MANAGEMENT

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2020	
	30.06.2021	31.12.2020	AMOUNT	%
BG Group funds and Sicavs	21,749	19,343	2,406	12.4%
Financial wrappers	7,839	7,264	575	7.9%
Insurance wrappers	10,645	9,592	1,053	11.0%
Total assets under management	40,233	36,199	4,034	11.1%
Total traditional life insurance policies Total AUC	15,947	16,453	-505	-3.1%
Total AUC	23,181	20,654	2,527	12.2%
Total AUM placed by the network	79,361	73,306	6,055	8.3%

EVOLUTION OF AUM AND NET INFLOWS



4. Group indirect inflows

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

4.1 Asset management and insurance products

Asset management products of the Banking Group

In the first six months of 2021, in the asset management segment the Banking Group conducted wealth management operations through individual portfolio management of Banca Generali and collective asset management of BG Fund Management Luxembourg S.A.

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2020	
	30.06.2021	31.12.2020	AMOUNT	%
Funds and Sicav	20,412	18,984	1,428	7.5%
GPF/GPM	8,712	8,152	560	6.9%
Total Group's managed assets	29,124	27,136	1,988	7.3%
<i>of which:</i>				
- of which UCITS attributable to the Banking Group GPF	1,626	1,638	-12	-0.7%
Total assets managed by the Banking Group, net of discretionary mandates, included in the GPF of the Banking Group	27,498	25,498	2,000	7.8%

The Banking Group's collective asset management products (funds and Sicavs) are represented by Luxembourg Sicavs placed by BG Fund Management Luxembourg S.A. for approximately 20.2 billion euros and the funds of Valeur for approximately 0.2 billion euros.

Total assets invested in funds and Sicavs managed by the Banking Group amounted to 20.4 billion euros, up 1.4 million euros (+7.5%) compared to the end of 2020.

Total individual portfolio management (GPF/GPM) of the Banking Group amounted to 8.7 billion euros, increasing compared to year-end 2020 (+6.9%). It consisted of Banca Generali's discretionary mandates for about 7.8 billion euros and discretionary mandates of Valeur for approximately 0.9 billion euros.

Third-party asset management products

As part of its product brokerage and placement operations, the Group places third-party products in both the asset management and insurance areas.

In further detail, within its Italian mutual funds segment, Banca Generali distributes the products of the Assicurazioni Generali Group and various third companies, in addition to the products of numerous international investment firms in the international UCITS segment. In June 2021, third-party assets amounted to 12.1 billion euros, up 14.5% compared to year-end 2020. Third-party funds accounted for approximately 56% of the funds placed by the Banking Group (Assoreti scope). This was due to the adoption of the open architecture model, which affords customer access to a very wide range of investment products, including at an international level.

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

specialised by geographical area and ESG themes. Overall, about 78% of BG Lux IM portfolios resorts to third-party management.

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2020	
	30.06.2021	31.12.2020	AMOUNT	%
Funds and Sicav	12,083	10,551	1,532	14.5%
GPF/GPM	14	14	-	0.6%
Total third-party asset management products	12,097	10,564	1,532	14.5%

Third-party insurance products

Almost all assets invested in insurance and pension products consist of traditional and multi-line policies of Genertellife, a company of the Assicurazioni Generali Group, placed under the brand BG Vita. In June 2021, assets stood at 26.0 billion euros, up 1.9% compared to December 2020. The residual portion of insurance products offered by third parties and placed by Banca Generali amounted to 0.6 billion euros at June 2021, up 10.5% compared to 0.5 billion euros at December 2020.

Net inflows from insurance products amounted to 0.2 billion euros in the first six months of 2021 (of which 0.7 billion euros in the multi-line policies BG Stile Libero and Lux Protection Life).

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2020	
	30.06.2021	31.12.2020	AMOUNT	%
Insurance products BG Vita (unit-linked, traditional life policies, etc.)	26,007	25,516	491	1.9%
Insurance products offered by third companies	585	529	56	10.5%
Total third-party insurance products	26,592	26,045	547	2.1%

4.2 Assets under administration and custody

Indirect net inflows of AUC consist of securities deposited by retail and corporate customers for custody and administration in portfolios opened with the Parent Company, Banca Generali. At 30 June 2021, indirect net inflows amounted to 12.9 billion euros at market value, compared to 11.5 billion euros at the end of 2020 (+12.9%).

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2020	
	30.06.2021	31.12.2020	AMOUNT	%
Indirect inflows of AUC of the Banking Group at market values	12,933	11,457	1,476	12.9%
<i>of which:</i>				
- securities portfolios of the Banca Generali Group's customers	606	472	134	28.3%
- other customers' securities portfolios	12,327	10,985	1,342	12.2%

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

5.1 Profit and Loss results²

The Group's net profit for the first half of 2021 was 190.1 million euros, up +44.1% compared to the first half of 2020.

Overall, **recurring profit totalled 83.3 million euros (+23%)**, accelerating as of the second quarter of the year, whereas **non-recurring profit reached 106.8 million euros**, increasing by 666% compared to the previous year, which in the early months had been impacted by the extraordinary volatility of the financial markets due to the outbreak of the pandemic.

Non-recurring items showed some peculiar trends that strongly impacted the results and that from any standpoint are an extraordinary element:

1. **variable fees** reached the highest amount ever at 165.0 million euros (73.2 million euros in 2020), benefiting from the favourable financial market trend in the period — especially expansionary monetary policies and peaking stock markets — and the positive net performance generated for clients (+4.6% net of all fees);
2. the **80-million-euro provision** prudentially allocated to protect clients from potential losses on investments in securitisations of healthcare receivables, reserved for professional clients;
3. 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”), with 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.

² 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 6.5 million euros in 2021 and 6.5 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 34.5 million euros in 2021 and 30.9 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.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Net interest income	43,884	42,400	1,484	3.5%
Net income (loss) from trading activities and dividends	11,379	8,400	2,979	35.5%
Net financial income	55,263	50,800	4,463	8.8%
Recurring fee income	449,215	382,002	67,213	17.6%
Fee expense	-236,795	-203,791	-33,004	16.2%
Net recurring fees	212,420	178,211	34,209	19.2%
Variable fee income	165,021	73,194	91,827	125.5%
Net fees	377,441	251,405	126,036	50.1%
Net banking income	432,704	302,205	130,499	43.2%
Staff expenses	-53,290	-51,255	-2,035	4.0%
Other general and administrative expenses (net of duty recovery)	-46,925	-44,860	-2,065	4.6%
Net adjustments of property, equipment and intangible assets	-17,082	-15,509	-1,573	10.1%
Other operating expenses/income	4,963	2,239	2,724	121.7%
Net operating expenses	-112,334	-109,385	-2,949	2.7%
Operating result	320,370	192,820	127,550	66.1%
Net adjustments for non-performing loans	-4,051	-4,662	611	-13.1%
Net provisions for liabilities and contingencies	-98,579	-14,391	-84,188	n.a.
Contributions and charges related to the banking system	-6,137	-4,019	-2,118	52.7%
Gains (losses) from equity investments	-109	-75	-34	45.3%
Operating profit before taxation	211,494	169,673	41,821	24.6%
Income taxes for the period	-21,414	-37,732	16,318	-43.2%
Net profit attributable to minority interests	-18	-7	-11	157.1%
Net profit	190,098	131,948	58,150	44.1%

Reclassified net banking income reached 432.7 million euros, up 130.5 million euros (+43.2%) compared to the same period of 2020, as a result of the following factors:

- > the contribution of **net recurring fees (34.2 million euros; +19.2%)**, driven by:
 - the performance of **fees for banking and financial services (+30%)**, which benefited from the greater revenues generated by initiatives aimed at diversifying the offering implemented in recent years (advanced advisory, retail brokerage); and
 - the increase in **management fees income (+16.6%)**, fuelled by the sharp rise in average assets under management (+15.6%);
- > the contribution of **performance fees (165 million euros; +125%)**, as illustrated above;
- > the positive **net financial income (55.3 million euros; +8.8%)**, driven by the solid performance of net interest income (+3.5%) and a higher contribution of the proprietary trading book (11.4 million euros; +35.5%), which benefited from market volatility in the second quarter of the year.

Operating expenses³ amounted to 112.3 million euros (+2.7%), confirming the thorough cost discipline and the operating leverage potential of the Bank's business model.

Core operating costs — reclassified including the recent acquisitions — totalled 101.4 million euros (+4.6%), confirming the increase to a level in the range set by the three-year plan, whereas sales staff expenses remained virtually stable. The increase in core costs reflects the AUM growth, the strengthened structure, and the launch of new IT projects.

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 35.4% (40.2% in the previous year).

³ 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.

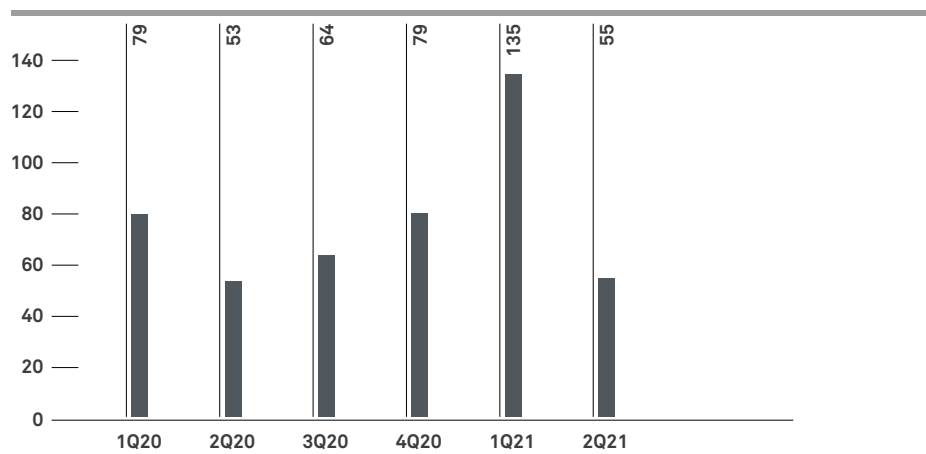
Net of the above-mentioned one-off component, **provisions, net adjustments and contributions and charges related to the banking system** totalled 28.8 million euros, up 5.7 million euros compared to 2020, mainly due to higher provisions for contractual indemnities for the sales network (+3.9 million euros) and the increase in the contributions to the funds for the protection of the banking system (+2.1 million euros).

Operating profit before taxation was 211.5 million euros, up 41.8 million euros compared to the previous year (+24.6%).

The tax burden for the reporting period, gross of the one-off component arising from the realignment, declined moderately to an overall tax rate of 16.3%, primarily due to the increased weight of the tax burden generated abroad.

Net of the extraordinary tax operations, the Group's tax rate was 10.1%.

QUARTERLY NET PROFIT (€ million)



QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

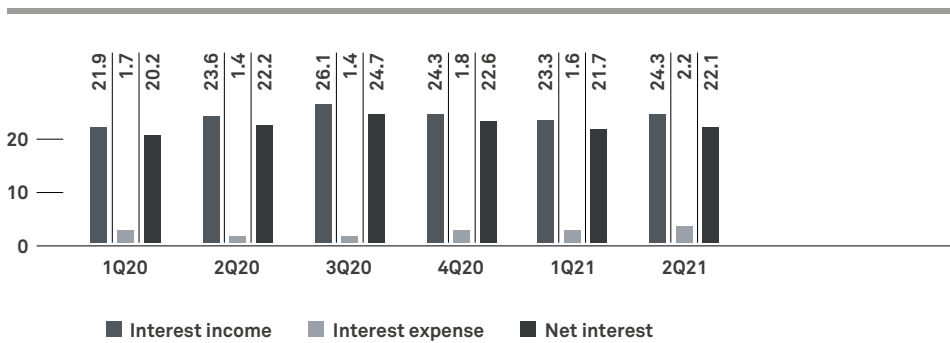
(€ THOUSAND)	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
Net interest income	22,147	21,737	22,564	24,680	22,160	20,240
Net income (loss) from trading activities and dividends	8,430	2,949	9,871	1,668	4,422	3,978
Net financial income	30,577	24,686	32,435	26,348	26,582	24,218
Recurring fee income	228,059	221,156	207,082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

5.1.1 Net interest income

In first half of 2021, net interest income amounted to 43.9 million euros, up 1.5 million euros (+3.5%) compared to the same period of 2020 as a result of both the increase in loans to customers (+15.7%) and higher proceeds associated with the ECB's financing transaction under the TLTRO 3 programme.

By contrast, the debt securities portfolio showed a modest decline in interest income (-8.0%) due to the sharper reduction in interest rates compared to the first half of 2020, which fully offset the increase in average loan volumes (+17.1%).

NET INTEREST (€ million)



The average yield of the bond portfolio for the period was approximately 65 bps compared to 79 bps for the same period of 2020. The decline in yields was attributable to the following factors:

1. further portfolio diversification and an Italy risk declining from 73% to 62% in countries with the highest rating, above BBB+ from 7% to 12%;
2. an increase of about 2 billion euros in the portfolio, with declining investment rates in line with the market trend;
3. a still modest duration of the portfolio (1.4 years compared with 1.5 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 (+15.7%), mainly as a result of the increase in the average loan volume (+11%), which benefited from both the new mortgage loans secured by guarantees from the SME fund granted in 2020 and the marked increase in Lombard loans.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	51	32	19	59.4%
Financial assets measured at fair value through other comprehensive income (*)	-1,930	657	-2,587	n.a.
Financial assets measured at amortised cost (*)	31,806	31,843	-37	-0.1%
Total financial assets	29,927	32,532	-2,605	-8.0%
Loans to banks	18	126	-108	-85.7%
Loans to customers	11,898	10,285	1,613	15.7%
Other liabilities (negative interest expense)	5,765	2,502	3,263	130.4%
Total interest income	47,608	45,445	2,163	4.8%
Due to banks	422	443	-21	-4.7%
Due to customers	369	529	-160	-30.2%
IFRS 16-related financial liabilities	1,605	1,761	-156	-8.9%
Other assets (negative interest income)	1,328	312	1,016	n.a.
Total interest expense	3,724	3,045	679	22.3%
Net interest income	43,884	42,400	1,484	3.5%

(*) Including hedging differentials.

The negative interest income paid to counterparties on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 1.3 million euros and 5.8 million euros, respectively.

Income accrued referred to:

- > the ECB's refinancing transactions as part of the TLTRO 3 programme (3.1 million euros), present in the first half of 2020 exclusively to a limited extent;
- > sight deposits held with the Bank by its institutional and non-institutional customers, for specific agreements and particularly high deposit brackets (2.6 million euros);
- > to a residual extent, treasury funding repurchase agreement transactions with banks and customers (0.1 million euros).

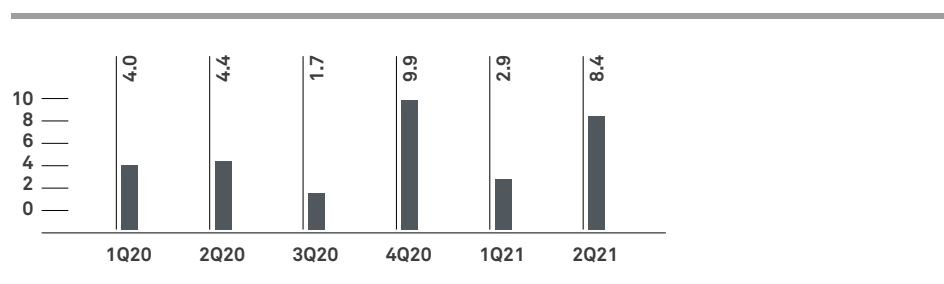
The charges incurred primarily included interest on balances with the ECB (0.9 million euros), which however, as of the end of 2019, benefited from the wide exemption thresholds introduced by the ECB's tiering system⁴.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Banks	3,181	426	2,755	n.a.
Customers	2,584	2,076	508	24.5%
Total income for negative interest expense	5,765	2,502	3,263	130.4%
Banks	1,307	226	1,081	n.a.
Customers	21	86	-65	-75.6%
Total expense for negative interest income	1,328	312	1,016	n.a.
Net negative interest income and expense	4,437	2,190	2,247	102.6%

5.1.2 Net income from trading activities and dividends

Net income from trading activities and dividends is composed of the net income on financial assets and liabilities held for trading and other assets 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)



⁴ 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.

In first half of 2021, the item yielded a positive contribution of 11.4 million euros, sharply increasing compared to the same period of the previous year.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Dividends and income on UCITS	1,056	1,696	-640	-37.7%
Trading of financial assets and equity derivatives	-92	-75	-17	22.7%
Trading of financial assets and derivatives on debt securities and interest rates	32	-88	120	-136.4%
Trading of UCITS units	-56	-124	68	-54.8%
Securities transactions	-116	-287	171	-59.6%
Currency and currency derivative transactions	2,619	3,442	-823	-23.9%
Net income (loss) from trading activities	2,503	3,155	-652	-20.7%
Equity securities and UCITS	27	-2,891	2,918	-100.9%
Debt securities	53	-28	81	n.a.
Financial Advisors' policies	150	51	99	194.1%
Net income (loss) of assets mandatorily measured at fair value through profit and loss	230	-2,868	3,098	-108.0%
Net income (loss) from hedging	2,393	83	2,310	n.a.
Gains (losses) from disposal on HTC and HTCS debt securities	5,197	6,333	-1,136	-17.9%
Net result of financial operations	11,379	8,399	2,980	35.5%

Net income from **trading activities** amounted to 2.5 million euros, due to the lower contribution of currency operations.

Outside of the trading book, **net income on assets mandatorily measured at fair value** through profit or loss increased by 3.1 million euros as a result of lower capital losses on investments in UCITS and other securities. **Net income from hedging** was positive for 2.4 million euros, attributable to the restructuring and the early closing of several asset swap transactions following the disposal of the underlying security.

Treasury management of debt securities allocated to the HTCS and HTC portfolios positively contributed 5.2 million euros, down slightly compared to 6.3 million euros for the previous year.

Dividends received in the period referred for 0.8 million euros to the investment in CSE (1.0 million euros in 2020).

5.1.3 Fee income

Fee income amounted to 614.2 million euros, up 34.9% compared to the first half of 2020, driven by the increase in recurring fees (+17.6%) and the robust contribution of variable fees, which rose by nearly 125%.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Underwriting fees	20,688	18,594	2,094	11.3%
Management fees	380,497	326,359	54,138	16.6%
Fees for other services	48,196	37,049	11,147	30.1%
Recurring fees	449,381	382,002	67,379	17.6%
Performance fees	164,855	73,194	91,661	125.2%
Total	614,236	455,196	159,040	34.9%

With regard to recurring fees, the increase was borne by the significant rise (+30.1%) in **fees for other services, of a banking and financial nature**, attributable to the revenues generated by initiatives aimed at diversifying the Assets under Advisory (BGPA) range and the contribution of the retail brokerage activities, mainly through the BG Saxo platform.

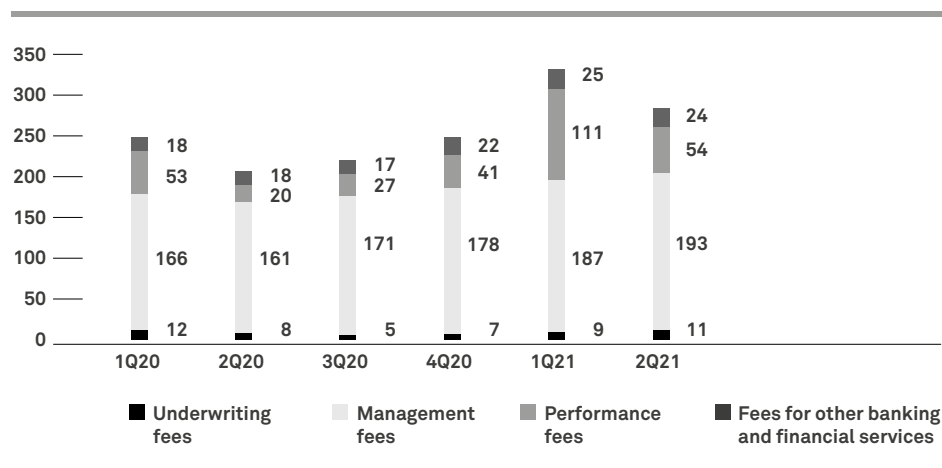
In this regard, it should be noted that **Assets under Advisory** grew significantly at the end of the first half of 2021, bringing the total value of AUM to 6.8 billion euros, compared to 5.1 billion euros at the end of the first half of 2020 (+33%).

Underwriting fees rose by approximately 2.1 million euros, driven by the more favourable performance reported particularly in the second quarter of 2021.

The increase in average assets under management (+15.6%) compared to the first half of 2020, triggered by market performance and the gradual shift of customers towards managed solutions, favoured the aggregate of **management fees**, which recorded an overall positive growth compared to 2020 (+16.6%).

The **non-recurring component** grew sharply by 125% compared to the already excellent results reported by the Sicavs promoted by the Group in the first two months of 2020, before the outbreak of the pandemic. This increase was also driven by the financial market rally, which in the first half of 2021 was buoyed by central banks' ample interventions, the launch of vaccine campaigns and the expectations for a robust economic recovery.

BREAKDOWN OF FEE INCOME (€ million)



Fee income from the solicitation of investment and asset management of households reached 566 million euros, with an 11% increase compared to the first half of 2020, net of the aforementioned non-recurring component.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
1. Collective portfolio management	310,964	195,483	115,481	59.1%
2. Individual portfolio management	42,961	37,941	5,020	13.2%
Fees for portfolio management	353,925	233,424	120,501	51.6%
1. Placement of UCITS	69,509	51,193	18,316	35.8%
2. Placement of bonds and equity securities	11,042	12,841	-1,799	-14.0%
- of which: certificates	9,733	10,834	-1,101	-10.2%
3. Distribution of third-party asset management products (GPM/GPF)	504	446	58	13.0%
4. Distribution of third-party insurance products	130,700	119,952	10,748	9.0%
5. Distribution of other third-party financial products	359	291	68	23.4%
Fees for the placement and distribution of financial services	212,114	184,723	27,391	14.8%
Asset management fee income	566,039	418,147	147,892	35.4%

Fee income from **distribution of insurance products** continued to report constant progress (+9.0% compared to the same period of 2020), thanks to the steady increase in average AUM in this segment (+5.6%).

With regard to the **Sicavs** promoted by the Banking Group, management fees — net of the effect of non-recurring performance components — grew by 16.3% compared to 2020, thanks to the constant success of the Sicav Lux IM, which reported 15.0 billion euros AUM (of which 6.5 billion euros placed directly by the Financial Advisor network).

Fees for the **placement of UCITS** amounted to 69.5 million euros, with an increase of 35.8% compared to the first half of 2020 that showed the constant demand by customers for à-la-carte funds and Sicavs.

The **placement of certificates** declined moderately compared to the record levels achieved particularly in the first quarter of 2020 (-14.1%); however, the second quarter of the year showed that it is recovering rapidly (+6.1 million euros) to pre-pandemic levels.

Fee income for other services, of a banking and financial nature, amounted to 48.2 million euros, thanks to the robust growth in Assets under Advisory (+35.3%) and greater fees for trading driven by the increase in retail customers' trading volumes (+22.1%), especially with regard to the excellent growth of operations on the BG Saxo trading platform.

In the second quarter of the year, the effects of the current account repricing action, implemented at the beginning of February this year, also began to manifest themselves⁵.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Fees for trading and custody	21,214	17,371	3,843	22.1%
Investment advisory fees	20,777	15,354	5,423	35.3%
Fees for collection and payment services	1,992	1,898	94	5.0%
Fee income and account-keeping expenses	2,337	901	1,436	159.4%
Fees for other services	1,876	1,526	350	22.9%
Total fee income for other services	48,196	37,050	11,146	30.1%

5.1.4 Fee expense

Fee expense, including fee provisions⁶, amounted to 236.8 million euros. The 16.2% increase for the period was essentially in line with the recurring fee income performance (+17.6%).

The Bank's ratio of total payout to total fee income (net of performance fees) was thus 52.7%.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Fees for off-premises offer	210,273	181,350	28,923	15.9%
Ordinary payout	163,288	138,604	24,684	17.8%
Extraordinary payout	46,985	42,746	4,239	9.9%
Other fees	26,522	22,441	4,081	18.2%
Fees for portfolio management	17,281	15,084	2,197	14.6%
Fees for dealing in securities and custody	5,653	3,991	1,662	41.6%
Fees for collection and payment services	1,861	1,853	8	0.4%
Fees for other services	1,727	1,513	214	14.1%
Total fee expense	236,795	203,791	33,004	16.2%

⁵ 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 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.

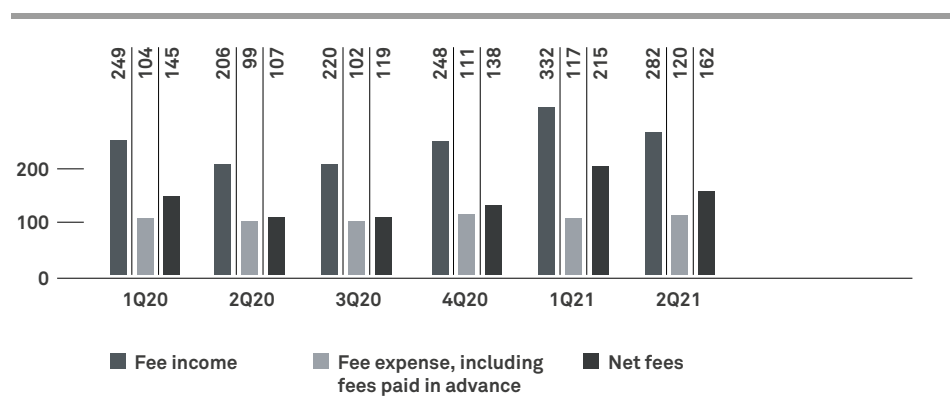
⁶ In order to ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentives related to sales and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 6.5 million euros for 2021 and 6.5 million euros for 2020.

Fee expense for off-premises offer paid to the Financial Advisor network amounted to 210.3 million euros, up 28.9 million euros compared to the same period of 2020 (+15.9%), mainly attributable to the increase in ordinary payout (+24.6 million euros), driven by the placement of certificates and advisory and, to a lower extent, to incentive fees (+4.2 million euros).

Fees for portfolio management amounted to 17.3 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 9.2 million euros, increasing compared to the same period of 2020 (+25.6%), as a result of higher fees for the trading and custody of securities (+1.7 million euros).

QUARTERLY NET FEES (€ million)



5.1.5 Operating expenses

Operating expenses⁷ amounted to 112.3 million euros, increasing by 2.9 million euros compared to the same period of 2020 (+2.7%)⁸.

Core operating costs⁹ — reclassified including the recent acquisitions — totalled 101.4 million euros (+4.6%), confirming the increase to a level in the range set by the three-year plan, whereas sales staff expenses remained virtually stable.

The increase in core costs reflects the AUM growth, the strengthened structure, and the launch of new IT projects.

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

⁸ The change included one-off charges of approximately 2.2 million euros and one-off income for 1.2 million euros, both linked to M&A transactions.

They mainly included costs linked to M&A transactions underway for 1.8 million euros and the amortisation of intangible assets arising from the acquisition of Nextam and Valeur for 0.4 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 half of 2020 — restated to eliminate the effect of the changes in the consolidation scope — had amounted to 2.7 million euros, of which 0.9 million euros for Covid-19-related donations, 0.4 million euros referring to amortisation of intangible assets and the remainder (1.4 million euros) to M&A transactions.

⁹ 'Core' operating expenses include operating expenses net of expenses related to sales personnel. The total amount at the end of the first half of 2021 was 9.9 million euros (9.7 million euros at the end of the first half of 2020).

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Staff expenses	53,290	51,255	2,035	4.0%
General and administrative expenses and other net income	41,962	42,621	-659	-1.5%
Net adjustments of property, equipment and intangible assets	17,082	15,509	1,573	10.1%
Operating expenses	112,334	109,385	2,949	2.7%

Within this aggregate, **staff expenses** including full-time employees, interim staff and directors, reached 53.3 million euros, up 2.0 million (+4.0%), as a result of a slower workforce turnover and a slight increase in the variable component, which benefited from a more favourable context than that foreseeable at the end of the first half of 2020.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
1) Employees	52,710	50,542	2,168	4.3%
Ordinary remuneration	39,065	38,026	1,039	2.7%
Variable remuneration and incentives	10,892	9,924	968	9.8%
Other employee benefits	2,753	2,592	161	6.2%
2) Other staff	-188	-124	-64	51.6%
3) Directors and Auditors	768	837	-69	-8.2%
Total	53,290	51,255	2,035	4.0%

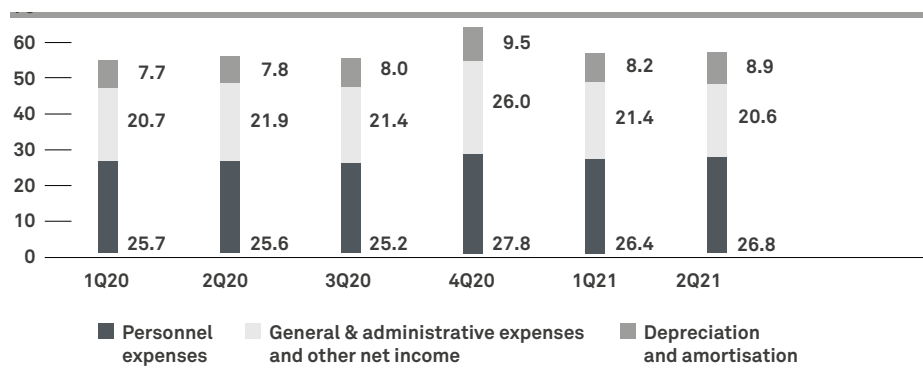
The Group had an employee headcount of 985 at period end, virtually stable compared to the previous period, whereas average headcount rose slightly by 7 compared to the same period of 2020.

	30.06.2021	30.06.2020	CHANGE		WEIGHTED AVERAGE (*)		
				%	31.12.2020	2021	2020
Managers	66	68	-2	-2.9%	65	65	68
Executives	335	302	33	10.9%	321	326	304
- 3 rd and 4 th level executives	181	177	4	2.3%	175	177	177
- 1 st and 2 nd level executives	154	125	29	23.2%	146	149	127
Other employees	584	609	-25	-4.1%	576	556	568
- of whom: part-time	57	60	-3	-5.0%	57	57	59
Total	985	979	6	0.6%	962	947	940

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

Other general and administrative expenses and other net income amounted to 42.0 million euros, slightly decreasing compared to the corresponding period of the previous year (-0.7 million euros).

BREAKDOWN OF OPERATING EXPENSES (€ million)



5.1.6 Net provisions

Net provisions not related to fees¹⁰ amounted to 98.6 million euros, up 84.2 million euros compared to the corresponding period of the previous year, mainly due to the provision, amounting to 80 million euros, set aside to protect professional customers 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 (+3.9 million euros) and for legal disputes (+1.7 million euros), partly offset by the decline in other provisions for liabilities and contingencies.

Net provisions for contractual indemnities included 10.3 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 6.6 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 applied¹¹ and the revision of the demographic parameters used due to the modification of the retirement age of Financial Advisors on the basis of the most recent observations made¹².

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	707	686	21	3.1%
Provisions for legal disputes	1,756	9	1,747	n.a.
Provision for contractual indemnities to the sales network	17,009	13,093	3,916	29.9%
Other provisions for liabilities and contingencies	-873	603	-1,476	n.a.
Provisions for healthcare receivables	80,000	-	80,000	n.a.
Guarantees and commitments	-20	-	-20	n.a.
Total	98,579	14,391	84,188	n.a.

Provision for securitisations of healthcare receivables

Banca Generali has prudentially allocated an 80-million-euro provision to protect its clients from potential losses on investments in securitisations of healthcare receivables, reserved for professional Clients.

The aforementioned 80-million-euro provision is estimated to represent the maximum impact of the purchase offer to be launched by Banca Generali, which will pay its clients an amount not lower than that initially invested — less the repayments already made and the coupons already collected — for a lower-than-expected estimated realisable value.

The amount of the provision was defined assuming that all the clients take up the purchase offer, for a notional value of 478 million euros, which is the overall position in healthcare receivables. 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.

Although the Bank has 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.

¹⁰ Fee provisions, which amounted to 6.5 million euros (6.5 million euros in 2020), are recognised under the fee expense aggregate.

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

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

5.1.7 Adjustments

Net adjustments to non-performing loans amounted to 4.1 million euros, slightly down compared to the same period of the previous year:

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	30.06.2021	30.06.2020	CHANGE
Specific adjustments/reversals	-935	537	-398	-810	412
Non-performing loans of the banking book	-782	527	-255	-443	188
Operating loans to customers	-153	10	-143	-367	224
Portfolio adjustments/reversals	-3,653	-	-3,653	-3,852	199
Debt securities	-375	-	-375	-2,054	1,679
Performing loans to customers and banks	-3,278	-	-3,278	-1,798	-1,480
Total	-4,588	537	-4,051	-4,662	611

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 3.3 million euros, mainly attributable to the new rating models for the private and corporate segments.

The debt securities portfolio recorded net adjustments for 0.4 million euros as a result of the expansion of investment volumes, only partly offset by a lower risk level of the government bond portfolio.

Overall, specific analytical adjustments were not significant in terms of amount and improved by 0.4 million euros compared to the same period of the previous year.

5.1.8 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 6.1 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 interventions undertaken in 2015 as part of the Resolution plan for four local banks (1.5 million euros)¹³.

5.1.9 Income taxes

Income taxes for the period on a current and deferred basis were estimated at 21.4 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 34.6 million euros, down 3.2 million euros.

¹³ In accordance with international accounting standards (IFRIC 21) and the Bank of Italy's technical guidelines, ordinary contributions to the Interbank Deposit Protection Fund (FITD), maturing in the third quarter of the year, were not recognised as at 30 June 2021.

The estimated total tax rate declined to 10.1%, whereas the tax rate gross of the realignment operations was 16.3%, down compared to the same period of the previous year (22.2%), chiefly due to the increase in the share of profits generated abroad.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Current taxes for the period	-67,121	-37,247	-29,874	80.2%
Prior years' taxes	33	78	-45	-57.7%
Changes of prepaid taxation (+/-)	39,000	-1,208	40,208	n.a.
Changes of deferred taxation (+/-)	6,674	645	6,029	n.a.
Total	-21,414	-37,732	16,318	-43.2%
Realignment operations	13,143	-	13,143	n.a.
Taxes gross of realignment operations	-34,557	-37,732	3,175	-8.4%

Realignment operations

At the end of the six-month period, Banca Generali proceeded to exercise the option to carry out the following 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:

- > realignment of misalignments resulting from previous years' goodwill stated in the financial statements at 31 December 2019, pursuant to Article 110 of Decree Law No. 104/2020 (so-called "August Decree"), as amended by the 2021 Budget Law through payment of a 3% substitute tax, and subsequent right to benefit from the ensuing off-balance sheet amortisation in the ordinary period of 18 years¹⁴;
- > realignment of the carrying values for goodwill, trademarks and intangible assets, resulting from the merger — effective 1 January 2020 for accounting and tax purposes — of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR, carried out pursuant to:
 - Article 15 of Decree Law No. 185/2008 (special redemption), by payment of a substitute tax of 16% and subsequent amortisation over 5 years;
 - Article 176, paragraph 2-ter, of the TUIR (ordinary redemption), limited to intangible assets, with payment of a substitute tax based on related tax brackets (12%-14%) and recognition of amortisation throughout the residual life of the intangible asset.

The first operation concerned both goodwill resulting from taxable operations for which the misalignment was generated by the off-balance sheet deduction of amortisation amounts, and goodwill resulting from tax-neutral merger operations, for which the bank had in the past already exercised the special redemption option.

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.

¹⁴ Exercise of the option, which must be confirmed when submitting the 2020 tax return, also involves applying a restriction to the balance sheet reserves for an amount corresponding to the higher values subject to realignment, net of the substitute tax.

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.

REDEEMABLE ITEMS (€ THOUSAND)	REGULATORY FRAMEWORK	REDEMPTION RATE	TAX AMORTI- SATION	BOOK VALUE	TAX VALUE	REDEEMA- BLE VALUE	SUBSTITUTE TAX	RECO- GNITION OF DTAS	REVERSAL OF DTLS	NET ECONOMIC BENEFIT
Prime Consult and INA SIM	Article 110 of Decree Law No. 104/20	3%	18 years	2,991	-	2,991	-90	-	942	852
Credit Suisse Italy	Article 110 of Decree Law No. 104/20	3%	18 years	27,433	19,559	7,874	-236	-	2,532	2,295
Taxable transactions (off-balance-sheet reduction)				30,423	19,559	10,865	-326	-	3,474	3,148
BG Fiduciaria SIM S.p.A.	Article 110 of Decree Law No. 104/20	3%	18 years	4,289	4,289	-	-	-	-	-
Banca del Gottardo Italia	Article 110 of Decree Law No. 104/20	3%	18 years	31,352	9,406	21,946	-658	7,056	-	6,397
Tax-neutral transactions (redeemed)				35,641	13,695	21,946	-658	7,056	-	6,397
Total realignment operations (Decree "Sostegni Bis")				66,065	33,253	32,811	-984	7,056	3,474	9,545
Goodwill	Article 15 of Decree Law No. 185/08	16.0%	5 years	12,202	-	12,202	-1,952	3,923	-	1,971
Trademark	Article 15 of Decree Law No. 185/08	16.0%	5 years	330	-	330	-53	-	106	53
Client relationship	Article 176, para. 3-ter	12.8%	15 years	8,119	-	8,119	-1,037	-	2,610	1,574
Total special and ordinary redemption operations				20,650	-	20,650	-3,042	3,923	2,716	3,597
Total realignment and redemption operations				86,715	33,253	53,462	-4,026	10,979	6,190	13,143

5.1.10 Earnings per Share

In the first half of 2021, basic net earnings per share were 1.65 euros, up sharply compared to the same period of the previous year (+0.51 euros).

	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	190,098	131,948	58,150	44.1%
Earnings attributable to ordinary shares (€ thousand)	190,098	131,948	58,150	44.1%
Average number of outstanding shares (thousand)	115,163	115,431	-268	-0.2%
EPS – Earning per share (euros)	1.65	1.14	0.51	44.4%
Average number of outstanding shares with diluted share capital (thousand)	115,163	115,431	-268	-0.2%
EPS – Diluted earnings per share (euros)	1.65	1.14	0.51	44.4%

5.1.11 Comprehensive income

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

At the end of the first half of 2021, the latter component provided a negative overall contribution of -1.8 million euros, compared to a net negative change of -2.8 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 2.2 million euros, net of 0.1 million euros referring to reversal of collective reserves;
- > the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-0.5 million euros);
- > a positive net tax effect (+0.9 million euros) associated with the above changes and mainly resulting from a net reduction in DTLs.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Net profit	190,080	131,941	58,139	44.1%
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	-	-3	3	-100.0%
Financial assets measured at fair value through other comprehensive income	-1,864	-2,764	900	-32.6%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	647	-172	819	n.a.
Total other income, net of taxes	-1,217	-2,939	1,722	-58.6%
Comprehensive income	188,863	129,002	59,861	46.4%
Consolidated comprehensive income attributable to minority interests	32	-10	42	n.a.
Comprehensive income attributable to the Group	188,831	129,012	59,819	46.4%

5.2 Balance sheet and net equity aggregates

At the end of the first half of 2021, total consolidated assets amounted to 15.7 billion euros, up by 2.5 billion euros (+19%) 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 14.9 billion euros, up 2.4 billion euros (+19.6%).

ASSETS (€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	40,766	48,455	-7,689	-15.9%
Financial assets at fair value through other comprehensive income	3,522,999	2,730,098	792,901	29.0%
Financial assets measured at amortised cost:	11,308,313	9,657,380	1,650,933	17.1%
a) loans to banks (*)	2,304,706	1,236,556	1,068,150	86.4%
b) loans to customers	9,003,607	8,420,824	582,783	6.9%
Equity investments	2,205	1,717	488	28.4%
Property, equipment and intangible assets	277,073	288,598	-11,525	-4.0%
Tax receivables	88,545	49,846	38,699	77.6%
Other assets	443,971	400,895	43,076	10.7%
HFS assets	1,650	-	1,650	n.a.
Total assets	15,685,522	13,176,989	2,508,533	19.0%

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

LIABILITIES AND NET EQUITY (€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial liabilities measured at amortised cost:	13,465,086	11,506,596	1,958,490	17.0%
a) due to banks	877,405	598,129	279,276	46.7%
b) due to customers	12,587,681	10,908,467	1,679,214	15.4%
Financial liabilities held for trading and hedging	96,758	69,404	27,354	39.4%
Tax liabilities	60,595	42,516	18,079	42.5%
Other liabilities	789,391	181,697	607,694	n.a.
HFS liabilities	284	-	284	n.a.
Special purpose provisions	282,928	192,272	90,656	47.1%
Valuation reserves	2,871	4,139	-1,268	-30.6%
Equity instruments	50,000	50,000	-	-
Reserves	613,397	726,471	-113,074	-15.6%
Share premium reserve	55,875	57,062	-1,187	-2.1%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-38,888	-45,185	6,297	-13.9%
Net equity attributable to minority interests	275	246	29	11.8%
Net profit (loss) for the period (+/-)	190,098	274,919	-84,821	-30.9%
Total liabilities and net equity	15,685,522	13,176,989	2,508,533	19.0%

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	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	40,766	45,555	48,455	47,487	46,448	62,072	64,998
Financial assets at fair value through other comprehensive income	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:	11,308,313	9,889,588	9,657,380	9,703,228	9,107,038	8,558,941	8,206,525
a) loans to banks	2,304,706	1,484,204	1,236,556	1,484,651	1,347,317	1,005,579	1,130,690
b) loans to customers	9,003,607	8,405,384	8,420,824	8,218,577	7,759,721	7,553,362	7,075,835
Equity investments	2,205	1,658	1,717	1,906	1,959	2,024	2,061
Property, equipment and intangible assets	277,073	280,322	288,598	283,030	286,155	291,560	298,354
Tax receivables	88,545	52,882	49,846	47,980	47,735	54,407	51,168
Other assets	443,971	353,403	400,895	386,671	402,505	420,815	363,634
HFS assets	1,650	1,847	-	-	-	1,268	-
Total assets	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)	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Financial liabilities measured at amortised cost:	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	877,405	805,612	598,129	593,496	580,630	119,156	94,807
b) due to customers	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	96,758	78,082	69,404	40,891	27,243	11,059	8,685
Tax liabilities	60,595	69,593	42,516	42,331	27,094	31,492	13,618
Other liabilities	789,391	184,119	181,697	184,842	472,417	159,176	147,097
HFS liabilities	284	384	-	-	-	356	-
Special purpose provisions	282,928	201,785	192,272	180,774	176,336	177,981	174,522
Valuation reserves	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
Reserves	613,397	1,002,866	726,471	689,914	507,834	727,414	454,465
Share premium reserve	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
Treasury shares (-)	-38,888	-45,185	-45,185	-45,200	-33,395	-37,356	-37,356
Net equity attributable to minority interests	275	275	246	35	10	20	26
Net profit (loss) for the period (+/-)	190,098	135,426	274,919	195,780	131,948	79,052	272,139
Total liabilities and net equity	15,685,522	14,037,231	13,176,989	12,833,689	12,322,674	12,508,135	11,765,576

5.2.1 Direct inflows from customers

Total direct inflows from customers amounted to 12.6 billion euros, with an increase of 1,679 million euros (+15.4%) compared to the figure at 31 December 2020, chiefly attributable to the rise in the balances of customers' current accounts.

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
1. Current accounts and sight deposits	12,136,096	10,440,898	1,695,198	16.2%
2. Financing	165,738	144,937	20,801	14.4%
Repurchase agreements	165,738	144,937	20,801	14.4%
3. Other debts	285,847	322,632	-36,785	-11.4%
IFRS 16-related lease liabilities	144,982	148,952	-3,970	-2.7%
Operating debts to sales network	117,424	122,752	-5,328	-4.3%
Other debts (money orders, amounts at the disposal of customers)	23,441	50,928	-27,487	-54.0%
Total due to customers	12,587,681	10,908,467	1,679,214	15.4%

Inflows from sight deposits, not related to the Assicurazioni Generali Group, rose by 1,392 million euros, chiefly generated by the Financial Advisor network within retail customers (+1,122 million euros) and awaiting reinvestment as part of a specific investment plan.

Captive inflows generated from the treasury activity of the companies within the Assicurazioni Generali Group grew by nearly 300 million euros to 633 million euros at the end of the period, accounting for 5.0% of total inflows. The increase was partly attributable to deposits linked to the new subordinated sustainability bond issued by the Insurance Group's Parent Company at the end of June.

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Inflows from Parent Company	253,072	25,235	227,837	n.a.
Inflows from other subsidiaries of the Generali Group	311,698	236,703	74,995	31.7%
IFRS 16-related lease financial liabilities	68,057	71,191	-3,134	-4.4%
Total inflows from Generali Group	632,827	333,129	299,698	90.0%
Inflows from other parties	11,954,854	10,575,338	1,379,516	13.0%
- of which: current accounts	11,571,797	10,179,540	1,392,257	13.7%
Total inflows from customers	12,587,681	10,908,467	1,679,214	15.4%

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

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

5.2.2 Core loans

Core loans totalled 14.9 billion euros overall, with a net increase of over 2,436 million euros compared to 31 December 2020 (+19.6%).

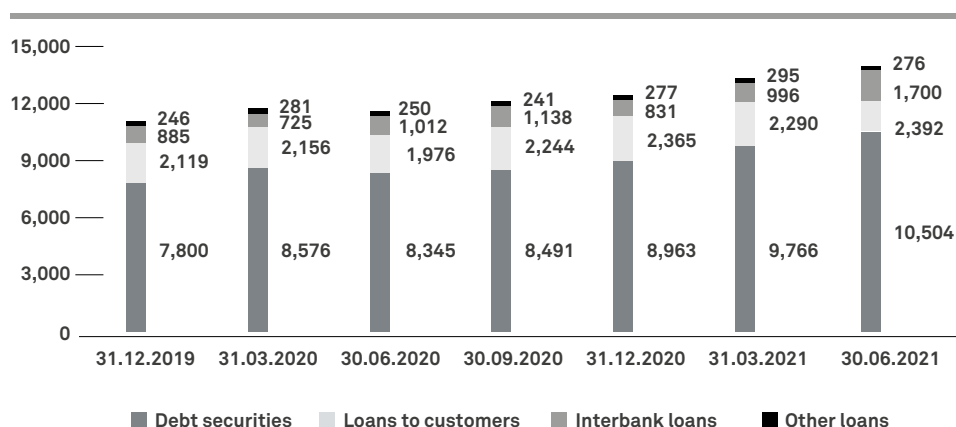
The investments in the portfolio of financial assets, which grew by nearly 1,533 million euros (+17.0%), made up the largest component of the aggregate, which, however, was also driven by the rise in loans to banks (+869 million euros), mainly attributable to the increase in sight deposits with the ECB (+630 million euros).

Exposures to customers increased more moderately (+27 million euros), as they were partially impacted by the unwinding of several repurchase transactions on the eMTS Repo market managed by CC&G.

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	40,766	48,455	-7,689	-15.9%
Financial assets measured at fair value through other comprehensive income	3,522,999	2,730,098	792,901	29.0%
Financial assets measured at amortised cost	6,995,167	6,247,549	747,618	12.0%
Financial assets	10,558,932	9,026,102	1,532,830	17.0%
Loans to and deposits with banks ^(*)	1,700,462	831,313	869,149	104.6%
Loans to customers	2,391,798	2,364,706	27,092	1.1%
- of which: treasury transactions on the eMTS Repo market	93,377	160,907	-67,530	-42.0%
Operating loans and other loans	220,886	213,812	7,074	3.3%
Total interest-bearing financial assets and loans	14,872,078	12,435,933	2,436,145	19.6%

(*) ECB sight deposits included.

QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, investments in financial instruments accounted for 71.0% 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 (+13.8%), and a careful and prudent diversification process regarding investments on corporate and financial bonds.

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Government securities	8,494,048	7,611,129	882,919	11.6%
Other public institutions	226,633	49,236	177,397	n.a.
Securities issued by banks	934,854	605,190	329,664	54.5%
Securities issued by other issuers	848,191	697,621	150,570	21.6%
Equity securities and other securities	55,206	62,926	-7,720	-12.3%
Total financial assets	10,558,932	9,026,102	1,532,830	17.0%

During the period under review, such investments were mainly directed at 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, which increased by 793 million euros (+29%).

Within this portfolio, growth was mostly driven by purchases of government bonds (+667 million euros), with a sharp prevalence of the foreign component.

In 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 748 million euros (+12%).

In the first half of the year, 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 half of 2021, the notional amounts of the hedging derivatives outstanding amounted to approximately 2,290 million euros, of which 360 million euros relating to the HTCS portfolio. The asset swap portfolio reported a net balance of 2,313 million euros and a fair value of 2,403 million euros overall.

The overall portfolio remained focused on sovereign debt and increased by 1,060 million euros, accounting for 82.6% of total investments in financial instruments, slightly down compared to the end of the previous year (84.9%).

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Exposure to the sovereign risk by portfolio:				
Financial assets measured at fair value through profit or loss	49	45	4	8.9%
Financial assets measured at fair value through other comprehensive income	3,030,077	2,337,209	692,868	29.6%
Financial assets measured at amortised cost	5,690,555	5,323,111	367,444	6.9%
Total	8,720,681	7,660,365	1,060,316	13.8%

The portion of the portfolio invested in Italian government bonds was essentially stable at 5,503 million euros, with a ratio to total volumes decreasing to 63.1% compared to 71.5% at the end of 2020.

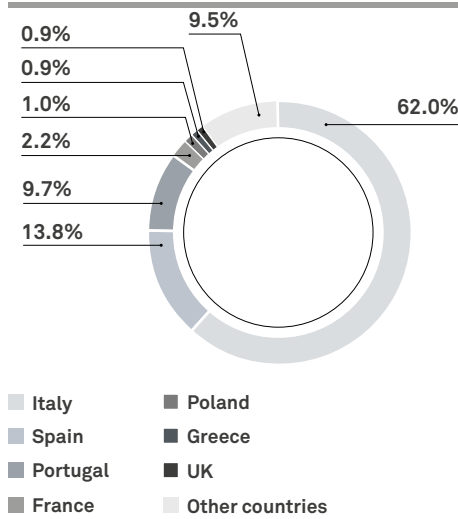
Foreign sovereign debt increased by approximately 1,031 million euros (+47.2%) to 3,218 million euros, or 36.9% of the total government portfolio.

This component was allocated primarily to the HTCS portfolio (2,248 million euros) and was concentrated primarily in EU bonds, with a particular focus on the Iberian peninsula, Greece and Eastern countries.

The overall geographical breakdown of the debt securities portfolio indicates therefore a decline in the concentration of investments in Italian securities, which fell from 70.6% at the end of 2020 to 62.0%, reflecting an increase in the exposure to Spain, primarily represented by government bonds, which amounted to 13.8%.

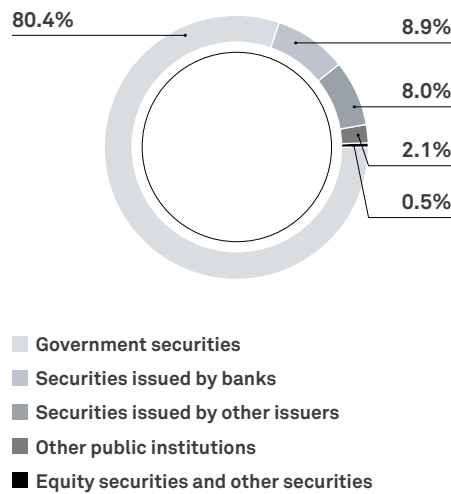
BREAKDOWN OF BOND PORTFOLIO BY COUNTRY

30.06.2021



BREAKDOWN OF FINANCIAL ASSETS

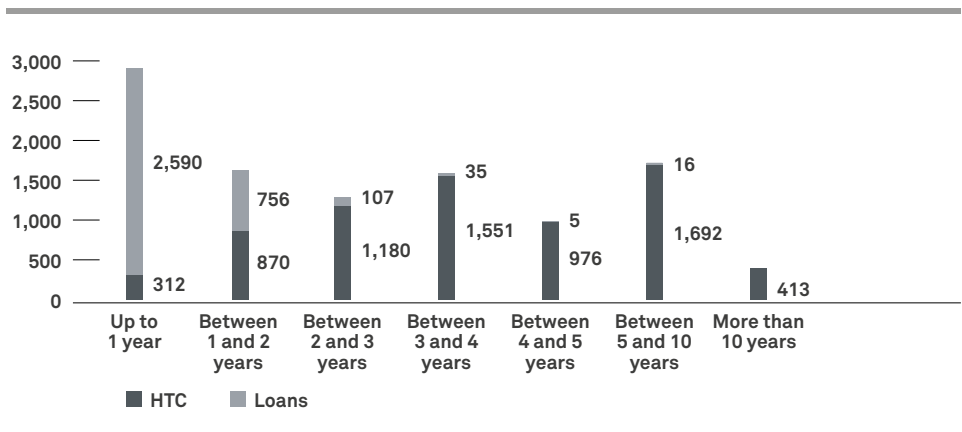
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At the end of the first half of 2021, the share of financial assets with a maturity of more than 3 years was 44.6%, down compared to the end of 2020 (50.8%). The portfolio of debt securities had an overall average residual life of about 3.7 years. 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.

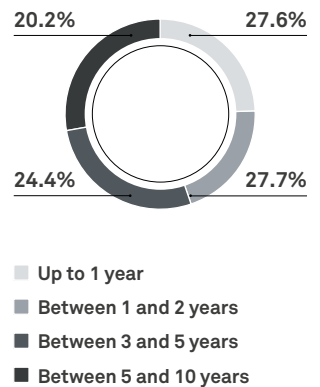
50.7% of the portfolio was made up of issues with variable-rate or inflation-linked coupons, including hedged securities, and 49.3% of fixed-rate issues and zero coupons.

BOND PORTFOLIO MATURITY (€ million)



BREAKDOWN OF BOND PORTFOLIO BY MATURITY

30.06.2021



Loans to customers neared 2,392 million euros and, net of short-term treasury repurchase agreement transactions on the multilateral system eMTS Repo managed by CC&G, rose by nearly 95 million euros compared to the end of 2020 (+4.3%) 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 Lombard loans, fully secured by pledged financial instruments, grew by over **156 million euros**, bringing the total for this type of exposure to over **1,098 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 half-year of about 80 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 123 million euros at the end of the half-year.

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Current accounts	1,404,063	1,299,682	104,381	8.0%
Mortgages and personal loans	889,428	898,703	-9,275	-1.0%
Other financing and loans not in current accounts	4,930	5,414	-484	-8.9%
RRPs with CC&G on MTS REPO	93,377	160,907	-67,530	-42.0%
Loans	2,391,798	2,364,706	27,092	1.1%
Operating loans to management companies	169,614	150,735	18,879	12.5%
Sums advanced to Financial Advisors	20,256	23,297	-3,041	-13.1%
Stock exchange interest-bearing daily margin	8,935	24,096	-15,161	-62.9%
Charges to be debited and other loans	17,371	14,977	2,394	16.0%
Operating loans and other loans	216,176	213,105	3,071	1.4%

Among **operating loans** and other loans, there was a slight increase (+1.4%) 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 margins paid in relation with derivatives trading on the Eurex market.

Net **non-performing exposures** on loans to customers amounted to **28.8 million** euros, or 1.2% 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 **10.9 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 4.1 million euros, mostly attributable to the growth of positions past due or expired (+4.9 million euros).

(€ THOUSAND)	30.06.2021				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	28,884	3,278	8,901	41,063	29,034	4,078	3,563	36,675	4,388	12%
Adjustments	10,116	965	1,215	12,296	10,129	1,212	738	12,079	217	2%
Total net exposure	18,768	2,313	7,686	28,767	18,905	2,866	2,825	24,596	4,171	17%
Gross exposure	26,308	-	-	26,308	26,116	-	-	26,116	192	1%
Adjustments	8,484	-	-	8,484	8,484	-	-	8,484	-	-
Exposure guaranteed by net indemnity	17,824	-	-	17,824	17,632	-	-	17,632	192	1%
Gross exposure	2,576	3,278	8,901	14,755	2,918	4,078	3,563	10,559	4,196	40%
Adjustments	1,632	965	1,215	3,812	1,645	1,212	738	3,595	217	6%
Exposure net of indemnity	944	2,313	7,686	10,943	1,273	2,866	2,825	6,964	3,979	57%
Net guaranteed exposure	902	2,084	7,354	10,340	1,246	2,596	2,574	6,416	3,924	61%
Net exposure not guaranteed	42	229	332	603	27	270	251	548	55	10%

At 30 June 2021, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of over 823 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 (+438.8 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 (+630 million euros).

At period-end, repurchase agreements with underlying ABSs for 223 million euros were entered into with banking counterparties.

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
1. Repayable on demand	1,244,507	640,814	603,693	94.2%
Sight deposits with ECB and Bank of Italy ^(*)	1,179,071	548,980	630,091	114.8%
Sight deposits with credit institutions	105	190	-85	-44.7%
Transfer accounts	65,331	91,644	-26,313	-28.7%
2. Time deposits	455,955	190,499	265,456	139.3%
Mandatory reserve	113,417	107,772	5,645	5.2%
Term deposits	25,406	24,585	821	3.3%
Repurchase agreements	223,487	-	223,487	n.a.
Collateral margins	93,645	58,142	35,503	61.1%
Total loans to banks	1,700,462	831,313	869,149	104.6%
1. Due to Central Banks	694,303	497,361	196,942	39.6%
TLTRO	694,303	497,361	196,942	39.6%
2. Due to banks	183,102	100,768	82,334	81.7%
Transfer accounts	156,267	77,034	79,233	102.9%
Repurchase agreements	8,923	6,014	2,909	48.4%
Other debts	17,912	17,720	192	1.1%
Total due to banks	877,405	598,129	279,276	46.7%
Net interbank position	823,057	233,184	589,873	253.0%

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

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

- > TLTRO 3, series IV, in the amount of 500 million euros, disbursed on 24 June 2020 and maturing on 24 June 2023, without prejudice to the possibility of early repayment starting in September 2021;
- > TLTRO 3, series VII, in the amount of 200 million euros, disbursed on 24 March 2021 and maturing on 27 March 2024, without prejudice to the possibility of early repayment as of the end of March 2022.

Following the modifications to the TLTRO programme approved by the ECB in January 2021, the interest rate applicable to each transaction was set at a level equal to the average of the main Eurosystem refinancing operations, currently -0.5%, except for periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022, in which a special interest rate reduced by 50 basis points could apply under certain conditions and up to a maximum negative rate of 1%.

In particular, the special interest rate will apply where in the period 23 March 2020–23 March 2021 (special reference period) and 24 March 2021–24 March 2022 (additional special reference period), net eligible loan flows disbursed to households for credit purposes other than home purchases and to non-financial companies residing in the Euro area (net lending special) are greater than or equal to zero.

It should be noted that as at 30 June 2021 Banca Generali was well above the targets.

5.2.3 Provisions

Total special-purpose provisions amounted to nearly 283 million euros, increasing by 90.7 million euros compared to the previous year (+47.1%), mainly due to the provision, amounting to 80 million euros, set aside to protect professional customers from a potential loss related to investments in securitisations of healthcare receivables and the residual amount being due to provisions for contractual indemnities of the sales network (+16.1 million euros).

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Provision for termination indemnity	4,559	4,936	-377	-7.6%
Provisions for guarantees issued and commitments	104	124	-20	-16.1%
Provisions for pensions and similar obligations	2,728	3,751	-1,023	-27.3%
Other provisions for liabilities and contingencies	275,537	183,461	92,076	50.2%
Provisions for staff expenses	14,486	15,541	-1,055	-6.8%
Restructuring provision - Redundancy incentives plan	-	162	-162	-100.0%
Provisions for legal disputes	13,751	12,923	828	6.4%
Provisions for contractual indemnities to the sales network	137,486	121,433	16,053	13.2%
Provisions for sales network incentives	25,753	27,522	-1,769	-6.4%
Other provisions for liabilities and contingencies	4,061	5,880	-1,819	-30.9%
Other provisions for liabilities and contingencies - initiatives for healthcare receivables	80,000	-	80,000	n.a.
Total provisions	282,928	192,272	90,656	47.1%

Contractual indemnities referred to:

- > provisions to cover termination indemnities for Financial Advisors provided for in Article 1751 of the Italian Civil Code, assessed on an actuarial basis, in the amount of 76.5 million euros;
- > other indemnities relating to termination of the agency or management position (management development indemnity, portfolio development indemnity, retirement eligibility bonus) of 30.1 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 30.9 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 (+10.4 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 5.7 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 the Financial Advisors on the basis of 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.

5.2.4 Net equity and regulatory aggregates

At 30 June 2021, the Banking Group's consolidated net equity, inclusive of net profit for the period, amounted to 990.5 million euros, net of the 2020 dividend of 385.6 million euros authorised by the Shareholders' Meeting on 22 April 2021, the distribution of which has been suspended until 1 October 2021 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)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	55,875	57,062	-1,187	-2.1%
Reserves	613,397	726,471	-113,074	-15.6%
(Treasury shares)	-38,888	-45,185	6,297	-13.9%
Valuation reserves	2,871	4,139	-1,268	-30.6%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the period	190,098	274,919	-84,821	-30.9%
Group net equity	990,205	1,184,258	-194,053	-16.4%
Net equity attributable to minority interests	275	246	29	11.8%
Consolidated net equity	990,480	1,184,504	-194,024	-16.4%

The decrease in net equity in the first half of 2021 was influenced by 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 well as by the aforementioned distribution policy of the 2020 dividend, as showed in the following table.

	30.06.2021	31.12.2020
Net equity at period-start	1,184,504	917,668
Allocation for prior years' dividend	-385,611	-
Purchase of treasury shares	-	-12,440
Change in IFRS 2 reserves	3,563	5,823
Change in OCI valuation reserves	-1,217	332
Changes and dividends on AT1 equity instruments	-815	-1,632
Consolidated net profit	190,080	274,894
Other effects	-24	-141
Net equity at period-end	990,480	1,184,504
Change	-194,024	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 1.9 million euros, due to the stronger volatility that impacted financial markets as a result of the inflation forecasts and, with regard to the pandemic emergency, to the spread of new virus variants able to jeopardise the effects of the vaccine campaigns underway.

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 consolidated net profit for the years 2019 and 2020. Dividend payout will take place in two tranches, namely 2.70 euros in the fourth quarter of 2021 and 0.60 euros in the first quarter of 2022, and will be subject to the satisfaction of the following conditions, in accordance with the provisions of the Recommendation ECB/2020/62: (i) the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; (ii) guaranteeing a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively.

(€ THOUSAND)	30.06.2021			31.12.2020	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	5,648	-487	5,161	7,030	-1,869
Valuation reserves - OCI equity securities	97	-602	-505	-510	5
Exchange differences	-	-130	-130	-131	1
Actuarial gains (losses) from defined benefit plans	-	-1,655	-1,655	-2,250	595
Total	5,745	-2,874	2,871	4,139	-1,268

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, has yet to be launched. Therefore, on 30 June 2021, a 31.6-million-euro commitment to repurchase own funds was recognised, also for prudential purposes, against treasury shares still to be bought back.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 246,385 treasury shares, with a value of 6,298 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 Key Personnel, as well as to network managers.

At the end of the half-year, the Parent Company, Banca Generali, thus held 1,521,291 treasury shares, with a value of 38,888 thousand euros, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

	NO. OF SHARES	VALUE (EUROS)	AVERAGE PRICE	AVERAGE NO. OF SHARES
Amount at period-start	1,767,676	45,185,184	25.56	1,767,676
Allotments	-246,385	-6,297,135	25.56	-79,330
Purchases	-	-	n.a.	-
Amount at period-end	1,521,291	38,888,050	25.56	1,688,346

Consolidated own funds amounted to 673.9 million euros, down 2.2 million euros on the end of the previous year, mainly due to the effects of the inception of the plan for the buy-back of treasury shares (-31.6 million euros) and the increase in DTAs in excess deducted from own funds (-12.4 million euros), which fully offset estimated retained earnings (+38.0 million euros) and other effects (+3.7 million euros), as shown in the table below.

Own funds at 31.12.2020	676,103
Repurchase commitments of CET1 instruments	-31,557
Regulatory retained earnings estimate	38,020
Change in IFRS 2 reserves	3,564
Change in OCI reserves on HTCS	-1,864
Change in IAS 19 OCI reserves	596
Change in goodwill and intangible assets (net of related DTLs)	2,830
Excess DTAs through PL arising on temporary differences	-12,366
DTAs through P&L not arising on temporary differences (tax losses)	217
Negative prudential filters (prudent valuation - simplified method)	-785
Changes and dividends on AT1 equity instruments	-815
Other effects (other reserves)	-22
Total changes in Tier 1 capital	-2,182
Total changes in Tier 2 capital	-
Own funds at 30.06.2021	673,921
Change	-2,182

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 minimum 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. For the first half of 2021, a regulatory retained earnings estimate was therefore made taking into account the maximum value in the expected payout range, equal to 80% of the consolidated net profit for the period.

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 instead to an increase in credit risk amounting to 5.7 million euros.

Capital absorption increased by 33.2 million euros (+15.2%) due mainly to the expansion of exposures to companies (+10.8 million euros) and greater capital absorption of exposures to supervised intermediaries (+8.4 million euros), as well as to the aforementioned increase in the capital requirement associated with DTAs.

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Common Equity Tier 1 capital (CET1)	623,921	626,103	-2,182	-0.35%
Additional Tier 1 (AT1) capital	50,000	50,000	-	-
Total Own funds	673,921	676,103	-2,182	-0.32%
Credit and counterparty risk	251,792	218,677	33,115	15.14%
Market risk	71	38	33	86.84%
Operating risk	74,507	74,507	-	-
Total absorbed capital (Pillar I)	326,370	293,222	33,148	11.30%
Total SREP minimum requirements (Pillar II)	483,028	433,969	49,059	11.30%
Excess over SREP minimum requirements	190,893	242,134	-51,241	-21.16%
Risk-weighted assets	4,079,614	3,665,275	414,339	11.30%
CET1/Risk-weighted assets	15.3%	17.1%	-1.8%	-10.5%
Tier 1/Risk-weighted assets	16.5%	18.4%	-1.9%	-10.4%
Total own funds/Risk-weighted assets (Total Capital Ratio)	16.5%	18.4%	-1.9%	-10.4%

At the end of the reporting period, CET1 ratio reached 15.3%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 16.5%, 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 432% and Net Stable Funding Ratio (NSFR) at 208%. The Bank's leverage ratio stood at 4.3%.

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

(€ THOUSAND)	30.06.2021		
	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	687,043	210,311	897,354
Differences between net equity and book value of companies consolidated using the line-by-line method	67,505	-	67,505
- <i>profit carried forward of consolidated companies</i>	57,444	-	57,444
- <i>goodwill</i>	8,707	-	8,707
- <i>other changes</i>	1,354	-	1,354
Dividends from consolidated companies	54,550	-218,550	-164,000
Consolidated companies' result for the period	-	198,446	198,446
Net profit attributable to minority interests	257	18	275
Result of associates valued at equity	-154	-109	-263
Valuation reserves - consolidated companies	-130	-	-130
Goodwill	-8,707	-	-8,707
Consolidation adjustments	18	-18	-
Net equity of the Banking Group	800,382	190,098	990,480

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.

5.2.5 Cash flows

In the first half of 2021, operating activities generated a total of nearly 631 million euros in cash flows.

In detail, cash inflows were primarily generated by operations (234 million euros), the sharp increase in net inflows from customers (+1,681 million euros) and banks, the effect of a new tranche of the TLTRO 3 amounting to 200 million euros and the expansion of other operating liabilities.

This liquidity was chiefly absorbed by investments in financial assets (-1,518 million euros) and in the interbank segment (-240 million euros).

The Banking Group's financial position also benefited from the postponement of the dividends for financial year 2020, the distribution of which has been suspended until 1 October 2021 in accordance with the Recommendation issued by the ECB on 15 December 2020 on dividend policy within the framework of the Covid-19 emergency.

Cash and cash equivalents at period-end amounted to 1,203 million euros, with an increase of 589 million euros compared to the end of the first half of 2020 and of 629 million euros compared to 2020.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE
Liquidity generated by operations	233,922	157,411	76,511
Financial assets	-1,517,741	-539,778	-977,963
Loans to banks	-240,548	-43,097	-197,451
Loans to customers	-19,372	130,035	-149,407
Other operating assets	-25,829	-24,764	-1,064
Total assets	-1,803,489	-477,604	-1,325,886
Amounts due to banks	282,337	485,820	-203,483
Amounts due to customers	1,681,404	-188,397	1,869,801
Other operating liabilities	236,587	112,336	124,251
Total liabilities	2,200,328	409,759	1,790,569
Liquidity generated by/used for operating activities	630,761	89,566	541,195
Investments	-377	-322	-55
Acquisition and disposal of business units and equity investments	-597	-289	-308
Liquidity generated by/used for investing activities	-974	-611	-363
Dividends paid	-1,124	-1,125	1
Liquidity generated by/used for financing activities	-1,124	-1,125	1
Net liquidity generated/used	628,663	87,830	540,833
Cash and cash equivalents	1,202,771	613,230	589,541

6. Performance of Group companies

6.1 Banca Generali S.p.A. performance

Banca Generali closed the first half of 2021 with net profit of 210.3 million euros, up compared to 161.0 million euros reported in 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 138.3 million euros to 218.6 million euros.

The Parent Company's half-year result 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 prudentially 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"), with 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 nearly 29.4 million euros (+18.0%) compared to the same period of the previous year. This increase was mainly attributable to the increase in net fees (+25.2 million euros) and, to a lower extent, net interest income (+1.5 million euros). Net income from trading activities also grew, amounting to 11.5 million euros compared to 8.6 million euros for the first half of 2020.

(€ THOUSAND)	30.06.2021	30.06.2020	CHANGE	
			AMOUNT	%
Net interest income	44,225	42,744	1,481	3.5%
Net income (loss) from trading activities	10,393	6,940	3,453	49.8%
Dividends	219,606	140,016	79,590	56.8%
- of which: dividends from equity investments	218,550	138,320	80,230	58.0%
Net financial income	274,224	189,700	84,524	44.6%
Fee income	357,314	300,788	56,526	18.8%
Fee expense	-219,609	-188,235	-31,374	16.7%
Net fees	137,705	112,553	25,152	22.3%
Net banking income	411,929	302,253	109,676	36.3%
Staff expenses	-46,968	-42,676	-4,292	10.1%
Other general and administrative expenses	-45,175	-41,868	-3,307	7.9%
Net adjustments of property, equipment and intangible assets	-16,209	-14,450	-1,759	12.2%
Other operating expenses/income	5,095	1,894	3,201	n.a.%
Net operating expenses	-103,257	-97,100	-6,157	6.3%
Operating result	308,672	205,153	103,519	50.5%
Net adjustments for non-performing loans	-4,051	-4,421	370	-8.4%
Net provisions	-98,576	-14,388	-84,188	n.a.
Contributions and charges related to the banking system	-6,137	-4,019	-2,118	52.7%
Operating profit before taxation	199,908	182,325	17,583	9.6%
Income taxes for the period on current operations	10,403	-21,321	31,724	n.a.
Net profit	210,311	161,004	49,307	30.6%

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 6.5 million euros for both 2020 and 2021.

Net interest income stood at 44.2 million euros, with a slight increase of 3.5% attributable to the expansion of loans to customers (+1.6 million euros) and transactions with the ECB (+2.2 million euros as imbalance between the TLTRO proceeds and the charges associated with excess sight deposits), which offset the decline in interest income on financial assets (-2.6 million euros).

The increase in **net fees** (+22.3%) to 137.7 million euros for the period was attributed to the combined effect of the increase in fee income (+56.5 million euros), particularly on the placement of securities and UCITS (+28.9 million euros) and the distribution of third-party financial services (+10.9 million euros), and the increase in fee expense (+31.4 million euros), with particular regard to fees for off-premises offer (+29.5 million euros).

Net **operating expenses**²¹ amounted to approximately 103.3 million euros, up 6.3% compared to the same period of the previous year.

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments of property, equipment and intangible assets) to net operating income, amounted to 45.0%, compared to 50.4% reported in the first half of 2020.

Net of the above-mentioned one-off component, **provisions, net adjustments and contributions and charges related to the banking system** totalled 28.8 million euros, up 5.7 million euros compared to 2020, mainly due to higher provisions for contractual indemnities for the sales network (+5.0 million euros) and the increase in the contributions to the funds for the protection of the banking system (+2.1 million euros).

Operating profit before taxation amounted to 199.9 million euros, up 9.6% 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 11.7% for the first half of 2020 to 1.4%, 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 79.4 billion euros at 30 June 2021, up 8.3% compared to the end of the previous year. Net inflows amounted to 3.8 billion euros, up by 34.8% compared to the figures reported at the end of the same period of 2020.

6.2 Performance of BG Fund Management Luxembourg S.A.

BG Fund Management Luxembourg S.A. (hereinafter BGFML) is a company under Luxembourg law specialising in the administration and management of the Sicavs promoted by the Banca Generali Group (Lux IM Sicav and BG Selection Sicav) and the Sicav called BG Alternative, reserved for institutional investors.

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

BGFML reported a net profit of 199.1 million euros in the first half of 2021, up by over 87 million euros on the same period of 2020, largely due to performance fee income, which rose by 91.6 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 34.3 million euros for 2021 and 30.8 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 234.5 million euros (+102.3 million euros). Operating expenses were essentially in line with the figure of the first half, amounting to 3.7 million euros (2.5 million euros of which consisted of staff expenses).

The company's net equity amounted to 94.4 million euros, net of a dividend payout of 218.6 million euros, as payment in advance and total payment for 2020.

Overall, assets under management at 30 June 2021 amounted to 20,243 million euros, up 1,425 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 first half of 2021 with a slight net loss and net equity amounting to about 0.8 million euros.

Net banking income amounted to about 0.6 million euros and virtually covered operating expenses.

Assets under management totalled 1,326 million euros (1,238 million euros for 2020).

6.4 Performance of BG Valeur S.A.

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

The company ended the first half of 2021 with a slight net loss of CHF 312 thousand (285.3 thousand euros), calculated based on local GAAP.

Revenues from asset management and advisory services amounted to approximately CHF 4.8 million, whereas operating expenses totalled CHF 5.1 million (of which CHF 3.6 million consisted of staff expenses).

The BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled CHF 3.0 million at 30 June 2021.

At 30 June 2021, assets under management amounted to 1,056 million euros, down compared to 1,067 million euros at 31 December 2020.

6.5 Nextam Partners SIM and Nextam Partners Ltd.

The reorganisation of the Nextam Partners 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 as at 30 June 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 will be 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 first half of 2021 with a net loss of 514 thousand euros²⁴, up compared to a net loss of 472 thousand euros for the same period of the previous year. Net banking income amounted to approximately 306 thousand euros and operating expenses were 567 thousand euros, of which 281 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.

²⁴ This figure refers to the consolidated situation and includes the reversal of deferred tax assets associated with losses for the previous year, amounting to 252 thousand euros. Net of this amount, the half-year loss was 262 thousand euros.

7. Related party transactions

7.1 Procedural aspects

In accordance with Article 2391-*bis* of the Italian Civil Code, the Regulation containing provisions relating to transactions with related parties — adopted by Consob by Resolution No. 17221 of 12 March 2010, as subsequently amended by Resolution No. 17389 of 23 June 2010 and most recently by Resolution No. 21624 of 10 December 2020, transposing, at the level of secondary legislation, the contents of Directive (EU) 2017/828 (“Shareholders’ Right Directive II”) as regards the encouragement of long-term shareholder engagement — and the provisions of Part III, Chapter 11, of Bank of Italy Circular No. 285 of 17 December 2013 (33rd update), which resulted in the repeal of Chapter 5, Title V, of Bank of Italy Circular No. 263 of 27 December 2006, Banca Generali’s Board of Directors approved the first version of its “Procedure for Related Party and Connected Party Transactions”, which entered into effect on 1 January 2011 and was last updated on 22 June 2021 with effect from 1 July 2021.

The aforementioned procedure is intended to implement Consob and Bank of Italy regulations, by adopting, for all Banking Group companies, rules on Transactions with Related Parties and Connected Parties, governing the related investigation, approval, reporting and disclosure activities.

7.2 Disclosure on Related Party Transactions

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

In detail, the interim report should provide the following disclosure:

- a) each and every Transaction of Greater Importance effected during the accounting period of reference;
- b) other individual transactions with related parties “that have materially influenced” the financial position or results of the Company;
- c) changes or developments in related party transactions described in the latest annual report that had a “material effect” on the financial position or results of the Company during the reporting period.

In this regard, the following should be noted.

Unusual, atypical or extraordinary transactions

During the first half of 2021, no related party transactions were carried out that could be defined as atypical or unusual or likely to have “effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer.”

Highly significant transactions

In the first half of 2021, no transactions qualifying as “highly significant”, non-ordinary transactions, entered into at non-market or non-standard conditions were carried out that, in accordance with the Procedure on Related Party Transactions, could have given rise to an obligation to publish the related market disclosure document.

Other significant transactions

In the first half of 2021, only one transaction was approved qualifying as “low value” (i.e., transactions of amounts exceeding the significance threshold established in the “Procedure for Related Party and Connected Party Transactions”) approved by the Board of Directors with a non-binding favourable opinion from the Internal Audit and Risk Committee. In detail, on 25 March 2021, Banca Generali’s Board of Directors approved a contract for the provision of services in favour of BG Saxo SIM S.p.A., a joint venture with Banca Generali.

Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in the first half of 2021 with related parties fall within the Group's ordinary course of business and are usually carried out at arm's length and are, in any case, based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regard these transactions, there were no changes in the situation of related party transactions described in more detail in the Financial Statements as of 31 December 2020 which might have a material effect on the financial situation and the results of the Company and the Banking Group.

The developments of ordinary transactions with related parties during the first half of 2021 are presented in the specific section of the Condensed Half-Year Financial Statements as of 30 June 2021, along with other information about related party transactions.

Intragroup related party transactions are not included in the above statements, since they are eliminated on consolidation.

8. Human resources and the Group's distribution network

8.1 Employees

At 30 June 2021, the Bank's workforce was 985, composed of 66 Managers, 181 3rd and 4th level Executives and 738 employees at other levels; of the last category, 154 were 1st and 2nd level Executives.

	BANCA GENERALI	GENERFID	BG FML	NEXTAM SIM	BG VALEUR	TOTAL AT 30.06.2021
Managers	59	1	3	-	3	66
3 rd and 4 th level executives	153	1	9	-	18	181
Other employees	709	5	16	4	4	738
Total	921	7	28	4	25	985

Among the 985 employees at 30 June 2021, 47 were working under fixed-term contracts, 5 of which as substitutes for employees on maternity leave or leaves of absence.

There was an increase in the workforce of 23 resources compared to year-end 2020 as a result of the improvement in the number of:

- > 13 indefinite-term staff, following the confirmation of staff already working in the Company and recruitment from the market; and
- > 10 fixed-term staff, following the hiring of resources who will serve as a support to handle work peaks due to extraordinary activities and projects and are expected to leave by the end of the year.

Regarding trade union relations, the following should be noted:

- > the drafting of a trade union meeting report concerning the 2020 company bonus which stated the amounts payable individually and confirmed employee benefits (preferential taxation or conversion into welfare, through the Generali Welion dedicated portal). In the interest of completeness, it should be noted that the opportunity to convert the bonus into welfare was the focal point of a series of webinars designed to ensure that interested employees were well informed and fully aware of the possibilities;
- > meetings with trade unions held in March and April for an update regarding the issues surrounding the application of legal and organisational Covid-19 prevention measures and the main company personnel size dynamics;
- > activation of the union procedure pursuant to Article 47 of Law No. 428/90 regarding the sale of a business unit by Binck Bank to Banca Generali. The procedure will be concluded in July.

8.1.1 Training and development of employees

In the first six months of 2021, Banca Generali continued to draw particular attention to investments in the development, growth and management of its individuals, by spreading a company culture founded on shared values, fostering distinctive skills and enhancing diversity and inclusion. The persistence of the emergency situation due to the Covid-19 pandemic has placed the theme of Human Capital even more at the centre, identifying the protection of human resources and their development as the two main priorities for ensuring business continuity.

For the second consecutive year, the Group Performance Management Process has been managed remotely with great care and attention by both People Managers and Employees, using feedback as an important opportunity for examining and discussing the results, objectives and expectations. Once again in 2021, a number of virtual classrooms were dedicated to People Managers, supporting them in their Group Performance Management, with a focus on the process and the support tools in order to boost their efficacy in managing remote meetings with Employees and in establishing objectives. Additional in-depth webinars were dedicated to the entire workforce, again focused on processes and aimed at clearing up doubts and rais-

ing awareness on individual responsibility for the success of the Performance Management process.

2021 saw the continuation of the valuable communication and ongoing updating work carried out by the top management through videos and ad-hoc communications to keep the Bank constantly aligned with the current situation and Banca Generali's core projects (e.g. Convention Digital Meeting organised in March 2021 dedicated to all employees, and the quarterly Web call to share the Banca Generali Group's results).

In accordance with the Banca Generali Group's strategic positioning, the involvement of employees represented a fundamental means of driving engagement and empowerment within the Company, in particular in the first half of 2021.

The initiatives launched following the 2020 Pulse Survey continued in 2021:

- > live webinars focusing on anti-fragility and dedicated to all personnel, to better understand the period people are currently living through;
- > "Life-Time Partner Behaviour" podcasts to explore values and accompany people through strategic changes and in developing a unique BG style;
- > "Meet the Future" meetings, which are virtual conversations with experts from the world of business, art and culture, in order to reflect on the transformations taking place in the world of work and to provide new lenses through which to interpret these great changes.

New projects got underway, confirming Banca Generali's focus on its People, not just in professional terms, but in personal terms too:

- > @unavitasanaelangeva: virtual meetings devoted to wellbeing, developed in partnership with the Fondazione Valter Longo, to raise awareness about and promote a healthy lifestyle and good eating habits;
- > "Le sfide dell'essere genitore oggi" (Today's parenting challenges): webinars for parents designed to spread a culture based on inclusion and integration, which can reach young people through their parents, for a future without gender prejudice.

New projects were also implemented for:

- > *supporting the culture of diversity*:
 - BGWomen: courses dedicated to the women (and others) in the Banca Generali Group. On the one hand, the webinars were developed to provide female personnel with tools to enable them to be themselves at all times and achieve success by working on their potential; on the other, they were designed to raise awareness among male personnel about the main difficulties generally faced by women in the workplace;
- > *fostering an increasing sense of belonging within the Banca Generali Group, incorporating discussions with the Top Management and supporting the new work culture in a hybrid fashion*:
 - "OnBOARDING": digital activities for new employees to discover the world of Banca Generali, its organisation and the operating tools available;
 - "A coffee with...": coffee breaks devoted to learning more about current issues and offering the chance for active discussions with Banca Generali's points of contact for each project;
 - "MAP2THENEW": specific training sessions devoted to learning managerial skills within the new normalcy, spreading and sharing a unique managerial style.

In addition to the activities described above, ongoing staff training activities continued with due care and diligence in the first half of 2021. Specifically, the following training activities can be reported:

- > the Group continued to steadily provide constant update of and access to mandatory regulatory and security training to ensure the Bank's sustainability in the long term. This training activity as well was delivered through e-learning sessions provided through the dedicated platform or through virtual classrooms;
- > given the new working methods in place, cyber security proved a central issue and a specific training course was therefore developed on the subject for the whole Banca Generali Group population, designed to boost awareness about information security, highlighting the "alarm bells", threats and IT crimes associated with the current way of working;
- > discovering the world of data and the role it plays in Banca Generali's ambition to become a data-driven company was another key subject in the early months of 2021, explored through short e-learning modules and dedicated training sessions to foster a culture of shared data;
- > great importance was also placed on specialist technical training on the one hand (learning more about fintech, blockchain & cryptocurrencies, AI, etc.) and behavioural training on the other (meetings dedicated to team working, diversity, communication, etc.);
- > language training continued with the launch of dedicated courses for both managers and the entire segment of the company population that has increased its contact with international counterparties.

The first six months were also characterised by the launch of the new BGLab training platform for all employees. This is a simple and intuitive digital tool with an innovative approach to learning, where people can find useful content shared with Financial Advisors, watch in-depth webinars again, undertake mandatory training and much more.

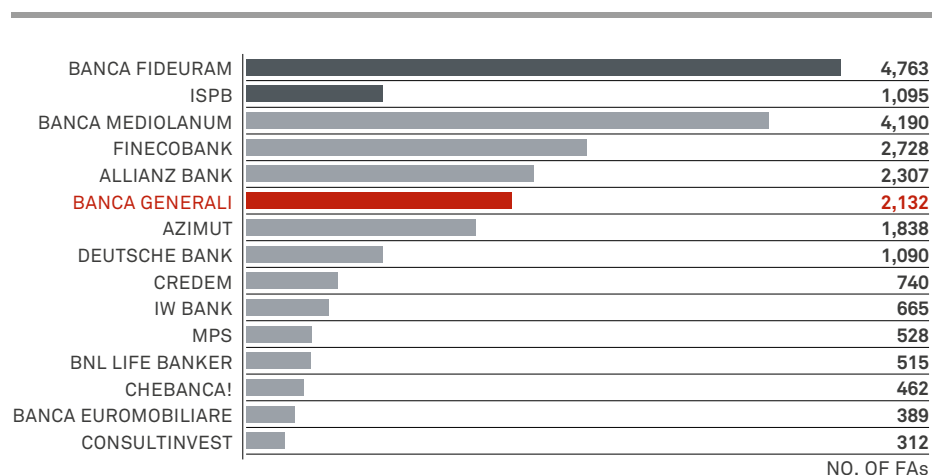
All the activities offered and their level of attendance bear further witness to the focus by the Banca Generali Group and its top management on issues relating to development, empowerment and continuous honing of the technical and managerial skills of Banca Generali's employees, who proved to be open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

8.2 Financial Advisors

Financial Advisors

Banca Generali has one of the most important Financial Advisor distribution networks in the Italian market: in May 2021 (latest available data) the network included 2,132 Financial Advisors and Relationship Managers.

NO. OF ASSORETI FINANCIAL ADVISORS: 23,754



May 2021 | Source: Assoreti

In June 2021, there were 2,139 Financial Advisors, with an increase of 52 compared to December 2020.

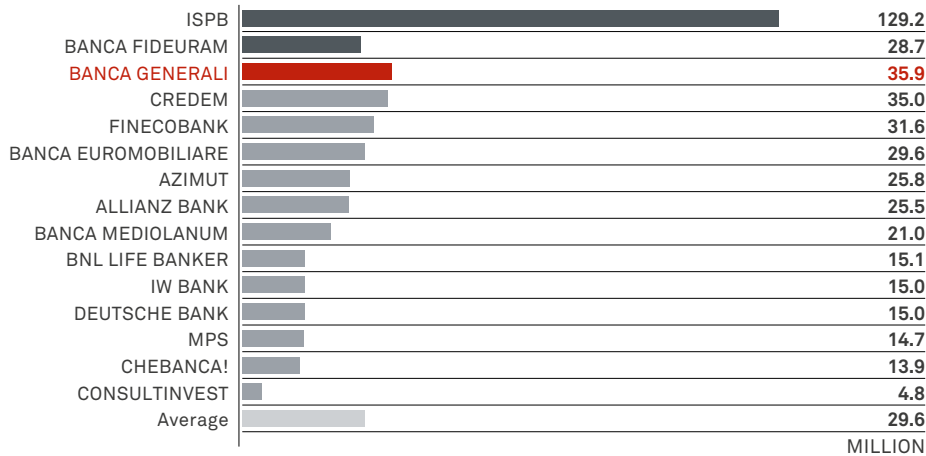
Banca Generali's main data are summarised in the following tables, comparing figures for 2021 and 2020:

	30.06.2021		
	NO. FAs	ASSETS (€ MILLION)	ASSETS PER FA (€ MILLION)
Financial Planner/Private Bankers	1,714	46,678	27.2
Wealth Management	425	32,683	76.9
Total	2,139	79,361	37.1

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

In March 2021 (latest available data), Banca Generali ranked second in the Assoreti ranking of per-capita assets per Financial Advisor with 35.9 million euros (+46% compared to 29.6 million euros of the Assoreti market average; 24.6 million euros excluding ISPB).

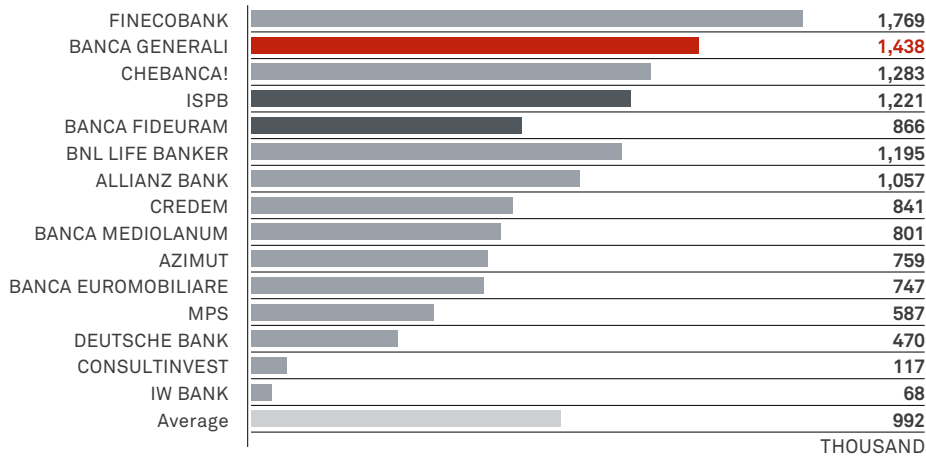
FINANCIAL ADVISORS AND PER-CAPITA AUM



March 2021 | Source: Assoreti

The positive productivity of Banca Generali's sales network is also clear from per-capita net inflows, which amounted to 1.4 million euros (+45% compared to an Assoreti market's average of 1.0 million euros), thus confirming the Bank's professionals at the top of the Assoreti market in May 2021 (last available data) as well.

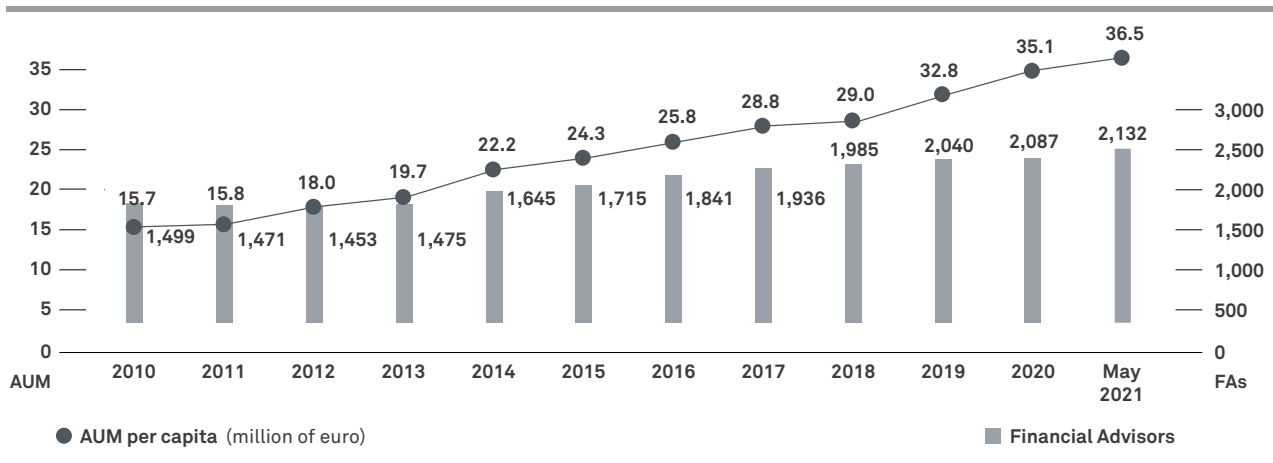
PER-CAPITA NET INFLOWS OF ASSORETI FINANCIAL ADVISORS



May 2021 | Source: Assoreti

The productivity of Banca Generali's sales network is also clear from per-capita AUM, which amounted to 36.5 million euros in March 2021, up further on previous years, bearing witness to the quality of the distribution network and the important work done.

AUM TREND AND FINANCIAL ADVISORS



8.1.1 Distribution Network Training

Managerial training

In the first half of 2021, with the objective of continuing to keep close to the network within the delicate present-day situation, the My Webinar digital training schedule was revived with a series of initiatives targeted at the entire network and managers, with the objective of looking to the future and observing opportunities and challenges with a sustainable approach to advisory, making it possible to consolidate the relationship of trust built with clients and to boost the professionalism of Financial Advisors.

Indeed, the Financial Advisors training schedule features the common trait of sustainable advisory over time, with the objective of working with experts to explore the potential of both the advisory relationship and negotiation and conflict management techniques and tools so as to successfully grasp valuable opportunities in client relations.

The training schedule for Managers was instead developed to stimulate an exciting discussion of key issues, within a logic of excellence and creativity, in order to inspire them in their guiding roles and to add to their professional skills.

Thanks to the contribution of excellent ambassadors, an attempt was made to provide new interpretative keys and tangible ideas for making the leap in quality towards the new and transferring this capacity for innovation to a team.

Furthermore, in keeping with Banca Generali's ongoing focus on women and in continuity with the leadership process launched in 2016 and dedicated to the development of personal skills such as self-empowerment, communication and emotional intelligence, this year as well as webinar was developed for female Financial Advisors to explore those aspects of women's participation in negotiations that require added focus, delving on the strategies to adopt to achieve success.

In order to succeed in grasping the opportunities offered by the context and keep constantly up-to-date regarding the potential for qualitative and quantitative growth offered by the client portfolio, a composite training course was developed for select Financial Advisors that featured a combination of webinars and hands-on workshops, sharing useful methods for developing one's client portfolio.

This first half of 2021 saw a focus on the commercial process, the main drives and key approaches to looking for new clients, with a detailed study of active contacts.

As is the case every year, work continued on boosting the potential of the team of Area and District Managers, with the inclusion of Executive Managers for certain areas. Customised team coaching courses were introduced to support them in the professional development and growth of their teams, honing their leading role in handling the new challenges posed by a constantly changing context.

The Marilyn initiatives, also for the managerial team and certain select Financial Advisors, got underway: this is an Artificial Intelligence course for raising awareness and developing the quality of one's communication style through innovative and digital public speaking.

Commercial training

Commercial training for the first half of 2021 was also carried out completely online, in keeping with social distancing rules due to the Covid-19 pandemic. The first project to be developed was the one relating to the Flexible Portfolio, Banca Generali's investment solution that allows for dynamic market risk control and makes it possible to manage it thoroughly, while exploiting market opportunities. The course included virtual classrooms for a cluster of Financial Advisors selected from within each Area.

The training process started in previous years on the BG Saxo online trading platform also continued. The entire network was involved in educational webinars with the objective of presenting the latest developments in the project dedicated to the advanced trading platform, capable of combining cutting-edge functions with ease of service. In greater detail, the training proposal focused on the use of the platform by Financial Advisors in order to be able to send orders to the market on behalf of their clients.

Banca Generali's fintech offering was also developed alongside these courses. This is a real digital schedule focusing on the technological tools available to Banca Generali Financial Advisors. The entire network was involved and over the 17-week course a series of subjects was covered with expert speakers to further explore the use of tools and applications to support advisory activity.

Lastly, a mini-schedule in three editions was developed for the purpose of analysing certain highly topical issues and providing Financial Advisors with the tools to interpret subjects such as Certificates, Cryptocurrency and Flexible Portfolios.

Institutional training

In 2021, annual professional update for IVASS (Italian institute for insurance supervision) purposes will explore the key issues of training in products and regulations such as IDD2, as well as training on wealth management advisory, the increasing focus on the ESG context, the analysis of the requirements in the insurance context and the capacity to listen to and decipher the needs of clients, drawing on the increasingly digital professionalism of the Financial Advisor.

At the beginning of the year, the refresher course on skills and knowledge for MiFID purposes was organised, in accordance with the Intermediaries Regulation issued in early 2018, in partnership with two exceptional partners: the Cattolica del Sacro Cuore University and Excellence Education.

The BGLAb training refresher, which is dedicated to newly recruited Financial Advisors and offers an online self-training tool continued also in the reporting period. The main topic covered were: Anti Money Laundering regulations, MiFID II, Privacy, Legislative Decree No. 231/2001, Banking Transparency, Qualified Intermediary and Market Abuse.

Furthermore, a Junior Bankers Training course was designed and tried out for new Financial Advisors hired over the last year. The objectives of this project were to further knowledge about the operational processes and all the Bank's tools, enabling the new recruits to carry out their daily tasks in the best possible way right from the very start of their time at the Bank. This course as well was delivered via live webinars in accordance with the anti-Covid 19 regulations.

This year also saw the continuation of the training path on the main risks of money laundering, financing of terrorism and the prevention measures implemented by Banca Generali, with a particular focus on the Financial Advisor's role and responsibility.

Tool supporting the Network of Financial Advisors: BGLab

BGLAb has been enhanced with new content, new features, new procedures and, above all, a different interactive modality that places the Financial Advisors right at the centre of their own Professional Development path.

Following the launch of the new platform, certain changes were implemented to make it more streamlined and easier for Financial Advisors to use. For example, the home page now includes a specific section for "Schedules". Thanks to this information section, Financial Advisors can easily access the training schedule programme and materials in just a few clicks.

9. Products and marketing

9.1 Asset management

In the first half of 2021, Banca Generali continued the process of innovating and seeking solutions suited to meeting its clients' needs sustainably. The placement of two non-reserved closed-ended alternative investment funds that had begun in 2020 continued during the half-year: **8a+ Real Innovation** and **8a+ Real Italy ELTIF**, established by **8a+ Investimenti SGR S.p.A.** to further contribute to the ongoing Italian economic recovery through investment solutions that connect the economic fabric of SMEs to investors' new needs in view of the continuing low interest rate scenario. In further efforts to provide a solutions to all the liquidity management needs that arose particularly during the Covid-19 emergency, the Luxembourg platform Lux IM was expanded to include a new sub-fund, **Lux IM Global Markets**, under mandate entrusted to BG Fund Management Luxembourg. This is a primarily investment grade portfolio, diversified by issuers, including both government and corporate entities, the goal of which is to provide currency diversification on the US dollar, strong currencies and the Chinese renminbi by exploiting active, flexible management. Finally, the focus on the theme of sustainability, already broadly developed within the Banca Generali product range, continued to be strengthened by the launch of new management lines, in particular within BG Solution Top Client. Specifically, the **ESG Advisor Mainstreet Universal Values** line was launched in order to enhance coverage of the social factor. Based on the advisory service offered by Mainstreet Partners, it selects investments consistent with economic and financial valuations in accordance with universal values and Catholic principles, integrated with environmental, social and governance parameters in line with the Sustainable Development Goals promoted by the United Nations.

BG Selection Sicav

Confirming the attention dedicated to BG Selection Sicav, the long-standing, innovative Luxembourg-based "fund-of-funds system", whose main characteristic is its broad diversification across multiple levels (instruments, markets, strategies, managers and products), the performance of the range as optimised in recent years continued to be monitored.

At 30 June 2020, BG Selection Sicav had 27 sub-funds, of which 13 managed by BG Fund Management Luxembourg and 14 under mandate entrusted to leading international investment firms.

Lux IM

In the first half of 2021, the new highly innovative Sicav, characterised by its distinctiveness in terms of the strategies offered by asset class and specific themes, was reorganised into a simplified classification to facilitate the representation of the potential of each sub-fund and facilitate their positioning in the portfolio.

The result of this process was to enable the range to be structured into six families with specific objectives, in turn divided by type. Specifically, these are:

- > the EQUITY family, whose goal is to capture the growth trend, is sub-divided into Global, Specialised-Thematic and Geographical (United States, Europe and Emerging);
- > the BOND family, whose goal is to take advantage of opportunities and extract value from specialised managers, is sub-divided by risk level (High, Medium and Low) into Global, Specialised-Thematic, Geographical and Credit;
- > the BALANCED family, whose goal is to construct the core component of the portfolio while maintaining a moderate risk profile, is sub-divided by risk level (Equity max. 30%, Equity max. 30-60% and Equity min. 60%) into Global, Specialised-Thematic and Geographical;
- > the FLEXIBLE family, whose goal is to manage phases of uncertainty, including according to an opportunistic approach, without exiting the market, is sub-divided into Medium Risk and High Risk;
- > the NON-DIRECTIONAL ALTERNATIVES family, whose goal is to improve the portfolio's efficiency by adding elements of decorrelation, is sub-divided into Medium Risk and Low Risk;
- > the CASH PARKING family, whose objective is to reduce cash account balances and/or to serve as a point of departure for portfolio construction, is sub-divided into Cash Management and Short Term.

In the first half of the year, the platform was also expanded to include a new solution whose primary objective is to provide clients with a liquidity management solution while maintaining an innovative profile. In detail, the **LUX IM Global Markets** sub-fund, an active bond strategy with a maturity of approximately three years, was launched at the beginning of the year. This is a primarily investment grade strategy with a high degree of diversification in terms of both corporate and governmental issuers whose objective is to provide currency diversification across the US dollar, strong currencies and renminbi.

At 30 June 2021, Lux IM had 67 sub-funds, of which 20 managed by BG Fund Management Luxembourg and 48 under mandate entrusted to leading international investment firms.

Open architecture

In line with the aim of constantly improving its services, in the first six months of 2021 the Bank continued to forge ahead the expansion and adjustment of the funds offered by applying the open architecture model. Sustainability and the search for new trends were the main guiding elements of the strategy for expanding the catalogue, leading to the inclusion of a number of ESG and thematic funds focusing on new generation trends (such as digital health) and high-potential markets (such as China, involving both equity and bond solutions).

At 30 June 2021, Banca Generali's retail offer included over 70 management companies with more than 6,400 UCITS overall.

9.2 Portfolio management

The process of expanding the range to feature an increasing focus on the private segment continued in the first six months of 2021. The line-up of portfolio management schemes featuring lines based on investment policies that combine a traditional financial yield objective with social and environmental parameters aligned with the development goals promoted by the United Nations was further expanded. **ESG Advisor Mainstreet Universal Values** was launched within BG Solution Top Client during the half-year. Based on the specialised advisory service offered by Mainstreet Partners, the line selects investments consistent with economic and financial valuations in accordance with universal values and Catholic principles, integrated with environmental, social and governance parameters in line with the Sustainable Development Goals promoted by the United Nations. In particular, it covers the social area (SDG 16), complementing the current range of ESG lines, currently focused mainly on environmental and governance factors.

Overall, Banca Generali offers a full portfolio of actively distributed discretionary mandates, composed of BG Solution (41 management lines), BG Solution Top Client (48 management lines) and BG Next (2 management lines), which cover all investment strategies, with a strong emphasis on customisation — a need typical of high-net-worth customers and in line with the current economic scenario.

9.3 Insurance products

In the first half of 2021, Banca Generali continued the placement of Lux Protection Life, the Generali Luxembourg multi-line policy designed exclusively for customers interested in investing large portfolios while preserving their lifestyles and planning generational transfer optimally.

The reporting period also saw the continuation of the placement of the recurring-premium policy BG Insieme - Progetti di Vita, whose main goal is celebrating the most important milestones in clients' lives, thus integrating a significant purpose dimension into their investments such as: Diploma, Degree, First home purchase, Marriage, Birth of the First Child.

Distribution also continued for BG Stile Libero 40 Plus, the multi-line policy launched in the second half of 2020 that allows up to 40% of the amount subscribed to be invested in a segregated account, while also taking advantage of the flexibility of investing in sub-funds of Lux IM and third companies for the financial component.

In addition, revision of the investible universe for multi-line insurance products also continued, involving a constant renewal of the range of third-party partners, which at the beginning of the year saw, in particular: the enhancement of the themed range with next-generation themes, an increase in the number of UCITS and ETFs with investment processes that integrate ESG criteria and a selection of passive instruments with a focus on the commodities asset class.

9.4 Assets under administration and custody

The process of distributing open architecture certificates according to a service model that offers clients a competitive platform featuring a wealth of offerings continued in the first half of 2021.

With regard to primary market placement, in April 2021 Banca Generali participated in the placement of the new edition of BTP Futura, the government bond that offers investors a bond instrument with a simple coupon structure designed to reward those who hold the security until maturity.

9.5 Banking products

In the first half of 2021, in order to keep the level of innovation at the high standard for which all Banca Generali products are known, solutions and initiatives were launched to meet private-banking customers' new needs, also within the changed scenario impacted by the persistence of the Covid-19 emergency.

Specifically, the main solutions/initiatives concerned:

Integration of the BG Saxo platform into the BG current account range

From April 2021, the Bank's retail accounts may be directly linked to the innovative BG Saxo trading platform, previously available solely with the dedicated account BG Extra. Access to the platform was made available by default for the range of retail accounts sold (BG Deluxe, BG Privilege and BG Top Premier), as well as those under specific agreements (Team, Employees and Assieme). For existing clients, a programme offering upgrades to existing accounts was launched; it will make the platform available to all clients in various steps.

"Materiality" agreement with Intesa Sanpaolo renewed

The "materiality" agreement with Intesa Sanpaolo was renewed in April 2021. Accordingly, the possibility of making deposits at advanced ATMs was added to the trading services already available in branch starting in May 2021. In addition, coverage was also extended from individuals to sole proprietorships.

Security of online card purchases

In early 2021, Banca Generali's entire card range was updated to PSD2 security standards (strong customer authentication) for online purchases. The updates entailed a revamping of the customer experience that involved changes to the front-end interfaces for use of the service.

Pay-by-link initiative

Banca Generali renewed its commitment, together with its partner Nexi, to support commercial businesses, particularly during the pandemic period, while extending the expiry of the pay-by-link initiative until 31 December 2021.

Pay by link offers a remote payment receipt service based on the use of links sent by the merchant to the customer. It makes it possible to manage payments without implementing an e-commerce site.

Lombard loans

In order to help its clients obtain the liquidity they need, in January and May Banca Generali launched two promotions with particularly advantageous interest rate conditions involving Lombard loans secured by assets under administration as collateral.

Other initiatives

At the beginning of 2021, the initiative BG Twin Solution was confirmed for the first half of the year: a solution that allows customers to gradually invest in the financial markets through an automatic investment plan involving Lux IM funds and that guarantees that the sum subject to the investment plan provides the advantageous return offered by the BG TWIN current account dedicated to the initiative, which differs according to whether this sum consists of an existing balance or new funds transferred to Banca Generali.

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

9.6 Alternative products

Securitisations

In the first half of 2021, Banca Generali concluded the placement to professional customers of the securitisations launched in mid-2020, and in particular “Credimi #ItaliaNonSiFerma Piemonte e Valle d’Aosta” and “Trade Finance IV”.

Private markets

Placement of two non-reserved closed-ended alternative investment funds, **8a+ Real Innovation** and **8a+ Real Italy ELTIF**, established by **8a+ Investimenti SGR S.p.A.** in mid-2020, continued in the first half of 2021, whereas placement of the non-reserved closed-ended alternative investment fund **Muzinich Loans Target 2025 ELTIF** began in June 2021. With regard to the private market, the first half of 2021 saw the launch of distribution — to Banca Generali’s professional customers only — of the fund Generali Europe Income Holding (GEIH), promoted by Generali Investments Luxembourg S.A. and managed by Generali Real Estate. This is an alternative real-estate fund established in 2015 with a portfolio of over 3 billion euros that invests in prime assets located in major European cities and leased to tenants of high standing.

9.7 Communications and external relations

Banca Generali’s sustainable approach

Banca Generali’s sustainable approach also involves dialogue between the Bank and its stakeholders (media, analysts, investors, clients and suppliers), which has always been based on two essential elements: **clarity** and **transparency**.

A **responsibility for taking a long-term** approach is an intrinsic part of the Bank’s way of doing business, focused on protecting wealth according to a long-term vision. Therefore, the Bank promotes sustainable development that listens to all the different stakeholders, seeking to understand their real needs and matching them to the Company’s business objectives, forging ahead ad-hoc **communication** activities to optimise the **dialogue** with all parties involved.

In terms of **media relations**, the first six months of 2021 represented a period of major challenges for Banca Generali. In fact, the start of the final year in the 2019-2021 three-year plan coincided with the new Covid-19 wave that led to an acceleration in the project to **support households** and **businesses** with wealth protection challenges. The monthly business performance was promptly disclosed to the media with details on net inflows and the main commercial initiatives. The annual results for 2020 — which were the best in the Bank’s history — were communicated promptly and comprehensively, thanks also to the full availability of the top management to comment on them. The same approach was also adopted in communications regarding dividend distribution to shareholders and those linked to the presentation of the new Board of Directors appointed by the General Shareholders’ Meeting on 22 April 2021.

As far as financial communication is concerned, in the first half of 2021 the Bank issued **22 press releases**, published in both Italian and English, to keep its stakeholders informed of the business results and developments. The materials relating to the 2020 Financial Statements and Shareholders’ Meeting were made available on the Company’s website (www.bancagenerali.com) and announced on newspapers. The Chairman, Chief Executive Officer and Deputy Chairman Managers were also available to provide further information.

Local initiatives dedicated to clients were reported on in detail in the local media and through the Bank’s social media channels.

During this period, the Bank’s corporate website continued to evolve, offering increasingly complete information, supplemented by its social media channels. The Banking Group’s Web channels were also enhanced by the new portal of its subsidiary Generfid with the improved content of the **BG Valeur** website and the launch of the new **BG Fund Management Luxembourg** site.

In terms of Banca Generali's leading commitment to **sustainability**, it continued with its projects, its dedicated **sponsorships** and its **partnerships** with Italy's top universities.

For example, the Bank launched a new digital talk format designed to explore the status of the objectives set out by the United Nations' 2030 Agenda: **BG4SDGs**. The project, hosted in the BG Training & Innovation Hub in Milan, brings together experts from the world of sustainability on a monthly basis to discuss the future challenges and the progress on the processes set out to achieve the 17 SDGs established by the United Nations in the Paris Agreement. The initiative is reported on the Bank's social media channels and featured by various specialist and general publications, both on and offline.

As part of the Bank's commitment to financial education, a new project for Italian primary school pupils was launched: "Un Salvadanaio Per Amico" (A piggy bank for a friend). The initiative, developed in partnership with the FeDUF (the Italian Banking Association's Foundation for Financial Education and Saving), involved **7 different regions, 10 cities and 35 classes**, reaching **a total of around 800 children**.

There were always numerous partnerships in place with the main Italian universities. Following the success of the 2020 edition, Banca Generali, Reply, MainStreet Partners and **MIP (the Graduate School of Business of the Polytechnic of Milan)** decided to launch the **Investment Challenge**, an international competition for students and young professionals that this year focused on the theme of sustainability. Participants were asked to draw up efficient investment plans, but in a sustainable fashion.

They had access to a virtual capital to invest in real time in the US market. As well as furthering their knowledge on ESG ratings, the competition also enabled competing students to expand their general knowledge about finance and investments, including through online webinars, training briefs and tests.

The "O Fire" Observatory ("Finanza d'impatto e sue ricadute economiche" - "Impact Finance and its Economic Effects") was presented on 25 May, established thanks to a partnership between the **Bicocca University of Milan, Banca Generali S.p.A.** and Aifi Italian private equity, venture capital and private debt association. The project's objective was developing a scientific centre of reference for the development and advancement of university research in the field of green finance, sustainable and responsible investments (SRIs) and activities based on ESG (Environmental, Social and Governance) factors.

Over the last months, an agreement was signed with the **Polytechnic of Milan** for the launch of the **2021 Blockchain & Distributed Ledger Observatory**, with the **objective** of developing analyses and research to help understand blockchain and distributed ledger technologies and the opportunities they generate. The research also seeks to be a reference point for companies aiming to keep up to date with these issues and be aware of market developments. The Bank's management team also took part in a number of closing and opening events at various summer camps linked to master's degrees in the subject of media ecology.

There was also a consistent focus on **social** issues.

Once again in 2021, Banca Generali has ensured its support for staff at hospital facilities involved in the Covid-19 emergency and for less fortunate children, donating Easter eggs as a sign of its thanks and support.

The Bank renewed its support for centres for minors in serious difficulty and contributed to donating food to disadvantaged families through the Food Bank. Banca Generali worked closely with local centres as such as clinics, offering free check-ups for children with various diseases, and supported the sole survivor of the Mottarone tragedy through a donation for the young Eitan.

Communication to Financial Advisors, Clients and Employees

In the first six months of 2021, in consideration of the ongoing pandemic, the Bank continued to offer intensive support to Financial Advisors on all Banca Generali platforms, which had become indispensable within the context of social distancing, both for the Financial Advisors' ongoing training and for supporting their activities with clients. There were also numerous dedicated **webinars** that, together with the **roadshow** at the start of the year, the quarterly results events and the June convention, allowed for direct contact with both the top management — as regards the new commercial initiatives and sharing of strategic guidelines — and with the Bank's employees.

Plenty of space was therefore dedicated to initiatives designed to consolidate relationships and the human touch, but also to those focusing on innovation, such as the **BG SAXO communica-**

tion plan and the one for the **new Lux IM sub-funds**, as well as the ongoing development of the **BG4Real** project, with the establishment of the holding and the definition of the membership contract, which combines product innovation with support for the real economy.

Communication on initiatives and projects also continued on the commercial and institutional websites, which were also kept constantly up to date as regards sustainability, a subject on which great importance has been placed both in terms of initiatives and of products, following the **Sustainable Finance Disclosure Regulation** coming into effect in March. The subject of sustainability also featured in client communications, with dedicated banners to raise awareness about the issue and to promote the **Lux IM ESG sub-funds**, and among personnel with various initiatives such as a survey that involved all employees to establish the priorities of the 2021 materiality matrix, which integrated BG4SDGs, a project combining sustainability and photography featuring HQ staff among the protagonists.

As regards advisory and communication for clients, mention should also be made of the re-organisation and new graphics of the financial reports provided by the **Top Financial News** service and the development of videos and brochure projects for the promotion of the products and services offered by the Bank.

With a view to developing an increasingly inclusive and engaging communication plan that also targets the younger generations, the **Young Lion** initiative was promoted for the children of employees and Financial Advisors. They were asked to draw a lion capable of inspiring the icon that the Bank will use in a whole series of marketing and merchandising materials and for promoting initiatives dedicated to young people and their future.

In the first half of the year, **InSite**, the Intranet for Banca Generali employees, continued to be the chosen communication channel when remote working was the favoured working method. The section dedicated to the Covid-19 emergency, created last year, was constantly updated with all latest news and initiatives relating to: safety and remote working methods, office access, responsible conduct handbook and safety protocols.

The internal communication plan for the first half of 2021 developed through a series of initiatives that were all guided by a shared objective: the consolidation of internal engagement, awareness of initiatives, the Bank's role in society and a sense of belonging to the Banca Generali team, also in view of the **Generali Global Engagement Survey** due for the second half of the year.

The bottom-up communication method launched in 2020 continued, giving a voice to certain staff who became the protagonists of news clips and videos published on the corporate Intranet, such as the video about the restyling of the Trieste office, presented directly by the personnel from the office on Corso Cavour.

The first half of the year also saw the launch of "**A coffee with ...**", a virtual meeting opportunity for a number of Bank managers and office staff, who were able to discuss specific issues such as sustainability, innovation and real assets. Also as regards innovation, a **Data Management** communication process was launched that used short clips to introduce office personnel to the important role played by data today.

All the communication activity was closely tied to and supported the numerous training initiatives promoted in collaboration with the HR Department and the Business Unit, aiming to maximise engagement and the spread of the strategic messages. The first half of the year also saw continued reporting on initiatives developed in response to needs that emerged as a result of Survey 19: **Smartmeeting**, **BG Energy** and **Project Posting**.

Internal communication also amplified the results of the initiatives developed to celebrate the 190th anniversary of the Generali Group and for the Fondo Fenice 190. Similarly, great importance was placed on the initiatives promoted by the Bank's Business Unit, such as **Our Manifesto for Success**.

Events

In this case as well, the restriction imposed by the health emergency led to rethink the methods of meeting and exchanging views. Accordingly, 2021 began with Banca Generali Private's **Digital Roadshow**: a series of three streamed events involving the participation of all the Bank's Financial Advisors and several partner companies. The days were dedicated to interviews with the top management of Banca Generali Private to circulate the new strategic guidelines and opportunities for 2021.

A number of Web calls were organised in February and May to share the Bank's results with all Financial Advisors and Employees, providing a tangible demonstration of the Bank's closeness during a period when distance was mandatory.

In March, on the occasion of the **Employees Digital Meeting**, the Bank's top management virtually met all employees and presented the steps towards achieving objectives helpful to implementing Banca Generali's strategic plan.

Thanks to Banca Generali's focus on the issue of recovery, April and May saw the organisation of a number of **digital talk shows** for Clients on subjects such as vaccines and the country's economic revival.

June saw the special convention involving all the Bank's Financial Advisors and Employees. These meetings were all held digitally and focused on recovery and innovations planned for the coming months. Mention should also be made of the **Lux IM Day**, which involved all the main partners and was dedicated to Lux IM new solutions.

10. Auditing

Banca Generali's Internal Audit Department, a third-tier control function, carries out independent, objective assurance and advisory activity aimed at improving the organisation's efficacy and efficiency and implementing control measures aimed at mitigating company risks. The Department also promotes an effective governance process in view to the Bank's long-term stability and sustainability.

Internal Audit periodically assesses the overall Internal Control System and ICT system in terms of completeness, adequacy, functionality and reliability, by performing checks and onsite audits of the proper conduct of operations and the evolution of risks; it is also responsible for supporting company bodies, the Board of Directors, the Board of Statutory Auditors, the Internal Audit and Risks Committee and Top Managers in defining the structure of the internal control and corporate governance system.

Audit work is performed in accordance with the methodologies and internal and external standards, including:

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

During the period, Internal Audit's attention was focused on assurance activity involving various topics, such as the ICAAP and ILAAP reports, the Banking Group's remuneration and incentive, the process of identifying Key Personnel and the ESG factors. The measures implemented in administrative and accounting processes and the IT applications dedicated to such processes were tested for efficacy.

Among internal audit activity, mention should also be made of privacy-related audits aimed at ensuring proper operational conduct by employees.

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

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

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

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

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

11. Organisation and ICT

A structured plan of projects has been prepared for 2020-2021 to support the Bank's strategic guidelines and business objectives, with a particular focus on enhancing services, products and support for the benefit of wealth management, innovation and sustainability, in addition to initiatives to increase the Bank's efficiency and further its internal development in pursuit of constant improvement.

The main initiatives undertaken in the first half of the year are discussed below.

BG Saxo

Activities relating to the BG Saxo project (involving a brokerage firm in partnership between Banca Generali and Saxo Bank) continued with the aim of expanding the catalogue of products and services offered (e.g., complex products such as ETCs, ETNs or leveraged ETFs) to clients in line with market best practices. In particular, since April 2021 clients have been able to open (or upgrade) their BG current accounts in a "single account" version, thus gaining access to banking services (e.g., withdrawals, payments, etc.), asset management solutions (e.g., funds, policies, Lux IM, etc.) and securities purchases and sales through the brokerage firm's advanced trading platform. All of this was made possible by the integration of BG Saxo's RTO within a single BG current account. Of course, all products not yet included in the platform will remain available through BG RTO.

Conio project

Banca Generali entered into a commercial partnership with Conio and launched a project designed to allow the Bank's customers access to the services offered by its new partner. Conio is a fintech company that operates in the field of cryptocurrencies as a wallet provider that offers custody, negotiation and reporting, currently with a focus on Bitcoins.

Through this partnership with Conio, Banca Generali intends to expand the range of innovative products and services for its customers to include the purchase and sale of Bitcoins, thereby increasing the visibility of its brand in terms of innovation. The project's objective is the integration of Banca Generali's mobile banking app with Conio's app to allow Banca Generali customers to buy and sell Bitcoins by debiting and crediting their accounts with Banca Generali, while benefiting from an innovative multi-signature custody system developed by Conio to prevent the risk of theft or loss of the individual keys normally required to access customer wallets and to facilitate the management of cases of inheritance.

BG International Advisory

In continuity with the project that in late 2019 resulted in the launch of the new BG International Advisory service, designed to allow geographical diversification of asset custody through a partnership with a Swiss bank, in the first half of 2021 the working group focused on expanding the service, currently available for shares, bonds, ETFs and certificates, to also include a selected panel of UCITS in the investible universe.

BG Suisse

In line with the 2019-2021 Strategic Plan, the project seeks to create a new Swiss bank based on three fundamental pillars: the centrality of bankers, in keeping with Banca Generali's service model; a state-of-the-art digital technological framework; and a capital-light approach to capital efficiency.

Back Office Transformation

The project aims to achieve a drastic reduction in the low value-added activities carried out at the Bank by harnessing process digitalisation within the Quiclic platform, automation and robotisation of administrative activities and a redesign of work processes according to a lean approach.

The main measures involved:

- > streamlining and automating internal administrative activities by focusing on innovative technological solutions and process improvement methods;
- > simplifying the management of operating processes by Financial Advisors through the use of the Quiclic platform and on a standalone basis.

New advanced advisory and extension of fee-based pricing to Funds/Sicavs

The project aims to develop and implement a new edition of the advisory contract by expanding the services offered with the Integrated Wealth View module according to a family office-like

approach and extending the fee-based pricing to funds and Sicavs, thus rounding out the set of products that may be managed through to this solution.

Lux IM – Revision of the range

The project resulted in a revision of the range of offerings through the launch of a significant number of new sub-funds.

The revision also yielded a reformulation of the product's pricing alongside the introduction of a new method for calculating performance fees in accordance with the ESMA guidelines set to enter into force at the beginning of next year.

MiFID II

In continuity with the previous year, the MiFID II project moved forward in 2021, in response to the new regulations introduced by the Consob Recommendation No. 1/2020 of 7 May 2020 and the new Book IX of the Consob Intermediaries Regulation regarding the distribution of IBIPs.

Project activities were divided into three complementary phases with the objectives of:

- > adapting *ex-post* statements to the new Consob regulations by optimising the process of producing and sending statements according to the timescales set by regulators;
- > introducing the new features of the IDD2 Regulation for the distribution of IBIP insurance products;
- > reinforcing the customer profiling method by updating the profile calculation algorithm while also introducing the ESG questions into the new MiFID Questionnaire.

ESG

The ESG project continued to pursue the goal of strengthening BG's position in sustainability policies, while also defining the measure for ensuring regulatory compliance.

In the first half of the year in particular, the regulatory developments of the European Regulation on sustainable investments (Regulation No. 2088/2019, supplemented by Regulation No. 2020/852 and the Delegated Acts AIFMD, UCITS and MiFID II) were analysed and, in keeping with the first regulatory deadline of 10 March 2021, the necessary measures were taken to align the current disclosure and risk management processes and thus ensure regulatory compliance. In addition, project activities continued with the aim of including ESG impacts in the risk policies, adding to the ESG classification of financial instruments and updating contractual documentation according to the new regulatory provisions on taxonomy.

New Home Banking Service

Work continued on development of the new home banking platform, featuring a simple, intuitive interface in line with the banking sector's best practices and the needs of target customers. The new home banking service is capable of offering an innovative solution in line with the latest technological trends and new digital frontiers, also thanks to modernisation of the underlying architecture. The service is set to be released to customers in October 2021.

Data project

The process of implementing the new data architecture was forged ahead in continuity with the project launched in the previous year and forming the foundation of the development efforts initiated by Banca Generali according to its data-driven company approach.

This initiative enables the Bank to implement a more modern data architecture capable of facilitating the use of IT assets through centralised access to information, in addition to improving and automating reporting and analytics processes in support of the business, while also ensuring the correct monitoring of data governance and data quality processes. In recent months, set-up of the basic components of the architecture was completed and the first reports were published within the new management reporting portal, i.e., the BG Reporting Hub. Migration of the data architecture to a cloud system (AWS) capable of fully realising the platform's potential is also in progress.

FA Digital Experience project

At the beginning of 2021, the scope of the "tactical" initiatives to be undertaken during the year in view of business priorities and budget constraints was defined on the basis of the project findings obtained in the previous year (involving the survey and focus groups with the network, analysis of application use and internal discussions).

In particular, it was determined the measures necessary to simplify and rationalise the way Financial Advisors access content, as well as to consolidate existing applications so as to improve certain features and/or fill operating gaps, including in view of expanding operations according to a fully digital approach.

In particular, in the first half of the year work focused on efforts to develop BG Products into BG Products and Advisory (discontinuation of BG Markets) and create a single ETF module within GIC to support flexible portfolio activities. Projects were also launched in view of the integration of the BG Personal Portfolio analyses into BGPA, digital signature of initial subscriptions of portfolio management solutions (GP) and policies, management in GIC of post-sales of Lux IM PAC investment plans and the expansion of the visibility within FEP of the documentation sent to clients, as well as the extension of the third-party firms managed in GIC and Digital Collaboration.

Updates to the range of asset management and insurance products

With the goal of keeping the product range constantly abreast of client needs, the customary launches of new financial instruments within the framework of the management companies, already distributed on both a retail basis and within the Bank's wrapper products (BG Stile Libero and GP BG Solution), were complemented by the activation of the following new investment firms and related product lines:

- > Muzinich ELTIF;
- > Pegaso;
- > Aperture;
- > Plenisphere.

At the same time, the GP BG Solution range was further expanded by the launch of the Advisor Consultique ETF Dynamic Trend line, and management processes were automated (through FEP and BGPA procedures) for post-sales management of the insurance product BG Insieme Progetti di Vita.

Change of the Genertellife it system

In 2020, the company moved forward with its project to reorganise its IT systems, involving the retirement of the current platforms for traditional products and insurance wrappers (BG Stile Libero) in favour of the Group's new platform.

With regard to traditional products, the retirement of the systems was concluded in the first half of the year and the process is expected to be completed in the second half of the year.

Credit Sector Initiatives

In the credit sector, mention should be made of:

- > the establishment of the working groups required for the launch of Lombard real-estate lending, set to occur in the second half of the year;
- > the performance of analyses for innovative developments to enhance the control measures in the following areas:
 - restricted accounts;
 - monitoring of collateral;
 - automation of transmission of SIP pledge positions;
- > performance of the initiatives required to adopt the EBA Guidelines regarding credit granting and monitoring.

AML and ADV control measures

Within the framework of anti-money laundering and customer due diligence compliance, mention should be made of the launch of the working groups and analyses focusing on the following areas, set to undergo significant development in the second half of 2021:

- > adoption of the new Faraday transaction monitoring procedure (adoption is planned by the end of 2021);
- > expansion of the customer due diligence questionnaire to include new questions (release planned for September);
- > upgrade of the GIANOS procedure for transaction monitoring, behaviour diagnosis and customer risk classification from version 3 to version 4 (launch of testing in October).

Security

In order to improve Banca Generali's security posture, in the first half of 2021 the Security and BCP Service completed various activities with a focus on the Banking Group's governance and reinforcement of security measures.

Firstly, the Service began to strengthen its supervision of subsidiaries (BGFML and BG Valuer) and continued to implement and establish new security solutions to be provided to the network of Financial Advisors.

Secondly, in order to reinforce safeguards, the Service has been primarily responsible for managing and monitoring the implementation of the various security measures as part of the global programme designed to reinforce all security controls.

The main measures relate to:

- > **Antifraud Solution:** a new fraud management solution (RSA AAoP) has been in place since April 2021; this solution, based on behavioural analysis of users, ensures full fraud analysis because it is capable of identifying whether transactions fall within the user's normal activity. The solution makes it possible to raise security controls for online transactions and further decrease the number of cases of fraud detected by Banca Generali customers;
- > **Risk and vulnerability management:** a specific risk management framework was adopted that supports cyber and IT risk analysis and enables monitoring of any related remediation. A structured process of analysis and monitoring of the vulnerabilities detected within the Banca Generali scope was also implemented, including data relating to third-party supplier vulnerabilities;
- > **Security awareness:** in the first half of 2021, Banca Generali proceeded with various security awareness activities to increase employee awareness, including participation in the phishing campaign promoted by the Parent Company and launch of a specific course on cyber security issues for the entire Banking Group.

Support for remote working

Since the beginning of the pandemic emergency, the Bank's IT department has launched various initiatives designed to enhance the robustness of the IT and technology infrastructure of all offices and enable the use of remote working by all Bank employees. Initiatives to complete coverage on mobile devices as well are also being finalised.

12. Main risks and uncertainties

The global economy recovered markedly in the first few months of the year, driven by consumption and also buoyed by successful vaccination campaigns and fiscal policy support. Within this context, the main concerns relate to the increased levels of inflation seen on the market and the resulting continuation of the current expansionary monetary policies, which consolidate a market scenario characterised by lower-for-longer interest rates that drive market players to prefer alternative investment products.

In addition, banks must confront the uncertainties relating to the potential increase in non-performing loan (NPL) levels due to the end of the moratoria and the ability to operate in a sector characterised by strong competition and constantly increasing digitalisation.

The uncertainty tied to the current context of reference requires constant monitoring of the main risk factors to which the Banking Group is exposed, as summarised below.

- > The Bank's exposure to **credit** risk mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost and financial assets at fair value through other comprehensive income, and loans to customers (both corporate and retail). Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure.

Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management Function and established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

- > In continuity with the previous year, loans to customers are characterised by a low NPL percentage within the overall portfolio, particularly considering the provisions made and guarantees received. In keeping with the Group's business model, these guarantees are primarily collateral and secondarily personal (sureties).

To date, the pandemic did not have significant effects on the quality of the loan portfolio. In the first half of 2021, initiatives in support of the economy, such as moratoria and loans for SMEs guaranteed by the Mediocredito Centrale Fund, did not show signs of deterioration and remained essentially stable.

- > The exchange **risk** exposure arises from changes in the value of assets and liabilities, the valuation of which is sensitive to changes in the term structure of interest rates or interest rate volatility.

In light of the Bank's significant position in government securities (about 83% of the portfolio owned), the same is particularly sensitive to the spread/country risk, which is constantly monitored using sensitivity analyses.

- > The Bank's exposure to **market** risk — which is currently limited and residual — stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a financial instrument or a portfolio of financial instruments associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors).

In particular, securities measured at fair value and classified in the portfolios of Financial assets measured at fair value through profit or loss and Financial assets at fair value through other comprehensive income are exposed to market risk, as fluctuations in their prices impact the Group's Profit and Loss Account and net equity.

Market risks are maintained within appropriate limits, which are monitored by the Risk Management Function. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors.

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

operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, *inter alia*, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk.

The Risk Management Function carries out risk assessment and scoring activities and Loss Data Collection processes, monitors the action plans adopted to mitigate material risks, and controls KRIs (Key Risk Indicators) instrumental to monitoring of the areas of highest risk. Moreover, the Banca Generali Group has adopted an insurance coverage for operating risks deriving from acts of third parties or caused to third parties, as well as adequate clauses covering damages caused by providers of infrastructure and services; it also approved a Business Continuity Plan.

The Group reported no operating losses linked to the health emergency, during which the Bank was able to constantly guarantee its service level.

- > Exposure to the risk of **excessive leverage** is caused by a particularly high level of debt, with the resulting risk that any decreases in the value of an asset (e.g., impairment of securities) may result in the high erosion of capital.

The level of the leverage risk indicator (the ratio of net equity to assets) is periodically monitored by the Risk Management Function in order to ensure that the Bank's targets are met and the legal limits are observed.

- > In relation to the **concentration risk**, resulting from the exposure to groups of related counterparties and counterparties operating in the same sector/geographical area, the Bank reports a good level of diversification. In addition, the Bank guarantees ex-ante compliance with the regulatory limits regarding the level of exposure towards related parties and major risks.
- > The Bank's exposure to **liquidity risk** derives from funding and lending transactions in the course of the Group's ordinary business, as well as from the presence of unlisted financial instruments in its owned portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.

The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, to a secondary degree, where available, through the measures proposed by the ECB. In addition, the Group maintains a portfolio of listed, highly liquid financial instruments in order to respond to potential crisis scenarios characterised by a sudden interruption of net inflows.

Liquidity risk is managed through appropriate short-term and structural (beyond one year) operating limits, monitored by the Risk Management Function, aimed at maintaining a level of risk deemed consistent with the strategies and risk appetite set by the Board of Directors. The Group also implemented a Contingency Funding Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

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

- > **strategic risk**: the actual or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario.

The strategic risk is tackled first and foremost by policies and procedures in which the most important decisions are reported to the Board of Directors and supported by specific preventive impact analyses in terms of capital adequacy and liquidity, consistency with the Risk Appetite Framework and sustainability of the business model;

- > **reputational risk**: the current or prospective risk of a decrease in profits or capital arising from a negative perception of the corporate image by clients, counterparties, shareholders, investors or regulatory authorities.

The Banca Generali Group is structurally exposed to reputational risk due to the Group's distinctive trading operations, which focus on offering and placing asset management products with its retail customers through its own Financial Advisor Network.

To monitor this risk, the Bank has adopted specific codes of conduct and codes of ethics that govern the Group's operations and its dealings with its main stakeholders. In addition, specific organisational structures exist inside the Bank to safeguard the corporate image, each one responsible for the areas within its remit (presentations to the financial community and investors, new product launch, complaints and dispute management, etc.).

13. Outlook for the second half of 2021

The second half of 2021 will continue to be marked by the improvement in economic fundamentals in the recovery trend and the easing of the extraordinary measures, which have triggered a growth acceleration in recent months. The reassurances from the central banks, combined with the prospects from the European Recovery Fund's investment policies and the government's commitment on the fiscal front, have partly mitigated fears of renewed inflationary pressures and the uncertainties linked to the persistence of the pandemic.

In this context, which is not without uncertainties for the country on the health, economic and social front, Banca Generali will continue not only to guarantee security and protection for savings in the second half of the year by supporting households in their planning and diversification choices, in order to make the most of the opportunities provided by market recovery compared to merely taking refuge in the liquidity solutions that have characterised savings overall, but also to assume social responsibility through a series of concrete initiatives including those related to the creation of new products to support Italy's SMEs.

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

In the second half of 2021, in continuity with its strategic plan — whose objectives and strategic guidelines are confirmed — the Banking Group will aim to focus its attention on households, strengthening its position as a private bank and increasing its commitment towards sustainability themes, while constantly ensuring greater dedication to developing bespoke solutions in both investment products and advisory services.

In detail, the main measures, which have been partly already launched in the first half of 2021, will include:

- > **improvement of the quality of the Financial Advisor network**, through both professional training for the existing network thanks to the ongoing implementation of the BG Training & Innovation Hub, which is a centre devoted to the acquisition of new skills and professional growth, and the recruitment of high-profile, experienced professionals on the market;
- > **product innovation**, which will continue in the second half of the year mainly with the development of the range of Lux IM products and wrapper solutions, also with the aim of supporting the real economy through the promotion of Alternative Funds (AIFs and ELTIFs);
- > **development of new lines of business** through the growth of AUC solutions, leveraging on the partnership with Saxo Bank in online trading, particularly with regard to derivatives, and the expansion of lending, primarily in the form of the Lombard loan;
- > **international expansion in Switzerland** through the partnerships formed with various Swiss institutions to assist Italian customers with assets held in the country and the launch of a private banking activity for customers residing in Switzerland through the development of BG Valeur and the set-up of a new banking entity;
- > **promotion of the advanced advisory service** covering all of the customer's wealth-related needs, in addition to advice concerning securities. Thanks to several exclusive partnerships, the Bank can provide advice concerning Real Estate, Wealth Planning and Generational Transfer, Corporate Finance and Family Office issues. In the second half of the year, particular attention will also be given to wealth management services for business customers through an ecosystem of major, innovative partners capable of meeting the key needs of such customers in the various phases of the life cycles of households and family-owned businesses;
- > **digital innovation**, which will allow the development of new digital services and tools in favour of customer transactions and the relationship with their Financial Advisors;
- > **enhancement of the communication** of a solid, innovative brand, including through the new social channels;
- > continuation of the **project for a complete overhaul** of the Bank-Client-Financial Advisor relationship to simplify and expedite administrative processes through digitalisation and automation designed to improve the relationship.

The Banca Generali Group is on the way to completing the 2019-2021 three-year plan with all the growth targets exceeded and with prospects for continuous improvement in its results, particularly with regard to net inflows that could reach a new record, albeit in a more challenging and complex context than that originally envisaged, mainly due to the consequences of the Covid-19 pandemic.

Trieste, 27 July 2021

The Board of Directors





03

CONDENSED
CONSOLIDATED
HALF-YEAR
FINANCIAL
STATEMENTS

BOARD OF DIRECTORS
27 JULY 2021

Consolidated Accounting Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)	30.06.2021	31.12.2020
10. Cash and deposits	1,202,771	574,108
20. Financial assets measured at fair value through profit or loss:	40,766	48,455
a) HFT financial assets	3,727	3,619
c) other financial assets mandatorily measured at fair value	37,039	44,836
30. Financial assets measured at fair value through other comprehensive income	3,522,999	2,730,098
40. Financial assets measured at amortised cost:	10,129,242	9,108,400
a) loans to banks	1,125,635	687,576
b) loans to customers	9,003,607	8,420,824
50. Hedging derivatives	3,293	2,486
70. Equity investments	2,205	1,717
90. Property and equipment	147,495	152,676
100. Intangible assets	129,578	135,922
<i>of which:</i>		
- goodwill	86,973	86,973
110. Tax receivables:	88,545	49,846
a) current	715	1,080
b) prepaid	87,830	48,766
120. Non-current assets available for sale and disposal groups	1,650	-
130. Other assets	416,978	373,281
Total assets	15,685,522	13,176,989

TOTAL LIABILITIES AND NET EQUITY

(€ THOUSAND)	30.06.2021	31.12.2020
10. Financial liabilities measured at amortised cost:	13,465,086	11,506,596
a) Due to banks	877,405	598,129
b) Due to customers	12,587,681	10,908,467
20. HFT financial liabilities	1,662	1,551
40. Hedging derivatives	95,096	67,853
60. Tax liabilities:	60,595	42,516
a) current	54,576	29,174
b) deferred	6,019	13,342
70. Liabilities associated with disposal groups	284	-
80. Other liabilities	789,391	181,697
90. Employee termination indemnities	4,559	4,936
100. Provisions for liabilities and contingencies:	278,369	187,336
a) commitments and guarantees issued	104	124
b) pensions and similar obligations	2,728	3,751
c) other provisions	275,537	183,461
120. Valuation reserves	2,871	4,139
140. Equity instruments	50,000	50,000
150. Reserves	613,397	726,471
160. Share premium reserve	55,875	57,062
170. Share capital	116,852	116,852
180. Treasury shares (-)	-38,888	-45,185
190. Net equity attributable to minority interests (+/-)	275	246
200. Net profit (loss) for the period (+/-)	190,098	274,919
Total net equity and liabilities	15,685,522	13,176,989

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)	30.06.2021	30.06.2020
10. Interest income and similar revenues	47,608	45,445
20. Interest expense and similar charges	-3,724	-3,045
30. Net interest income	43,884	42,400
40. Fee income	614,236	455,196
50. Fee expense	-230,301	-197,293
60. Net fees	383,935	257,903
70. Dividends and similar income	1,056	1,696
80. Net income (loss) from trading activities	2,503	3,157
90. Net income (loss) from hedging	2,393	83
100. Gain (loss) on disposal or repurchase of:	5,197	6,333
a) financial assets measured at amortised cost	5,018	8,989
b) financial assets measured at fair value through other comprehensive income	179	-2,656
110. Net income (loss) from financial assets and liabilities measured at fair value through profit and loss:	230	-2,869
b) other financial assets mandatorily measured at fair value	230	-2,869
120. Net banking income	439,198	308,703
130. Net adjustments/reversals due to credit risk relating to:	-4,051	-4,662
a) financial assets measured at amortised cost	-3,848	-4,309
b) financial assets measured at fair value through other comprehensive income	-203	-353
150. Net income (loss) from trading activities	435,147	304,041
190. General and administrative expenses:	-140,829	-131,042
a) staff expenses	-53,290	-51,255
b) other general and administrative expenses	-87,539	-79,787
200. Net provisions for liabilities and contingencies:	-105,073	-20,889
a) commitments and guarantees issued	20	-14
b) other net provisions	-105,093	-20,875
210. Net adjustments/reversals of property and equipment	-10,851	-10,466
220. Net adjustments/reversals of intangible assets	-6,231	-5,043
230. Other operating expenses/income	39,440	33,147
240. Operating expenses	-223,544	-134,293
250. Gains (losses) from equity investments	-109	-99
280. Gains (losses) on disposal of investments	-	24
290. Net profit before income taxes	211,494	169,673
300. Income taxes for the period on operating activities	-21,414	-37,732
310. Net profit after income taxes	190,080	131,941
330. Net profit for the period	190,080	131,941
340. Net profit (loss) for the period attributable to minority interests	-18	-7
350. Net profit (loss) for the period attributable to the Parent Company	190,098	131,948

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)	30.06.2021	30.06.2020
10. Net profit for the period	190,080	131,941
Other income net of income taxes, without transfer to Profit and Loss Account		
20 Equity securities designated at fair value through other comprehensive income	6	-18
70. Defined benefit plans	647	-172
110. Exchange differences	-	-3
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	-1,870	-2,746
170. Total other income net of income taxes	-1,217	-2,939
180. Comprehensive income	188,863	129,002
190 Consolidated comprehensive income attributable to minority interests	33	-10
200. Consolidated comprehensive income attributable to the Parent Company	188,830	129,012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ITEMS

(€ THOUSAND)	SHARE CAPITAL		RESERVES				EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	GROUP NET EQUITY	NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS
	A) ORDINARY SHARES	B) OTHER	SHARE PREMIUM RESERVE	A) RETAINED EARNINGS	B) OTHER	VALUATION RESERVES							
Net equity at 31.12.2020	117,127	-	57,062	700,809	25,644	4,153	50,000	-	-45,185	274,894	1,184,504	1,184,258	246
Change in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount at 01.01.2021	117,127	-	57,062	700,809	25,644	4,153	50,000	-	-45,185	274,894	1,184,504	1,184,258	246
Allocation of net profit for the previous year:	-	-	-	-840	-	-	-	-	-	-274,894	-275,734	-275,734	-
- reserves	-	-	-	-25	-	-	-	-	-	25	-	-	-
- dividends and other allocations	-	-	-	-815	-	-	-	-	-	-274,919	-275,734	-275,734	-
Change in reserves	-	-	-1	-23	85	-	-	-	-	-	61	65	-4
Transactions on net equity:	-	-	-1,186	-110,692	-1,633	-	-	-	6,297	-	-107,214	-107,214	-
- issue of new shares	-	-	-1,186	-	-5,111	-	-	-	6,297	-	-	-	-
- purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
- extraordinary dividends	-	-	-	-110,692	-	-	-	-	-	-	-110,692	-110,692	-
- change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
- stock options	-	-	-	-	3,478	-	-	-	-	-	3,478	3,478	-
- change in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-1,217	-	-	-	190,080	188,863	188,830	33
Net equity at 30.06.2021	117,127	-	55,875	589,254	24,096	2,936	50,000	-	-38,888	190,080	990,480	990,205	275
Group net equity	116,852	-	55,875	589,301	24,096	2,871	50,000	-	-38,888	190,098	990,205	1	-
Net equity attributable to minority interests	275	-	-	-47	-	65	-	-	-	-18	275	-1	-

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

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD

(€ THOUSAND)

30.06.2021

30.06.2020

A. OPERATING ACTIVITIES	30.06.2021	30.06.2020
1. Operations	233,922	157,411
Net profit (loss) for the period	190,080	131,941
Gain/loss on HFT financial assets and other assets and liabilities measured at fair value through profit or loss	-3,464	3,990
Gain/loss on hedging assets	-139	-83
Net adjustments/reversals due to credit risk	4,051	4,662
Net adjustments/reversals of property, equipment and intangible assets	17,082	15,509
Net provisions for liabilities and contingencies and other costs/revenues	91,656	2,080
Taxes, duties and tax credits not paid	-20,233	18,552
Adjustments/reversals of discontinued operations	-	-
Other adjustments	-45,110	-19,240
2. Liquidity generated by/used for financial assets (+/-)	-1,803,489	-477,604
HFT financial assets	1,546	14,540
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	11,277	1,322
Financial assets measured at fair value through other comprehensive income	-801,139	339,519
Financial assets measured at amortised cost:	-989,344	-808,221
- loans to banks	-435,328	-130,069
- loans to customers	-554,016	-678,151
Other assets	-25,829	-24,764
3. Liquidity generated by/used for financial liabilities (+/-)	2,200,328	409,759
Financial liabilities measured at amortised cost:	1,963,741	297,423
Due to banks	282,337	485,820
Due to customers	1,681,404	-188,397
Securities issued	-	-
HFT financial liabilities	-1,551	3
Financial liabilities designated at fair value	-	-
Other liabilities	238,138	112,333
Net liquidity generated by/used for operating activities	630,761	89,566

(€ THOUSAND)	30.06.2021	30.06.2020
B. INVESTING ACTIVITIES		
1. Liquidity generated by	-	-289
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of subsidiaries and business units	-	-289
2. Liquidity used for	-974	-322
Purchase of equity investments	-597	-
Purchase of property and equipment	-377	-275
Purchase of intangible assets	-	-47
Purchase of subsidiaries and business units	-	-
Net liquidity generated by/used for investing activities	-974	-611
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-1,124	-1,125
Disposal/Purchase of controlling interests	-	-
Net liquidity generated by/used for funding activities	-1,124	-1,125
NET LIQUIDITY GENERATED/USED IN THE PERIOD	628,663	87,830
Reconciliation		
Cash and cash equivalents at period-start	574,108	525,400
Total liquidity generated/used in the period	628,663	87,830
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at period-end	1,202,771	613,230

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

Notes and Comments

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PART A - ACCOUNTING POLICIES

Part A.1 - General

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

In particular, paragraphs 2, 3 and 4 of the Article require that, within three months from the end of the first half of the financial year, listed companies having Italy as their member state of origin publish a half-year financial report including:

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

Section 1 – Declaration of compliance with International Accounting Standards

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

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

It should be noted that, following the completion of the endorsement procedure, as of 1 January 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 – <i>Insurance Contracts</i> – 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 – <i>Interest Rate Benchmark Reform</i> – Phase 2 (issued on 27 August 2020)	2021/25	14.01.2021	01.01.2021

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.

Section 2 – Preparation criteria

The Condensed Consolidated Half-Year Financial Statements are comprised of:

- > a **Balance Sheet** as of the end of the interim period under review and a comparative balance sheet as of the end of the previous financial year;
- > a **Profit and Loss Account** for the interim reporting period, with a comparative profit and loss account for the same interim period of the previous financial year;
- > the **Other Comprehensive Income (OCI) statement**, which includes the profit and loss items for the period recognised directly in net equity, for the interim reporting period as compared to the same period of the previous year;

- > a **Statement of Changes in Equity** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the previous year;
- > a **Cash Flow Statement** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the previous year;
- > **Notes and Comments** containing references to the accounting standards used and other notes explaining transactions carried out during the period.

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

In detail, IAS 34 on interim financial reporting states that, in the interest of time, the interim financial statements can contain a condensed version of the information provided in the annual report (“condensed financial statements”) that provides an update to the latest complete annual report.

In application of this principle, the option to prepare the financial statements for the period in a condensed form has been therefore exercised instead of presenting the complete financial statements as those prepared for the year.

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

The measurement criteria have been adopted on a going-concern basis and are shaped by the principles of accrual-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.

In further detail, the Directors are reasonably certain that the Bank will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group’s ability to operate as a going concern.

Content of the Financial Statements and the Notes and Comments

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

Accounts that do not include items pertaining to the period under review or the previous period are not stated in the balance sheet and profit and loss account. In the consolidated profit and loss account, net profit attributable to minority interests is presented with a negative sign, whereas losses attributable to minority interests are presented with a positive sign.

The Notes and Comments include only the most significant sections and tables. Sections or tables which include no values are not included in the Notes and Comments.

The Statement of Other Comprehensive Income consists of items that present changes in the value of assets reported during the half-year through valuation reserves, net of the associated tax effect and distinguishing between any income attributable to the Parent Company and minority interests.

The amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income* also requires the separate recognition in the Statement of the components and the relevant taxes that may or may not be reclassified to profit or loss.

As for the balance sheet and profit and loss account, items with nil amounts in both the reporting period and previous period are not presented.

The Consolidated Statement of Changes in Equity is presented by inverting the rows and columns with respect to the presentation requested by the Bank of Italy’s Circular No. 262/2005.

The statement presents changes in total consolidated net equity, showing separately the final carrying amounts of the net equity attributable to the Group and minority interests and aggregate changes in those items.

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

Cash flows are broken down into:

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

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.

Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected fees; these items have been disclosed separately and classified under operating activities.

Moreover, these cash flows also do not include changes in operating assets and liabilities, but include those relating to financing activities, such as changes in operating loans and amounts payable to Financial Advisors and employees and any related advance payments.

Section 3 – Scope of consolidation and business combinations

1. Scope of consolidation

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

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

Legend: type of control:

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

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 June 2021, properly reclassified and adjusted where necessary to take account of consolidation requirements, except for Nextam Partners Ltd, in liquidation procedure, which during the quarter was not operating. The most significant intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

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

2.1 Subsidiaries

Entities, including structured entities, over which the Group has a direct or indirect control, are subsidiaries.

Control over an entity exists when the Group has the power to influence the variable returns to which the Group is exposed from its involvement with the investee.

To determine that control exists, the Group considers the following factors:

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

Where relevant activities are directed through voting rights, the following factors are evidence of control:

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

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

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

Structured entities are considered as subsidiaries when:

- > the Group has power arising from contractual rights to direct relevant activities;
- > the Group is exposed to variable returns arising from such activities.

2.2 Associate companies

An associate company is one over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Significant influence is assumed when the investor:

- > holds, directly or indirectly, 20% or more of the share capital in the investee, or
- > has significant influence over the investee, also by way of shareholders’ agreements, through:
 - a) representation on the governing body of the investee;
 - b) participation in policy making processes, including with regard to decisions on dividends and other distributions;
 - c) material transactions;
 - d) interchange of management personnel;
 - e) provision of essential technical information.

Equity investments in associates are valued using the equity method.

As of 30 June 2021, the only associative shareholding included in the scope of consolidation of the Banking Group is IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali acquired a 35% interest in 2015.

2.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture based on the Group’s contractual rights or obligations:

- > a joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement;
- > a joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

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

Banca Generali – Saxo Bank A/S joint venture

As at 30 June 2021, the scope of the Banking Group included a single equity investment in a company subject to joint control:

- > BG Saxo SIM S.p.A., an investment firm formed as part of the joint venture with Saxo Bank, in which Banca Generali acquired a 19.9% stake on 31 October 2019 for 1,995 thousand euros, plus additional costs.

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

The objective of the partnership, which has a duration of eight years and may be renewed upon expiry, is to offer clients, on an exclusive basis for the Italian market, access to an innovative platform for advanced trading based on Saxo Bank’s technology. Banca Generali makes available its banking platform and its leading market position in private banking to foster synergies and develop new opportunities for its Financial Advisors and clients, who will thus enjoy access to one of the most comprehensive suites of global trading tools.

The Bank also provides outsourced services to the new brokerage firm (SIM), specifically various back-office activities relating to customer order receipt and execution services.

Saxo Bank instead provides the new SIM with its multi-assets platform that enhances the range of trading and dynamic hedging services, with a particular expertise in FX.

Under the terms of the agreements, the new venture is to be conducted through a newly formed company, BG Saxo SIM, of which Banca Generali is a co-owner with a 19.9% stake.

After being authorised by Consob and entered into the Register of Securities Brokerage Firms on 28 December 2018, the new brokerage firm became operational in 2019.

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

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

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

According to the assessment conducted, it is believed that BG Saxo SIM may qualify under IFRS 11 as a joint arrangement, and in particular as a joint venture. As a result, in accordance with paragraphs 24 and 26 of IFRS 11, Banca Generali will have to recognise its 19.90% equity investment in the company's share capital as follows:

- a) in the consolidated financial statements by applying the equity method in accordance with IAS 28;
- b) in the separate financial statements, in accordance with IAS 27, paragraph 10, using the cost method as provided for by IFRS 9, or by applying the equity method as provided for by IAS 28.

3. Significant non-controlling interests in subsidiaries

As at 30 June 2021, all the Group's equity investments were in wholly owned subsidiaries, which the exception of BG Valeur S.A., in which the previous shareholders retain a non-controlling interest of 9.9%. Accordingly, there are no significant non-controlling interests in subsidiaries.

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

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

4. Significant restrictions

As of 30 June 2021, there were no significant restrictions of a legal, contractual, or statutory nature on the Parent Company's ability to access or use the Group's assets and settle the Group's liabilities.

5. Other information

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

Consolidation methods

Full consolidation method

Subsidiaries are included in the accounts using the full consolidation method, whereby the balance sheet and profit and loss items are consolidated on a line-by-line basis.

After the attribution to minority interests of any portion of net equity and profit and loss results, the value of the equity investment is cancelled due to the residual value of the subsidiary's net equity.

The resulting differences are allocated to the assets or liabilities — including intangible assets — of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Negative differences are charged to the profit and loss account.

The most significant intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively. Dividends distributed by subsidiaries were eliminated from the consolidated profit and loss account and a corresponding adjustment was made to income reserves.

Equity method

Associate companies are consolidated according to the concise equity method.

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

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

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

That share is adjusted to reflect:

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

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

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

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

Translation of financial statements denominated in currencies other than the euro

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

Section 4 – Events occurred after the reporting date

The Consolidated Half-year Financial Statements were approved by the Board of Directors of Banca Generali on 27 July 2021 and its publication was authorised, pursuant to IAS 10, as of the same date.

No events occurred after 30 June 2021 and until the date of approval of the Consolidated Half-year Financial Statements that would make it necessary to adjust the results presented in the consolidated half-year report at that date.

On 1 July 2021, through Bank of Italy's order No. 999547/21, Banca Generali was authorised to launch the plan to buy-back treasury shares in service of the 2021 Remuneration Policy.

Section 5 – Other information

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

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

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

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

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

- > determining the amount of provisions for liabilities and contingencies;
- > determining the expenses of personnel productivity bonuses;
- > determining the amount of incentive fees to be paid to the sales network as an annual incentive and of incentives related to recruitment plans;
- > determining the deferred incentives granted to the sales network, when linked to defined net inflow targets;
- > determining the fair value of cash financial instruments and derivatives to be used in financial statement, when not based on current prices drawn from active markets;
- > determining the analytical and collective impairment of financial instruments;
- > determining the value adjustments and reversals of non-performing loans and the collective provision for performing loans;

- > preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
- > the assumptions made regarding situations of uncertainty relating to taxation and the outcome of ongoing tax disputes;
- > preparing estimates and assumptions on the recoverability of deferred tax assets;
- > evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Measurement of goodwill

During the preparation of the 2020 Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate.

Last year, in its Public Statement of 20 May (Implications of the COVID-19 outbreak on the half-yearly financial reports), ESMA emphasised that the crisis had brought to light a number of internal and external impairment indicators that require a thorough assessment of whether the impairment test required by IAS 36 should also be performed on a half-yearly basis for various classes of non-financial assets, and above all for goodwill.

In this regard, it should be noted that, in spite of the persistence of the Covid-19 pandemic emergency, the progress of vaccine campaigns in the main industrialised countries, the current macroeconomic forecasts calling for a sharp economic recovery in 2021 and the excellent operating results achieved by the Banking Group during the half-year that has just ended lead us to suppose that there currently are no significant indicators of impairment that would require an immediate assessment of loss.

Moreover, since all required information for a comprehensive assessment is only available when drafting the annual report, with particular regard to the update of the Strategic Plan, it was decided not to conduct an impairment test as of 30 June 2021.

For further information on this subject, the reader is referred to the 2020 Financial Statements.

Non-recurring significant events and transactions

During the first half year of 2021, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account.

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

National Tax Consolidation option

In 2004, the Parent Company, Assicurazioni Generali, and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.

Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the parent company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or a single tax loss) for the Group as the sum of the profits and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Formation of the Assicurazioni Generali VAT Group

On 23 September 2019, as Representative of the Group's Italian subsidiaries, Assicurazioni Generali exercised the option to adopt the Group's VAT rules (set out in Articles 70-bis et seqq. of Presidential Decree No. 633/72) with effect from 1 January 2020.

Accordingly, with effect from that date all companies included in the VAT Group will use only the VAT registration number assigned by the Italian Agency of Revenue to the Group: 01333550323.

Audit

The Consolidated Half-Year Financial Statements are subject to a limited auditing by the firm KPMG S.p.A. in execution of the resolution passed by the Shareholders' Meeting on 22 April 2021.

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

During the first half of 2021, the accounting policies adopted by the Group underwent no significant amendments and supplementations.

Accordingly, the accounting policies used for preparing the Consolidated Condensed Half-year Financial Statements at 30 June 2021, with particular reference to the classification, recognition, measurement and derecognition of assets and liabilities, as well as the methods used for recognising revenues and expenses, are the same as those adopted for the Annual Integrated Report at 31 December 2020, to which the reader is referred to for comprehensive details.

The accounting statements and the Notes and Comments presented herein must therefore be read together with the Accounting Standards listed in the Annual Report.

Part A.3 – Information on fair value

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

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

The criteria and procedures for determining fair value used to measure portfolios of financial assets and liabilities in these Consolidated Half-year Financial Statements are the same as those applied in the preparation of the Consolidated Financial Statements at 31 December 2020, as illustrated in Part A, Section 4, of the relevant Notes and Comments.

Fair value hierarchy

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

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

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

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

ASSETS/LIABILITIES MEASURED AT FAIR VALUE	30.06.2021				
	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss					
a) HFT financial assets	2,005	1,722	-	-	3,727
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	1,046	33,247	2,746	-	37,039
2. Financial assets measured at fair value through other comprehensive income	3,445,298	59,463	72	18,166	3,522,999
3. Hedging derivatives	-	3,293	-	-	3,293
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	3,448,349	97,725	2,818	18,166	3,567,058
1. HFT financial liabilities	-	1,662	-	-	1,662
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	95,096	-	-	95,096
Total	-	96,758	-	-	96,758

31.12.2020

ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss					
a) HFT financial assets	2,011	1,608	-	-	3,619
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	5,815	37,375	1,646		44,836
2. Financial assets measured at fair value through other comprehensive income	2,696,936	14,995	162	18,005	2,730,098
3. Hedging derivatives	-	2,486	-	-	2,486
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	2,704,762	56,464	1,808	18,005	2,781,039
1. HFT financial liabilities	-	1,551	-	-	1,551
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	67,853	-	-	67,853
Total	-	69,404	-	-	69,404

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	TOTAL	OF WHICH: A) HFT FINANCIAL ASSETS	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
1. Amount at period-start	1,646	-	-	1,646	18,167
2. Increases	1,100	-	-	1,100	227
2.1 Purchases	1,000	-	-	1,000	65
2.2 Gains through:	53	-	-	53	162
2.2.1 Profit and loss	53	-	-	53	-
- of which: capital gains	-	-	-	-	-
2.2.2 Net equity	-	-	-	-	162
2.3 Transfers from other levels	-	-	-	-	-
2.4 Other increases	47	-	-	47	-
3. Decreases	-	-	-	-	156
3.1 Disposals	-	-	-	-	-
3.2 Redemptions	-	-	-	-	-
3.3 Losses through:	-	-	-	-	156
3.3.1 Profit and loss	-	-	-	-	-
- of which: capital losses	-	-	-	-	-
3.3.2 Net equity	-	-	-	-	156
3.4 Transfers to other levels	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-
4. Amount at period-end	2,746	-	-	2,746	18,238

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

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	30.06.2021			
	BV	L1	L2	L3
1. Financial assets measured at amortised cost	10,129,242	6,989,846	2,359,344	1,035,232
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	10,129,242	6,989,846	2,359,344	1,035,232
1. Financial liabilities measured at amortised cost	13,465,086	-	13,465,086	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	13,465,086	-	13,465,086	-

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2020			
	BV	L1	L2	L3
1. Financial assets measured at amortised cost	9,108,400	6,287,991	2,067,259	1,019,804
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	9,108,400	6,287,991	2,067,259	1,019,804
1. Financial liabilities measured at amortised cost	11,506,596	-	11,506,596	-
2. Liabilities associated to assets held for sale	-	-	-	-
Total	11,506,596	-	11,506,596	-

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

1. Assets

1.1 Cash and deposits - Item 10

1.1.1 Breakdown of cash and deposits

ITEMS/VALUES	30.06.2021	31.12.2020
a) Cash	23,700	25,128
b) Sight deposits with Central Banks	1,179,071	548,980
Total	1,202,771	574,108

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

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

1.2.1 HFT financial assets: debtors/issuers/counterparties

ITEMS/VALUES	30.06.2021	31.12.2020
A. Cash assets		
1. Debt securities	2,053	2,050
a) Central Banks	-	-
b) Public administration bodies	49	45
c) Banks	2,002	2,001
d) Other financial companies	-	-
of which:	-	-
- insurance companies	-	-
e) Non-financial companies	2	4
2. Equity securities	-	2
a) Banks	-	-
b) Other financial companies	-	-
of which:	-	-
- insurance companies	-	-
c) Non-financial companies	-	2
d) Other issuers	-	-
3. UCITS units	-	6
4. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:	-	-
- insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	2,053	2,058
B. Derivatives		
a) Central counterparties	-	-
b) Other	1,674	1,561
Total B	1,674	1,561
Total (A + B)	3,727	3,619

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

ITEMS/VALUES	30.06.2021	31.12.2020
1. Equity securities	2,046	883
<i>of which:</i>	-	-
- banks	-	-
- other financial companies	2,046	883
- other non-financial companies	-	-
2. Debt securities	1,746	1,646
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
<i>of which:</i>	-	-
- insurance companies	-	-
e) Non-financial companies	1,746	1,646
3. UCITS units	15,589	21,239
4. Loans	17,658	21,068
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	17,658	21,068
<i>of which:</i>	16,919	17,328
- insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	37,039	44,836

The UCITS portfolio included 10,079 thousand euros related to an interest of about 8% in Tyrus Capital European Real Estate Fund S.A. (TCREF), an alternative fund under Luxembourg law, which through the master/feeder fund invests in financial instruments linked to the European business real-estate market, particularly in mezzanine instruments.

The residual UCITS portfolio is comprised for 2,204 thousand euros of the investment in the Luxembourg vehicle Algebris, for 1,532 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., for the remainder of the closed alternative real-estate investment fund MIP I managed by Milano Investment Partners SGR S.p.A.

Equity securities include all equity shares of the parent company, Assicurazioni Generali (1,046 thousand euros).

Debt securities refer to the convertible bond issued by Conio Inc. on 9 December 2020, with maturity set on 31 May 2025.

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

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

ITEMS/VALUES	30.06.2021	31.12.2020
1. Debt securities	3,504,760	2,711,931
a) Central Banks	-	-
b) Public administration bodies	3,030,077	2,337,209
c) Banks	333,318	198,653
d) Other financial companies	115,670	156,677
<i>of which:</i>	-	-
- <i>insurance companies</i>	-	-
e) Non-financial companies	25,695	19,392
2. Equity securities	18,239	18,167
a) Banks	-	-
b) Other issuers	18,239	18,167
- other financial companies	3,028	3,028
<i>of which:</i>	-	-
- <i>insurance companies</i>	-	-
- non-financial companies	15,204	15,132
- other	7	7
3. Loans	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
<i>of which:</i>	-	-
- <i>insurance companies</i>	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	3,522,999	2,730,098

The equity securities portfolio included 17,589 thousand euros referring to “minor equity investments”, which are largely related to service agreements concluded by the Group (CSE, GBS, Caricese, SWIFT, etc.) or agreements of a commercial nature (Tosetti Value Sim, 8a+ SGR, Conio Inc.), usually not listed and non-negotiable. Those interests are measured at purchase cost in the absence of reliable, updated estimates of fair value.

Capital contributions relating to film partnership contracts, with no expiry date, for a total amount of 650 thousand euros at 30 June 2021 are also classified in this portfolio.

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

	GROSS VALUE		TOTAL ADJUSTMENTS	
	STAGE 1 AND STAGE 2	STAGE 3	STAGE 1 AND STAGE 2	STAGE 3
Debt securities	3,505,340	-	580	-
Loans	-	-	-	-
Total at 30.06.2021	3,505,340	-	580	-
Total at 31.12.2020	2,712,408	-	477	-

1.4 Financial assets measured at amortised cost - Item 40

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

TYPE OF TRANSACTIONS/VALUES	30.06.2021 BOOK VALUE	31.12.2020 BOOK VALUE
A. Loans to Central Banks	113,417	107,772
1. Term deposits	-	-
2. Mandatory reserve	113,417	107,772
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	1,012,218	579,804
1. Financing	412,684	175,268
1.1 Current accounts and sight deposits	65,436	91,834
1.2 Term deposits	25,406	24,585
1.3 Other loans:	321,842	58,849
- repurchase agreements	223,487	-
- lease loans	-	-
- other	98,355	58,849
2. Debt securities	599,534	404,536
2.1 Structured securities	-	-
2.2 Other debt securities	599,534	404,536
Total	1,125,635	687,576

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

	30.06.2021	31.12.2020
Loans	2,391,798	2,364,706
Current accounts	1,404,063	1,299,682
Mortgages and personal loans	889,428	898,703
Repurchase agreements	93,377	160,907
Other financing and loans not in current accounts	4,930	5,414
Debt securities	6,395,633	5,843,013
Other transactions	216,176	213,105
Operating loans to management companies	169,614	150,735
Sums advanced to Financial Advisors	20,256	23,297
Stock exchange interest-bearing daily margin	8,935	24,096
Charges to be debited and other loans	17,371	14,977
Total loans to customers	9,003,607	8,420,824

1.4.3 Doubtful loans

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUSTMENTS	NET EXPOSURE 2021	NET EXPOSURE 2020	CHANGE		SECURED EXPOSURE INDEMNITY	EXPOSURE NET OF INDEMNITY	INDEMNITY 2020
					AMOUNT	%			
Bad loans	33,935	-13,916	20,019	20,168	-149	-0.7%	17,824	2,195	17,632
Financing	28,884	-10,116	18,768	18,905	-137	-0.7%	17,824	944	17,632
Debt securities	2,642	-2,642	-	-	-	n.a.	-	-	-
Operating loans	2,409	-1,158	1,251	1,263	-12	-1.0%	-	1,251	-
Unlikely to pay	3,278	-965	2,313	2,866	-553	-19.3%	-	2,313	-
Past-due exposures - over 90 days	8,901	-1,215	7,686	2,825	4,861	172.1%	-	7,686	-
Total non-performing loans	46,114	-16,096	30,018	25,859	4,159	16.1%	17,824	12,194	17,632

Net non-performing loans amounted to 30.0 million euros, equal to 0.34% of total loans to customers, and up compared to the previous year (+4.2 million euros).

They are attributable to:

- > 28,767 thousand euros of financing;
- > 1,251 thousand euros of operating loans.

Financing

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

In the first half of 2021, the exposure increased by 4.2 million euros compared to 31 December 2020. The most significant change occurred in the category of exposures past due by over 90 days (+4.8 million euros).

At the end of the period, non-performing loans included 17.8 million euros referring to exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A. (now EFG Bank AG) upon the sale of the said company and mainly secured to that end by cash collateral payments by the counterparty. Net of this portfolio, which accounted for over 59% of net non-performing exposures, the weight of non-performing exposures to total loans to customers decreased to 12.2 million euros.

At the end on the first half of the year, the forborne positions stood at approximately 14.2 million euros, of which 1.9 million euros referring to non-performing positions.

Debt securities

The item relating to non-performing debt securities (Stage 3) refers to the Alitalia bond. This bond known as “Dolce Vita”, amounting to 2,642 thousand euros, was fully written down in the previous years due to the airline’s serious state of crisis, which resulted in a court declaration of the company’s insolvency and the commencement of the extraordinary administration procedure.

Operating loans

Net non-performing exposures relating to operating loans amounted to 1,251 thousand euros and referred primarily to litigation or pre-litigation positions of former Financial Advisors.

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

	GROSS VALUE		TOTAL ADJUSTMENTS	
	STAGE 1 AND STAGE 2	STAGE 3	STAGE 1 AND STAGE 2	STAGE 3
Debt securities – banks	600,078	-	544	-
Debt securities – customers	6,397,842	2,642	2,209	2,642
Loans to banks	526,322	-	221	-
Loans to customers	2,584,492	43,472	6,536	13,454
Total at 30.06.2021	10,108,734	46,114	9,510	16,096
Total at 31.12.2020	9,089,960	39,317	6,156	14,721

In respect of the model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 30 June 2021 performing loans measured at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 9,510 thousand euros, of which:

- > 2,753 thousand euros relating to the debt securities portfolio;
- > 6,757 thousand euros relating to other loans.

Within this item, total value adjustments of exposures to banks amounted to 765 thousand euros, of which 544 thousand euros on debt securities and 221 thousand euros on other loans.

The provision for expected losses on debt securities - customers refers instead to the government bond portfolio in the amount of 1,336 thousand euros.

1.5 Hedging derivatives – Item 50

1.5.1 Breakdown of hedging by type of hedge and hierarchy levels

TYPE OF TRANSACTIONS/VALUES	30.06.2021				31.12.2020			
	FAIR VALUE			NOTIONAL VALUE	FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	-	3,293	-	397,500	-	2,486	-	180,000
1) Fair value	-	3,293	-	397,500	-	2,486	-	180,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	3,293	-	397,500	-	2,486	-	180,000

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

HEDGING TRANSACTIONS/TYPE	FAIR VALUE						CASH FLOWS			
	SPECIFIC						GENERAL	SPECIFIC	GENERAL	FOREIGN INVESTMENTS
	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND STOCK INDICES	CURRENCIES AND GOLD	CREDIT	GOODS	OTHER				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	3,293	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	3,293	-	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

1.6 Equity investments - Item 70

1.6.1 Equity investments: disclosure on type of relations

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

BG Saxo SIM S.p.A. is an investment firm formed as part of the joint venture with Saxo Bank, in which Banca Generali acquired a 19.9% stake on 31 October 2019 for 1,995 thousand euros, plus additional costs. Banca Generali and Saxo Bank entered into an agreement to set up an exclusive partnership specialising in online trading and digital services. The deal aims to offer Italian customers exclusive access to an innovative advanced trading platform based on Saxo Bank's technology, and managed by BG Saxo SIM. The new platform will allow for an expansion of the range available to Banca Generali's Financial Advisors, granting access to tailor-made transactions and innovative dynamic hedging solutions that can be offered to both private-banking and corporate customers.

IOCA Entertainment Ltd. is a company under the UK law, in which Banca Generali acquired a 35% interest on 19 October 2015, in the form of 3,500 shares with a nominal value of 1.00 pound sterling each, for a total of 1,616,125 pound sterling, equivalent to an original amount to approximately 2.2 million euros. The company, an e-commerce/social networking start-up engaged in the commercial development of an app for smartphones and tablets, named Dringle, was fully written off in the previous year as it did not attain its commercial targets and did not offer concrete perspectives of future growth.

1.6.2 Non-significant investments: accounting information

COMPANY NAME	BOOK VALUE OF EQUITY INVESTMENTS	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL REVENUES	PROFIT (LOSS) FROM CURRENT OPERATIONS NET OF TAXES	PROFIT (LOSS) FROM OPERATING ACTIVITIES NET OF TAXES	NET PROFIT (LOSS) FOR THE PERIOD	OTHER INCOME COMPO-NENTS NET OF TAXES (2)	COMPREHEN-SIVE INCOME (3) = (1) + (2)
A. Subsidiaries under common control									
1. BG Saxo SIM S.p.A.	2,205	9,578	4,282	205	-547	-	-547	-	-547
B. Companies subject to significant influence									
1. IOCA Entertainment Limited	-	229	19	-	-58	-	-58	-	-58
Total	2,205	9,807	4,301	205	-605	-	-605	-	-605

1.6.3 Equity investments: year changes

	30,06,2021	31,12,2020
A. Amount at period-start	1,717	2,061
B. Increases	597	-
B.1 Purchases	597	-
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	109	344
C.1 Sales	-	-
C.2 Adjustments	109	341
C.3 Write-downs	-	3
C.4 Other changes	-	-
D. Amount at period-end	2,205	1,717
E. Total revaluations	-	-
F. Total adjustments	2,058	1,949

The value of the equity investment in BG Saxo SIM S.p.A. changed during the first half of 2021 as a result of the company's capital increase authorised in May and subscribed by Banca Generali S.p.A. for the relevant share equal to 597 thousand euros.

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

1.7.1 Breakdown of property, equipment and intangible assets

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
A. Property and equipment				
1. Operating	147,495	152,676	-5,181	-3.4%
1.1 Owned assets	7,329	7,828	-499	-6.4%
- furniture and fittings	6,089	6,481	-392	-6.0%
- EAD machines and equipment	380	414	-34	-8.2%
- miscellaneous machines and equipment	860	933	-73	-7.8%
1.2 Rights of use acquired through leases	140,166	144,848	-4,682	-3.2%
- buildings	138,751	143,749	-4,998	-3.5%
- other	1,415	1,099	316	28.8%
Total property and equipment	147,495	152,676	-5,181	-3.4%
B. Intangible assets				
With unspecified maturity	87,668	87,673	-5	-
- goodwill	86,973	86,973	-	-
- trademarks	695	700	-5	-0.7%
With specified maturity – at cost	41,910	48,249	-6,339	-13.1%
- relationship with former customers (Credit Suisse Italy, Nextam S.p.A. Group, BG Valeur S.A.)	20,027	21,075	-1,048	-5.0%
- charges associated with the implementation of legacy CSE procedures	16,443	12,451	3,992	32.1%
- other software costs	353	535	-182	-34.0%
- other intangible assets	118	236	-118	-50.0%
- assets in progress	4,969	13,952	-8,983	-64.4%
Total intangible assets	129,578	135,922	-6,344	-4.7%
Total property, equipment and intangible assets	277,073	288,598	-11,525	-4.0%

1.7.2 Changes in property, equipment and intangible assets

	GOODWILL	OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE (TRADEMARKS)	OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE	PROPERTY AND EQUIPMENT OWNED	RIGHTS OF USE ACQUIRED THROUGH LEASES	30.06.2021	31.12.2020
Net amount at period-start	86,973	700	48,249	7,828	144,848	288,598	298,354
Increases	-	-	46	384	5,326	5,756	26,559
Purchases	-	-	41	384	4,598	5,023	26,407
Other changes	-	-	5	-	728	733	152
<i>of which:</i>							
- business combinations	-	-	-	-	-	-	-
Decreases	-	5	6,385	883	10,008	17,281	36,315
Sales	-	-	-	-	-	-	-
Adjustments	-	-	6,231	883	9,968	17,082	32,958
<i>of which:</i>							
a) amortisation/depreciation	-	-	6,231	883	9,968	17,082	32,958
b) write-downs	-	-	-	-	-	-	-
Other changes	-	5	154	-	40	199	3,357
<i>of which:</i>							
- business combinations	-	-	-	-	-	-	-
Amount at period-end	86,973	695	41,910	7,329	140,166	277,073	288,598

1.7.3 Breakdown of consolidated goodwill

(€ THOUSAND)	30.06.2021	31.12.2020
Prime Consult SIM and INA SIM	2,991	2,991
BG Fiduciaria SIM S.p.A.	4,289	4,289
Banca del Gottardo	31,352	31,352
Credit Suisse Italy	27,433	27,433
Nextam S.p.A. Group	12,202	12,202
Valeur S.A.	8,706	8,706
Total	86,973	86,973

1.7.4 Breakdown of customer relationships

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
Nextam Group	7,841	8,119	-278	-3.4%
Credit Suisse Italy	9,600	10,176	-576	-5.7%
Valeur S.A.	2,586	2,780	-194	-7.0%
Total	20,027	21,075	-1,048	-5.0%

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

1.8.1 Breakdown of item 110 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	30.06.2021	31.12.2020
Current taxation	715	1,080
Sums due for taxes to be refunded	78	77
IRES arising on National Tax Consolidation scheme	-	-
IRES and foreign direct taxes	479	739
IRES surtax	98	98
IRAP	60	166
Deferred tax assets	87,830	48,766
With impact on Profit and Loss Account	87,012	48,000
IRES	72,971	39,784
IRAP	14,041	8,216
With impact on Net Equity	818	766
IRES	775	742
IRAP	43	24
Total	88,545	49,846

1.8.2 Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	30.06.2021	31.12.2020
Current taxation	54,576	29,174
IRES arising on National Tax Consolidation scheme	6,960	5,287
IRES and other foreign income taxes	42,742	21,118
IRAP	4,874	2,769
Deferred tax liabilities	6,019	13,342
With impact on Profit and Loss Account	3,189	9,848
IRES	2,265	7,620
IRAP	924	2,228
With impact on Net Equity	2,830	3,494
IRES	2,438	2,994
IRAP	392	500
Total	60,595	42,516

1.8.3 Breakdown of deferred tax assets

TYPE OF TRANSACTIONS/VALUES	30.06.2021	PURSUANT TO		
		LAW NO. 214/2011	31.12.2020	LAW NO. 214/2011
With impact on Profit and Loss Account	87,012	7,142	48,000	7,569
Provisions for liabilities and contingencies	67,132	-	38,270	-
Write-downs of loans to customers before 2015	2,169	2,169	2,358	2,358
Redeemed goodwill of former Banca del Gottardo (Article 15, para.10, of Leg. Decree 185/08)	2,797	2,797	2,933	2,933
Goodwill of former BG Fiduciaria SIM (Article 15, para. 10-ter)	1,276	1,276	1,338	1,338
Redeemed goodwill of former BG SGR (Article 176, para. 2-ter, of TUIR)	900	900	940	940
Redeemed goodwill of former Nextam Partners	3,923	-	-	-
Redeemed goodwill of former Banca del Gottardo	6,860	-	-	-
Reserves for collective impairment on loans to customers and banks	360	-	327	-
Other	729	-	732	-
Group companies' tax losses	214	-	376	-
BVG pension funds	652	-	726	-
With impact on Net Equity	818	-	766	-
Measurement at fair value of HTCS financial assets	243	-	138	-
IAS 19-related actuarial losses on post-employment benefits	575	-	628	-
Total	87,830	7,142	48,766	7,569

At 30 June 2021, following the activation of the optional rule system for the realignment and redemption of the carrying values for goodwill, trademarks and intangible assets and the ensuing recognition for tax purposes of the amounts in the financial statements, DTAs for 10,979 thousand euros were recognised relating to previously redeemed goodwill for which off-balance sheet deduction had already been made (7,056 thousand euros) and tax-neutral goodwill arising from the recent merger of the Nextam Partners Group's companies (3,923 thousand euros).

The DTAs recognised following the above-mentioned redemption transactions do not benefit from the conversion into tax credits pursuant to Law No. 214/2011 in compliance with the provisions of Article. 17 of Legislative Decree No. 83/2015.

1.8.4 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	30.06.2021		31.12.2020	
With impact on Profit and Loss Account	3,189		9,848	
Off-balance sheet goodwill deduction	832		3,964	
Intangible assets	545		3,298	
Financial assets mandatorily measured at fair value through profit and loss (equity securities and policies)	450		418	
FTA IFRS 15 – Prepayments for recruitment incentives	66		132	
Provision for post-employment benefits (IAS19)	152		152	
Other	34		34	
Retained earnings of subsidiaries (IAS 12, para. 38 40)	1,110		1,850	
With impact on Net Equity	2,830		3,494	
Measurement at fair value of HTCS financial assets	2,682		3,461	
IAS 19-related actuarial gains on BGV pension funds	148		33	
Total	6,019		13,342	

At 30 June 2021, following the activation of the optional rule system for the realignment and redemption of the carrying values for goodwill, trademarks and intangible assets and the ensuing recognition for tax purposes of the amounts in the financial statements, DTLs for 6,190 thousand euros were derecognised relating to goodwill arising from taxable transactions and for which off-balance sheet deduction had already been made (3,474 thousand euros), and tax-neutral intangible assets (trademarks and customer relationships) arising from the recent merger of the Nextam Partners Group's companies (2,716 thousand euros).

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

	30.06.2021	31.12.2020
1. Amount at period-start	48,000	46,669
2. Increases	45,388	14,047
2.1 Deferred tax assets for the period:	45,388	14,021
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	45,388	14,021
2.2 New taxes or increases in tax rates	-	26
2.3 Other increases	-	-
3. Decreases	6,376	12,716
3.1 Deferred tax assets eliminated in the period:	6,118	11,908
a) transfers	5,964	11,449
b) write-downs for non-recoverability	-	459
c) change in accounting criteria	-	-
d) other	154	-
3.2 Decreases in tax rates	-	272
3.3 Other decreases:	258	536
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	258	536
4. Amount at period-end	87,012	48,000

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

	30.06.2021	31.12.2020
1. Amount at period-start	7,569	8,107
2. Increases	-	-
<i>of which:</i>		
- <i>business combinations</i>	-	-
3. Decreases	427	538
3.1 Transfers	427	538
3.2 Conversion into tax credits:	-	-
a) due to losses for the period	-	-
b) due to tax losses	-	-
3.3 Other decreases	-	-
4. Amount at period-end	7,142	7,569

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

	30.06.2021	31.12.2020
1. Amount at period-start	9,848	8,650
2. Increases	1,508	2,769
2.1 Deferred tax liabilities recognised in the period:	1,508	2,453
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,508	2,453
2.2 New taxes or increases in tax rates	-	315
2.3 Other increases	-	1
<i>of which:</i>		
- <i>business combinations</i>	-	-
3. Decreases	8,167	1,571
3.1 Deferred tax liabilities eliminated in the period:	126	940
a) transfers	126	480
b) change in accounting criteria	-	-
c) other	-	460
3.2 Decreases in tax rates	-	173
3.3 Other decreases	8,041	458
4. Amount at period-end	3,189	9,848

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

	30.06.2021	31.12.2020
1. Amount at period-start	766	826
2. Increases	1,154	565
2.1 Deferred tax assets recognised in the period:	1,154	427
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	1,154	427
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	138
3. Decreases	1,102	625
3.1 Deferred tax assets eliminated in the period:	139	160
a) transfers	139	160
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	963	465
4. Amount at period-end	818	766

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

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

	30.06.2021	31.12.2020
1. Amount at period-start	3,494	3,278
2. Increases	552	1,250
2.1 Deferred tax liabilities recognised in the period:	552	1,250
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	552	1,250
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	1,216	1,034
3.1 Deferred tax liabilities eliminated in the period:	260	580
a) transfers	260	580
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	956	454
4. Amount at period-end	2,830	3,494

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

1.9 Non-current assets held for sale and disposal groups and associated liabilities - Item 120 (Assets) and Item 70 (Liabilities)

1.9.1 Non-current assets held for sale and disposal groups: categories

	30.06.2021	31.12.2020
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property and equipment	3	-
<i>of which:</i>	-	-
- <i>obtained through the enforcement of guarantees received</i>	-	-
A.4 Intangible assets	114	-
A.5 Other non-current assets	1,533	-
Total A	1,650	-
<i>of which:</i>		
- <i>measured at cost</i>	-	-
- <i>measured at fair value level 1</i>	-	-
- <i>measured at fair value level 2</i>	1,650	-
- <i>measured at fair value level 3</i>	-	-
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss:	-	-
- HFT financial assets	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property and equipment	-	-
<i>of which:</i>	-	-
- <i>obtained through the enforcement of guarantees received</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	-	-
<i>of which:</i>		
- <i>measured at cost</i>	-	-
- <i>measured at fair value level 1</i>	-	-
- <i>measured at fair value level 2</i>	-	-
- <i>measured at fair value level 3</i>	-	-
C. Liabilities associated with assets held for sale		
C.1 Debts	53	-
C.2 Securities	-	-
C.3 Other liabilities	231	-
Total C	284	-
<i>of which:</i>		
- <i>measured at cost</i>	-	-
- <i>measured at fair value level 1</i>	-	-
- <i>measured at fair value level 2</i>	284	-
- <i>measured at fair value level 3</i>	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	-	-
<i>of which:</i>		
- <i>measured at cost</i>	-	-
- <i>measured at fair value level 1</i>	-	-
- <i>measured at fair value level 2</i>	-	-
- <i>measured at fair value level 3</i>	-	-

Non-current assets held for sale and disposal groups: other information

Non-current assets and liabilities held for sale refer to the sale of the interest held in Nextam Partners SIM S.p.A.

1.10 Other assets – Item 130**1.10.1 Breakdown of other assets**

	30.06.2021	31.12.2020
Fiscal items	75,042	81,840
Advances paid to fiscal authorities – current account withholdings	174	276
Advances paid to fiscal authorities – stamp duty	71,409	53,654
Advances of substitute tax on capital gains	-	24,637
Excess payment of substitute tax for tax shield	634	634
Other advances paid to and sums due from fiscal authorities	2,325	2,401
Fiscal Authorities/VAT	88	88
Sums due from fiscal authorities for other taxes to be refunded	412	150
Leasehold improvements	6,867	7,271
Operating loans not related to financial transactions	382	201
Sundry advances to suppliers and employees	3,656	2,981
Cheques under processing	11,644	9,499
Money orders and other amounts receivable	11,644	9,499
Other amounts to be debited under processing	103,046	52,534
Amounts to be settled in the clearing house (debits)	1,850	2,702
Clearing accounts for securities and funds procedure	71,820	44,994
Other amounts to be debited under processing	29,376	4,838
Amounts receivable for legal disputes related to non-credit transactions	121	127
Trade receivables from customers and banks that cannot be traced back to specific items	24,876	44,972
Other amounts	191,344	173,856
Prepayments for the new supplementary fees for sales network	79,646	84,556
Prepayments of exclusive portfolio management fees	28	64
Prepayments for ordinary incentives	79,547	69,255
Prepayments of segregated asset management fees	2,378	4,789
Other accrued income and deferred charges that cannot be traced back to specific items	25,239	11,858
Term deposit to guarantee the consideration related to Nextam (escrow account)	3,000	3,000
Sundry amounts	1,506	334
Total	416,978	373,281

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

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

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

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

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

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

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

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

	31.12.2020	AMORTISATION	OF WHICH RELATIVE TO PREVIOUS YEARS	INCREASES	OTHER CHANGES	30.06.2021
Supplementary fees	84,556	-20,900	-18,806	15,990	-	79,646
Ordinary incentives	69,255	-16,614	-11,233	26,906	-	79,547
Up-front fees on segregated accounts	4,789	-2,385	-2,385	-	-26	2,378
Total network incentives	158,600	-39,899	-32,424	42,896	-26	161,571
Entry bonus on BG Solution portfolio management	5,740	-1,113	-1,055	1,166	-	5,793
Bonus on JPM funds	117	-61	-56	43	-	99
Total other acquisition costs	5,857	-1,174	-1,111	1,209	-	5,892
Total	164,457	-41,073	-33,535	44,105	-26	167,463

Other prepaid expenses that cannot be traced back to specific items, amounting to of 16,635 thousand euros, primarily included prepaid expenses not accrued during the period referring in particular to lease prepayments, insurance premiums and other general and administrative expenses.

2. Net Equity and Liabilities

2.1 Financial liabilities measured at amortised cost - Item 10

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

TYPE OF TRANSACTIONS/VALUES	30.06.2021 BOOK VALUE	31.12.2020 BOOK VALUE
1. Due to Central Banks	694,303	497,361
2. Due to banks	183,102	100,768
2.1 Current accounts and sight deposits	156,267	77,034
2.2 Term deposits	-	-
2.3 Financing:	8,923	6,014
2.3.1 Repurchase agreements	8,923	6,014
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Lease debts	-	-
2.6 Other debts	17,912	17,720
Total	877,405	598,129

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

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

TYPE OF TRANSACTIONS/VALUES	30.06.2021 BOOK VALUE	31.12.2020 BOOK VALUE
1. Current accounts and sight deposits	12,136,096	10,440,898
2. Term deposits	-	-
3. Loans	165,738	144,937
3.1 Repurchase agreements	165,738	144,937
3.2 Other	-	-
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Lease debts	144,982	148,952
6. Other debts	140,865	173,680
Total	12,587,681	10,908,467

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

Item 6 “Other debts” refers for 3,682 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, and, for the remaining amount, to other sums made available to customers and trade payables to the sales network.

2.2 Financial liabilities held for trading - Item 20

2.2.1 HFT financial liabilities: categories

TYPE OF TRANSACTIONS/VALUES	30.06.2021					31.12.2020				
	NV	FV			FV (*)	NV	FV			FV (*)
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds:	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	-	X
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities:	-	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	-	X
3.2.2 other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives										
1. Financial		-	1,662	-	-		-	1,551	-	-
1.1 Trading	X	-	1,662	-	X	X	-	1,551	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit		-	-	-	-		-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	1,662	-	X	X	-	1,551	-	X
Total (A + B)	X	-	1,662	-	X	X	-	1,551	-	X

(*) FV measured without taking account of issuer's creditworthiness changes compared to issue date.

HFT financial liabilities consist for 1,662 thousand euros of trading transactions relating to currency outright with customers as counterparty. This item has its balancing entry in assets classified under Item 20.

2.3 Hedging derivatives - Item 40

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

	30.06.2021				31.12.2020			
	FAIR VALUE			NOTIONAL VALUE	FAIR VALUE			NOTIONAL VALUE
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	95,096	-	1,892,000	-	67,853	-	1,654,000
1) Fair value	-	95,096	-	1,892,000	-	67,853	-	1,654,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	95,096	-	1,892,000	-	67,853	-	1,654,000

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

HEDGING TRANSACTIONS/TYPE	FAIR VALUE						CASH FLOWS			
	SPECIFIC									
	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND STOCK INDICES	CURRENCIES AND GOLD	CREDIT	GOODS	OTHER	GENERAL	SPECIFIC	GENERAL	FOREIGN INVESTMENTS
1. Financial assets measured at fair value through other comprehensive income	10,375	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	84,721	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	95,096	-	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	-	X	-	-	-	-	-	-	-	X
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

2.4 Tax liabilities - Item 60

2.4.1 Breakdown of tax liabilities - Item 60

Section 1.8 (Assets) provides an analysis.

2.5 Other liabilities - Item 80

2.5.1 Breakdown of other liabilities

	30.06.2021	31.12.2020
Trade payables	16,484	20,195
Due to suppliers	15,663	19,758
Due for payments on behalf of third parties	821	437
Due to staff and social security institutions	20,072	26,685
Due to staff for accrued holidays, etc.	4,764	4,483
Due to staff for productivity bonuses to be paid out	8,385	14,945
Contributions to be paid to social security institutions	2,830	2,950
Contributions to Financial Advisors to be paid to Enasarco	4,093	4,307
Tax authorities	217,446	30,439
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	5,761	6,190
Withholding taxes to be paid to tax authorities on behalf of customers	7,273	4,700
Notes to be paid into collection services	199,842	15,707
VAT payables	4,537	3,842
Tax payables - other (stamp duty and substitute tax on medium-/long-term loans)	33	-
Amounts to be debited under processing	136,239	93,258
Bank transfers, cheques and other sums payable	5,659	434
Amounts to be settled in the clearing house (credits)	61,958	23,098
Liabilities from reclassification of portfolio subject to collection (SBF)	11,585	5,986
Other amounts to be debited under processing	57,037	63,740
Sundry items	399,150	11,120
Accrued expenses and deferred income that cannot be traced back to specific items	3,949	905
Sums made available to customers	1,484	1,573
Sundry items	1,129	1,088
Amounts to be credited	969	1,820
Liabilities for deferred consideration (earn out) related to the acquisition of the Nextam Group	4,501	5,734
Amounts due to the National Resolution Fund	1,508	-
Amounts due to shareholders for dividends for financial year 2020	385,610	-
Total	789,391	181,697

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

Opening balance at 01.01.2021	154
Increases	59
Decreases due to the transfer to profit and loss	-78
<i>of which:</i>	
- relating to prior years	-73
Closing balance at 30.06.2021	135

2.6 Provisions for termination indemnity - Item 90

2.6.1 Provisions for termination indemnity: year changes

	30.06.2021	31.12.2020
A. Amount at period-start	4,936	5,153
Change in opening balance	-	-
B. Increases	12	541
B.1 Provisions for the period	7	41
B.2 Other increases	5	500
<i>of which:</i>		
- business combinations	-	-
C. Decreases	389	758
C.1 Amounts paid	166	732
C.2 Other decreases	223	26
<i>of which:</i>		
- business combinations	-	-
D. Amount at period-end	4,559	4,936

2.6.2 Other information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.

The provision was measured based on the actuarial value using the methods described in Part. A.2 of these Notes and Comments. The following table shows the main actuarial assumptions and the breakdown of the provisions for the period and actuarial gains/(losses):

	30.06.2021	31.12.2020
Discount rate (*)	0.56%	0.15%
Annual inflation rate	0.50%	0.70%
Salary increase rate	1.30%	1.80%
Average duration (years)	10	10

(*) Rate applied to Banca Generali.

	30.06.2021	31.12.2020
1. Provisions:	7	41
Current service cost	-	20
Interest cost	7	21
2. Actuarial gains and losses	-176	500
- based on financial assumptions	-175	110
- based on actuarial demographic assumptions	-1	390
Total provisions for the period	-169	541
Actuarial value	4,559	4,936
Value calculated re. Article 2120 of the Italian Civil Code	4,143	4,238

2.7 Provisions for liabilities and contingencies - Item 100

2.7.1 Breakdown of provisions for liabilities and contingencies

ITEMS/VALUES	30.06.2021	31.12.2020
1. Provisions for credit risk relating to commitments and financial guarantees issued	104	124
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	2,728	3,751
4. Other provisions for liabilities and contingencies:	275,537	183,461
4.1 Legal and tax disputes	13,751	12,923
4.2 Staff	14,486	15,703
4.3 Other	247,300	154,835
Total	278,369	187,336

2.7.2 Provisions for liabilities and contingencies: year changes

	PROVISIONS FOR CREDIT RISK RELATING TO COMMITMENTS AND FINANCIAL GUARANTEES ISSUED	PROVISIONS FOR PENSIONS	OTHER PROVISIONS FOR RISK AND CHARGES	TOTAL
A. Amount at period-start	124	3,751	183,461	187,336
B. Increases	-	171	110,048	110,219
B.1 Provisions for the period	-	150	110,048	110,198
B.4 Other increases	-	21	-	21
C. Decreases	20	1,194	17,972	19,186
C.1 Use in the period	-	-	13,480	13,480
C.3 Other decreases	20	1,194	4,492	5,706
<i>of which:</i>				
- <i>business combinations</i>	-	-	-	-
D. Amount at period-end	104	2,728	275,537	278,369

2.7.3 Other provisions for liabilities and contingencies - details of movements

	31.12.2020	USES	SURPLUS	OTHER CHANGES	PROVISIONS	30.06.2021
Provision for staff expenses	15,703	-2,387	-519	-351	2,040	14,486
Provision for restructuring plan	162	-	-	-	-	162
Provision for staff expenses - other	15,541	-2,387	-519	-351	2,040	14,324
Provisions for legal disputes	12,923	-928	-370	-	2,126	13,751
Provision for risks related to legal disputes connected with sales network's embezzlements	7,940	-509	-54	-	1,401	8,778
Provision for risks related to legal disputes with sales network	644	-	-188	-	-	456
Provision for other legal disputes	4,339	-419	-128	-	725	4,517
Provision for termination indemnity of Financial Advisors	121,433	-957	-1,169	-	18,179	137,486
Provision for termination indemnity of sales network	74,039	-497	-986	-	3,952	76,508
Provision for portfolio overfee indemnities	4,477	-75	-49	-	2,832	7,185
Provision for managerial development indemnity	12,190	-335	-	-	884	12,739
Provision for pension bonuses	10,180	-50	-134	-	143	10,139
Provisions for Framework Loyalty Programme	20,547	-	-	-	10,368	30,915
Provisions for risks related to network incentives	27,522	-8,263	-1,008	-	7,502	25,753
Provision for network development plans	19,125	-5,492	-599	-	5,566	18,600
Provision for deferred bonus	474	-370	-53	-	4	55
Provision for managers with access gate	821	-284	-150	-	-	387
Provision for sales incentives	1,615	-118	-	-	-	1,497
Provision for fees – travel incentives	4,500	-1,268	-	-	1,550	4,782
Provision for fee plans	987	-731	-206	-	382	432
Other provisions for liabilities and contingencies	5,880	-945	-1,075	-	80,201	84,061
Total	183,461	-13,480	-4,141	-351	110,048	275,537

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

	STAGE 1	STAGE 2	STAGE 3	TOTAL
1. Commitments to disburse funds	-	-	-	-
2. Financial guarantees issued	85	19	-	104
Total	85	19	-	104

2.7.5 Provisions for liabilities and contingencies - other provisions

2.7.5.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

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

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

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

2.7.5.2 Restructuring provisions - Redundancy incentives plan

The voluntary redundancy plan covered by the specific company restructuring provision was launched at the end of 2015 to encourage the rotation of resources through incentives for voluntary departure for groups of employees nearest to retirement age and the filling of the resulting vacant positions with professional and/or managerial profiles more suited to the specific skills now required from a business standpoint.

On 13 December 2019, the Board of Directors extended the voluntary redundancy plan until 31 December 2020. At the end of the half-year, the residual amount was 162 thousand euros.

2.7.5.3 Provisions for legal disputes

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

2.7.5.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity, the social-security bonus, the provisions associated with the Framework Loyalty Programme (approved by the General Shareholders' Meeting on 20 April 2017) and the provisions for manager development indemnity.

Provisions covering the cost of the **termination indemnity** of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments to the Financial Statements for the year ended on 31 December 2020.

The expenses associated with obligations extant at period-end relating to Financial Advisors are valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

IFR - TERMINATION INDEMNITY	30.06.2021	31.12.2020
Discount rate ^(*)	0.9%	1.1%
Turnover rate (professionals)	1.71%	1.71%
Average duration (years)	13 years	12 years
IAS 37 DBOs/Indemnity provision at the measurement date	65.72%	66.72%

(*) The discount rate was determined on the basis of an average EURIRS curve for the last four quarters, increased linearly by the spread between the EURIRS rate and 10-year BTP.

The rate represented is the rate that corresponds to the average duration of the relevant liabilities, 13 years.

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

The increase in the provision for termination indemnities accrued by Financial Advisors during the half year was due to the significant increase in the base fees accrued, the change in the discount rate curve applied 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 made²⁵.

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

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.6 million euros, is still based on the payment criteria established by the previous employer and was recognised under provisions for risks. Their DBO accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The **portfolio overfee indemnities** are instead a scheme (further details are provided in Part A.2 of the Notes and Comments to the Financial Statements as at 31 December 2020) that calls for Financial Advisors with at least five years of seniority who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reassignment of the latter.

The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.

Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the Bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

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

²⁵ 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.

Within the framework of provisions for contractual indemnities, on 21 March 2017 the Board of Directors granted its final approval for a **Framework Loyalty Programme for the Sales Network** aimed at improving the retention of the Network and the customers acquired over time, and creating value for the Group by attracting stable, high-quality net inflows.

The Framework Loyalty Program is divided into eight separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which may be activated from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.

The individual plans of the Framework Loyalty Program for the Sales Network will all expire on 31 December 2026, after decreasing lengths, and each will allow part of the bonus to be paid in cash and part in shares of Banca Generali (max 50%), after having assessed their effects at the level of capital ratios and free float. The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.

2021 saw the launch of the fifth annual cycle (2021-2026).

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

2.7.5.5 Provisions for sales network incentives

This aggregate includes:

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

2.7.5.6 Other provisions for liabilities and contingencies

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

Provisions for securitisations of healthcare receivables

The Bank has prudentially allocated a 80-million-euro provision to protect its Clients from potential losses on investments in securitisations of healthcare receivables, reserved for professional Clients.

The aforementioned 80-million-euro provision is estimated to represent the maximum impact of the purchase offer to be launched by Banca Generali, which will pay its Clients an amount not lower than that initially invested — less the repayments already made and the coupons already collected — for a lower-than-expected estimated realisable value.

The amount of the provision was defined assuming that all the Clients take up the purchase offer, for a notional value of 478 million euros, which is the overall position in securitisations of healthcare receivables.

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.

Although the Bank has 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.

Tax dispute

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

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

2.8.1 Breakdown of share capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
Share capital				
- ordinary shares	1.00	116,851,637	116,851,637	116,852
Treasury shares				
- ordinary shares	1.00	-1,521,291	-1,521,291	-38,888
		115,330,346	115,330,346	77,964

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

ITEMS/TYPES	ORDINARY	OTHER
A. Existing shares at period-start	116,851,637	-
- paid up	116,851,637	-
- partially paid	-	-
A.1 Treasury shares (-)	-1,767,676	-
A.2 Outstanding shares: at period-start	115,083,961	-
B. Increases	246,385	-
B.1 Newly issued shares		
- against payment:	-	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrants	-	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	246,385	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at period-end	115,330,346	-
D.1 Treasury shares (+)	1,521,291	-
D.2 Existing shares at period-end	116,851,637	-
- paid up	116,851,637	-
- partially paid	-	-

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

PART C - INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

1. Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	30.06.2021	30.06.2020
1. Financial assets measured at fair value through profit or loss:	51	-	-	51	32
1.1 HFT financial assets	4	-	-	4	2
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	47	-	-	47	30
2. Financial assets measured at fair value through other comprehensive income	-337	-	X	-337	-207
3. Financial assets measured at amortised cost:	32,500	11,917	-	44,417	40,814
3.1 Loans to banks	2,372	18	X	2,390	2,010
3.2 Loans to customers	30,128	11,899	X	42,027	38,804
4. Hedging derivatives	X	X	-2,287	-2,287	2,304
5. Other assets	X	X	-	-	-
6. Financial liabilities	X	X	X	5,764	2,502
Total	32,214	11,917	-2,287	47,608	45,445
<i>of which:</i>					
- <i>interest income on impaired financial assets</i>	-	218	-	218	228

By convention, interest on “Financial liabilities” includes the negative interest expense accrued on funding transactions. At 30 June 2021, said figure amounted to 5.8 million euros and is chiefly attributable to the negative interest applied to account deposit of both institutional and non-institutional clients, for specific agreements and for particularly high deposit amounts (2.5 million euros) and to the negative interest expense on the TLTRO III (3.1 million euros).

1.2 Interest income and similar revenues: further information

	30.06.2021	30.06.2020
Interest income on bank deposits and current accounts	8	220
TLTRO	3,058	-
Repurchase agreements with banks	115	206
Repurchase agreements with customers	118	413
Interest income on customer deposit and current accounts	2,464	1,663
Other financial liabilities	1	-
Total interest income on financial liabilities	5,764	2,502

1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	30.06.2021	30.06.2020
1. Financial liabilities measured at amortised cost:	2,396	X	X	2,396	2,733
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	422	X	X	422	443
1.3 Due to customers	1,974	X	X	1,974	2,290
1.4 Securities issued	X	-	X	-	-
2. HFT financial liabilities	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	1,328	312
Total	2,396	-	-	3,724	3,045
<i>of which:</i>					
- <i>interest expense relating to lease debts</i>	1,605	-	-	1,605	1,761

The Item 1.3 “Financial liabilities measured at amortised cost – Due to customers” includes 1.6 million euros interest accrued on lease payment debts calculated in accordance with the provisions of IFRS 16 in force as of 1 January 2019.

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

1.4 Interest expense and similar charges: further information

	30.06.2021	30.06.2020
Sight deposit with ECB	942	63
Interest expense on deposits with banks	332	87
Repurchase agreements with banks	11	78
Repurchase agreements with customers	16	14
Interest expense on customer deposits	5	43
Derivatives	22	27
Total	1,328	312

1.5 Hedging differentials

ITEMS	30.06.2021	30.06.2020
A. Hedging gains	12,737	14,807
B. Hedging losses	15,024	12,503
C. Total (A – B)	-2,287	2,304

2. Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	30.06.2021	30.06.2020
a) Guarantees issued	213	241
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	608,030	450,898
1. trading of financial instruments	13,163	10,804
2. currency trading	-	-
3. portfolio management	353,924	234,272
3.1 individual	42,960	33,693
3.2 collective	310,964	200,579
4. custody and administration of securities	149	413
5. depository bank	-	-
6. placement of securities	80,552	64,034
7. order receiving and collection	6,349	4,587
8. consultancy activities	20,777	15,354
8.1 investment advice	20,777	15,354
8.2 advice on financial structure	-	-
9. distribution of third-party services	133,116	121,434
9.1 portfolio management	503	429
9.1.1 individual	13	13
9.1.2 collective	490	416
9.2 insurance products	130,700	119,938
9.3 other products	1,913	1,067
of which:		
- BG Saxo services	1,553	1,629
d) Collection and payment services	1,992	1,898
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Keeping and management of current accounts	2,337	901
j) Other services	1,664	1,258
of which:		
- all-inclusive fees on credit lines	1,119	1,020
Total	614,236	455,196

2.2 Breakdown of fee expense

SERVICES/VALUES	30.06.2021	30.06.2020
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	226,713	193,927
1. trading of financial instruments	4,160	2,715
2. currency trading	-	-
3. portfolio management	17,281	15,084
3.1 own portfolio	17,281	15,084
3.2 third-party portfolio	-	-
4. custody and administration of securities	1,493	1,276
5. placement of financial instruments	-	-
6. off-premises offer of financial instruments, products and services	203,779	174,852
d) Collection and payment services	1,861	1,853
e) Other services	1,727	1,513
Total	230,301	197,293

3. Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	30.06.2021		30.06.2020	
	DIVIDENDS	SIMILAR INCOME	DIVIDENDS	SIMILAR INCOME
A. HFT financial assets	-	-	-	-
B. Other financial assets mandatorily measured at fair value	63	93	31	625
C. Financial assets measured at fair value through other comprehensive income	900	-	1,040	-
D. Equity investments	-	-	-	-
Total	963	93	1,071	625

4. Net income from trading - Item 80

4.1 Breakdown of net income from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSSES FROM TRADING	NET RESULT 30.06.2021	NET RESULT 30.06.2020
1. HFT financial assets	4	165	3	282	-116	-281
1.1 Debt securities	4	35	3	4	32	-88
1.2 Equity securities	-	74	-	166	-92	-69
1.3 UCITS units	-	56	-	112	-56	-124
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. HFT financial liabilities	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Financial assets and liabilities: exchange differences	X	X	X	X	2,617	3,444
3. Derivatives	-	-	-	-	2	-6
3.1 Financial:	-	-	-	-	2	-6
- On debt securities and interest rates	-	-	-	-	-	-
- <i>interest rate swaps</i>	-	-	-	-	-	-
- <i>government bond forwards</i>	-	-	-	-	-	-
- On equity securities and stock indexes	-	-	-	-	-	-3
- <i>options</i>	-	-	-	-	-	-
- <i>futures</i>	-	-	-	-	-	-3
- On currency and gold (1)	X	X	X	X	2	-3
- Other	-	-	-	-	-	-
3.2 Credit	-	-	-	-	-	-
<i>of which:</i>						
- <i>natural hedging related to the fair value option</i>	X	X	X	X	-	-
Total	4	165	3	282	2,503	3,157

(1) It includes currency options and currency outright.

5. Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

INCOME COMPONENTS/VALUES	30.06.2021	30.06.2020
A. Income from:		
A.1 Fair-value hedge derivatives	15,489	6,533
A.2 Hedged financial assets (fair value)	34,703	22,313
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	50,192	28,846
B. Charges from:		
B.1 Fair-value hedge derivatives	33,423	22,548
B.2 Hedged financial assets (fair value)	14,376	6,215
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	47,799	28,763
C. Net income from hedging (A - B)	2,393	83

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

6.1 Breakdown of gains (losses) on disposal/repurchase

ITEMS/INCOME COMPONENTS	30.06.2021			30.06.2020		
	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
A. Financial assets						
1. Financial assets measured at amortised cost	5,762	744	5,018	8,996	7	8,989
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	5,762	744	5,018	8,996	7	8,989
2. Financial assets measured at fair value through other comprehensive income	1,258	1,079	179	1,853	4,509	-2,656
2.1 Debt securities	1,258	1,079	179	1,853	4,509	-2,656
2.2 Loans	-	-	-	-	-	-
Total assets	7,020	1,823	5,197	10,849	4,516	6,333
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

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

	POSITIVE	NEGATIVE	NET
Debt securities	810	-285	525
Total	810	-285	525

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

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

TRANSACTIONS/INCOME COMPONENTS	30.06.2021					30.06.2020				
	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	414	52	182	107	177	88	3	2,960	-	-2,869
1.1 Debt securities	-	-	-	-	-	-	-	28	-	-28
1.2 Equity securities	163	-	-	-	163	-	-	524	-	-524
1.3 UCITS units	49	51	129	107	-136	21	2	2,391	-	-2,368
1.4 Loans	202	1	53	-	150	67	1	17	-	51
2. Financial assets in foreign currencies: exchange differences	X	X	X	X	53	X	X	X	X	-
Total	414	52	182	107	230	88	3	2,960	-	-2,869

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

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS		30.06.2021	30.06.2020
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3		
		WRITE-OFF	OTHER				
A. Loans to banks	295	-	-	-	-	-295	-23
Loans	106	-	-	-	-	-106	23
Debt securities	189	-	-	-	-	-189	-46
<i>of which:</i>							
- <i>acquired or originated impaired loans</i>	-	-	-	-	-	-	-
B. Loans to customers	3,171	27	908	17	536	-3,553	-4,286
Loans	3,171	27	908	-	536	-3,570	-2,630
Debt securities	-	-	-	17	-	17	-1,656
<i>of which:</i>							
- <i>acquired or originated impaired loans</i>	-	-	-	-	-	-	-
Total	3,466	27	908	17	536	-3,848	-4,309

Specific adjustments to loans to customers classified under “Stage 3” amounted to 908 thousand euros and included 687 thousand euros for positions past due by more than 90 days, 94 thousand euros for unlikely-to-pay positions, and, for the remainder, to other operating loans and loans to sales network.

These write-downs were partially offset through reversals relating to positions past due at the end of the previous year (194 thousand euros) and reclassified out of the non-performing category, to bad loans (24 thousand euros), to unlikely-to-pay exposures (310 thousand euros) and, for the remainder, to operating loans and loans to sales network.

Portfolio adjustments/reversal on debt securities classified under “Stage 1” and “Stage 2” — including net adjustments of loans to banks for 189 thousand euros and net reversals of loans to customers amounting to 17 thousand euros — referred to the adjustment of the collective reserve allocated to account for potential impairment of the corporate bond portfolio.

Reserves covering expected losses on loans classified to Stage 1 and Stage 2 presented net adjustments of 3,277 thousand euros.

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

TRANSACTIONS/INCOME COMPONENTS	ADJUSTMENTS			REVERSALS		30.06.2021	30.06.2020
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3		
		WRITE-OFF	OTHER				
A. Debt securities	203	-	-	-	-	-203	-353
B. Loans	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
<i>of which:</i>							
- <i>acquired or originated impaired financial assets</i>	-	-	-	-	-	-	-
Total	203	-	-	-	-	-203	-353

Portfolio adjustments on debt securities classified under “Stage 1” and “Stage 2” amounted to 203 thousand euros and refer to the adjustments of the collective reserve allocated to account for potential impairment of the bond portfolio.

9. General and administrative expenses - Item 190

9.1 Breakdown of general and administrative expenses

	30.06.2021	30.06.2020
190 a) Staff expenses	53,290	51,255
190 b) Other general and administrative expenses	87,539	79,787
Total	140,829	131,042

9.2 Breakdown of staff expenses

TYPE OF EXPENSES/SECTORS	30.06.2021	30.06.2020
1) Employees	52,697	50,543
a) wages and salaries	28,945	28,861
b) social security charges	7,355	7,078
c) termination indemnity	317	273
d) retirement benefit plans	-	-
e) provision for termination indemnity	18	135
f) provision for pensions and similar obligations:	-227	4
- defined benefit	-227	4
g) amounts paid to supplementary external pension funds:	2,657	2,461
- defined contribution	2,657	2,461
h) costs related to payment agreements based on own equity instruments	1,254	824
i) other employee benefits	12,378	10,907
2) Other staff	109	230
3) Directors and Auditors	768	836
4) Retired personnel	14	18
5) Recovery of expenses for staff seconded to other companies	-298	-372
Total	53,290	51,255

9.3 Breakdown of personnel

	30.06.2021	30.06.2020
Employees	985	936
a) Managers	66	68
b) Total executives	335	305
<i>of which:</i>		
- 3 rd and 4 th level	181	177
c) Employees at other levels	584	563
Other personnel	3	2
Total	988	938

9.4 Other employee benefits

	30.06.2021	30.06.2020
Short-term productivity bonuses	8,467	7,070
Long-term benefits	1,172	1,244
Charges for Relationship Manager recruitment plans	172	596
Charges for deferred variable remuneration (managers' MBO)	1,000	648
Other benefits	2,739	2,593
Charges for staff supplementary pensions	1,744	1,626
Amounts replacing cafeteria indemnities	560	541
Training expenses	191	196
Contributions to employees	108	49
Transfer incentives and other indemnities	90	-
Other expenses	46	181
Total	12,378	10,907

Short-term productivity bonuses include the portion of non-deferred variable remuneration payable in cash (MBO) for office and sales managers and portfolio managers, the performance bonus envisaged in company supplementary contracts and allocations in service of the plan for measures for the first half of 2021.

9.5 Breakdown of other general and administrative expenses

	30.06.2021	30.06.2020
Administration	9,601	9,156
Advertising	1,358	1,380
Audit fees	5,533	4,022
Corporate boards and auditing firms	437	347
Insurance	1,566	1,737
Entertainment expenses	71	189
Membership contributions	561	534
Charity	75	946
Operations	11,189	11,115
Rent and usage of premises and management of property	2,368	2,350
Outsourced administrative services	3,434	3,239
Post and telephone	1,215	1,071
Print material	677	619
Other expenses for sales network management	912	1,270
Other expenses and purchases	1,927	1,805
Other indirect staff expenses	657	761
Information system and equipment	25,560	24,011
Expenses related to outsourced IT services	16,605	15,607
Fees for IT services and databases	4,173	4,310
Software maintenance and servicing	3,859	3,459
Fees for equipment hired and software used	121	106
Other maintenance	802	528
Indirect taxation	35,052	31,486
Stamp duty on financial instruments	35,007	31,194
Substitute tax on medium/long-term financing	-	198
Other indirect taxes to be paid by the Bank	45	94
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	6,137	4,019
Total	87,539	79,787

10. Net provisions for liabilities and contingencies - Item 200

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

	30.06.2021			30.06.2020		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and financial guarantees issued	-	-20	-20	14	-	14
Total	-	-20	-20	14	-	14

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

	30.06.2021			30.06.2020		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	807	-100	707	810	-137	673
Provision for staff expenses - other ⁽¹⁾	807	-100	707	810	-137	673
Provisions for legal disputes	2,126	-370	1,756	665	-657	8
Provision for risks related to legal disputes with subscribers	1,401	-54	1,347	149	-428	-279
Provision for risks related to legal disputes with Financial Advisors	-	-188	-188	77	-189	-112
Provision for risks related to legal disputes with other parties	725	-128	597	439	-40	399
Provisions for termination indemnity - Financial Advisors	18,179	-1,169	17,009	13,489	-396	13,093
Provision for termination indemnity of sales network	3,952	-986	2,966	5,676	-243	5,433
Provision for managerial incentive indemnity	884	-	884	1,550	-55	1,495
Provision for portfolio overfee indemnities	2,832	-49	2,783	208	-42	166
Provision for pension bonuses	143	-134	8	595	-56	539
Provisions for Framework Loyalty Programme	10,368	-	10,368	5,460	-	5,460
Provisions for network incentives	7,502	-1,008	6,494	7,047	-549	6,498
Provision for network development plans	5,566	-599	4,967	5,137	-468	4,669
Provision for deferred bonus	4	-53	-49	28	-12	16
Provision for managers with access gate	-	-150	-150	-	-	-
Provision for fees - travel incentives	1,550	-	1,550	1,700	-	1,700
Provision for fee plans	382	-206	176	182	-69	113
Other provisions for liabilities and contingencies	80,201	-1,075	79,127	603	-	603
Total	108,815	-3,722	105,093	22,614	-1,739	20,875

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

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

11.1 Breakdown of net adjustments of property and equipment

	DEPRECIATION (A)	ADJUSTMENTS TO NON-PERFORMING LOANS (B)	REVERSALS (C)	NET RESULT	NET RESULT
				(A + B - C) 30.06.2021	30.06.2020
A. Property and equipment					
1. Operating:	10,851	-	-	10,851	10,466
- owned	883	-	-	883	872
- rights of use acquired through leases	9,968	-	-	9,968	9,594
2. Held as investments:	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	X	-	-	X	-
Total	10,851	-	-	10,851	10,466

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

12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION (A)	ADJUSTMENTS TO NON-PERFORMING LOANS (B)	REVERSALS (C)	NET RESULT (A + B - C) 30.06.2021	NET RESULT 30.06.2020
A. Intangible assets					
A.1 Owned:	6,231	-	-	6,231	5,043
- generated in-house	-	-	-	-	-
- other	6,231	-	-	6,231	5,043
A.2 Rights of use acquired through leases	-	-	-	-	-
Total	6,231	-	-	6,231	5,043

13. Other operating income and expenses - Item 230

13.1 Breakdown of other operating expenses

	30.06.2021	30.06.2020
Adjustments of leasehold improvements	1,130	1,227
Indemnities and compensation for litigation and claims	254	147
Charges from accounting adjustments with customers	635	775
Charges for card compensation and guarantees	4	6
Costs associated with tax disputes, penalties and fines	-	3
Other contingent liabilities and non-existent assets	283	416
Total	2,306	2,574

13.2 Breakdown of other operating income

	30.06.2021	30.06.2020
Recovery of taxes from customers	34,477	30,908
Recovery of expenses from customers	296	365
Fees for outsourced services	25	44
Charge-back of portfolio development indemnity to incoming Financial Advisors	1,239	697
Indemnities for Financial Advisors' termination without notice	203	270
Other recoveries of repayments and costs from Financial Advisors	1,803	1,091
Contingent assets related to provisions for staff expenses	419	775
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training (FBA)	81	88
Other contingent assets and non-existent liabilities	2,840	1,264
Insurance compensation and indemnities	155	138
Other income	208	81
Total	41,746	35,721
Total other net income	39,440	33,147

This item included a 1.2 million euros non-recurring income associated with the reduction of the liability allocated to cover the variable consideration (earn out) payable to the sales personnel of the Nextam Partners Group by virtue of a settlement agreement reached with some of them.

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

14.1 Breakdown of gains (losses) from equity investments

INCOME COMPONENTS/VALUES	30.06.2021	30.06.2020
1) Companies subject to joint control		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	-109	-11
1. Write-downs	-109	-11
2. Adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	-109	-11
2) Companies subject to significant influence		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	-	-88
1. Write-downs	-	-88
2. Adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	-	-88
Total	-109	-99

Write-downs of equity investments in companies subject to joint control amounted to 109 thousand euros and related to the measurement using the equity method of BG Saxo SIM.

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

15.1 Breakdown of gains (losses) on disposal of investments

INCOME COMPONENTS/VALUES	30.06.2021	30.06.2020
A. Buildings	-	-
Gains on disposal	-	-
Losses on disposal	-	-
B. Other assets	-	24
Gains on disposal	-	24
Losses on disposal	-	-
Net result	-	24

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

16.1 Breakdown of income tax for the period for current operations

INCOME COMPONENTS/VALUES	30.06.2021	30.06.2020
1. Current taxation (-)	-67,121	-37,247
2. Change in prior years' current taxes (+/-)	33	78
3. Reduction of current taxes for the period (+)	-	-
3.bis Reduction of current taxes for the period arising on tax credits, pursuant to Law No. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/-)	39,000	-1,207
5. Changes of deferred taxation (+/-)	6,674	644
6. Taxes for the period (-)	-21,414	-37,732

16.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes due for the first half of 2021, including both current and deferred taxes, as indicated in Item 300 of the Profit and Loss Account, and the theoretical corporate income tax IRES calculated by applying the 27.5% current applicable tax rate to profit before taxation.

It should be noted that the effects of the reduction of the IRES tax rate from 27.50% to 24% introduced by the "2016 Stability Law" with effect from 1 January 2017 for tax periods after that in progress at 31 December 2016 were neutralised for the Bank as a result of the introduction by that same Law of a surtax of 3.5 percentage points on credit and financial institutions in respect of the same tax periods.

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

At the end of the first half of 2021, Banca Generali adopted the optional rules for the realignment of the value of goodwill, trademarks and intangible assets, in compliance with Article 110 of Legislative Decree No. 104/2020 (so-called "August Decree"), with 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.

Following these transactions, a tax benefit totalling 13,143 million euros was recognised as a result of:

- > the recognition of the substitute tax due totalling 4,026 thousand euros;
- > the release of deferred tax liabilities (DTLs) amounting to 6,190 thousand euros, of which 878 thousand euros for IRAP purposes;
- > the recognition of deferred tax assets (DTAs) amounting to 10,979 thousand euros, of which 1,588 thousand euros for IRAP purposes.

In the statement here below, for a greater understanding of the Banking Group's ordinary taxation performance, the overall effects of realignments have been classified under distinct items.

	30.06.2021	30.06.2020
Current taxation	-67,121	-37,173
IRES and foreign income taxes	-56,859	-30,480
IRAP	-10,262	-6,693
Prepaid and deferred taxation	45,674	-563
IRES and foreign income taxes	38,545	-670
IRAP	7,129	107
Prior years' taxes	33	4
IRES and foreign income taxes	33	4
IRAP	-	-
Income taxes	-21,414	-37,732
Theoretical tax rate	27.5%	27.5%
Profit (loss) before taxation	211,492	169,673
Theoretical taxation	-58,160	-46,660
Non-taxable income (+)		
Dividends excluded from taxable income	251	280
ACE	684	497
Other decreases	102	39
Non-deductible charges (-)		
Double taxation on the dividends distributed by the Group's investees	-3,005	-1,902
Impairment of equity securities PEX	-	-29
Other non-deductible costs	-593	-1,788
Other effects (+/-)		
IRAP (net of realignments)	-5,601	-6,586
Prior years' taxes	33	4
Rate change of companies under foreign law	31,804	18,561
Realignment effects (IRES/IRAP)	13,142	-
Tax losses	-44	-83
Not related deferred tax assets and liabilities	24	-61
Other consolidation adjustments	-51	-4
Actual tax expense	-21,414	-37,732
Total actual tax rate	10.1%	22.2%
Actual tax rate (IRES)	8.6%	18.4%
Actual tax rate (IRAP)	1.5%	3.9%

The estimated total tax rate decreased to 10.1%, while the tax rate gross of realignment operations amounted to 16.3%.

17. Earnings per Share

17.1 Average number of ordinary shares with diluted capital

	30.06.2021	30.06.2020
Net profit for the period (€ thousand)	190,098	131,948
Earnings attributable to ordinary shares (€ thousand)	190,098	131,948
Average number of outstanding shares (thousand)	115,163	115,431
EPS – Earning per share (euros)	1.65	1.14
Average number of outstanding shares with diluted capital (thousand)	115,163	115,431
EPS – Diluted earnings per share (euros)	1.65	1.14

PART D - CONSOLIDATED COMPREHENSIVE INCOME**Analytical Consolidated Statement of Comprehensive Income**

ITEMS	30.06.2021	30.06.2020
10. Net profit (loss) for the period	190,080	131,941
Other income, without transfer to Profit and Loss Account	653	-190
20. Equity securities designated at fair value through other comprehensive income:	6	-18
a) fair value changes	6	-18
b) transfers to other net equity components	-	-
30. Financial liabilities designated at fair value through profit or loss (change in own creditworthiness):	-	-
a) fair value changes	-	-
b) transfers to other net equity components	-	-
40. Equity security hedges designated at fair value through other comprehensive income:	-	-
a) fair value changes (hedged instrument)	-	-
b) fair value changes (hedging instrument)	-	-
50. Property and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	813	-230
80. Non-current assets available for sale and disposal groups	-	-
90. Share of valuation reserves of equity investments valued at equity	-	-
100. Income taxes on other income, without transfer to Profit and Loss Account	-166	58
Other income, with transfer to Profit and Loss Account	-1,870	-2,749
110. Hedges of foreign investments:	-	-
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
120. Exchange differences:	-	-3
a) value changes	-	-
b) transfer to Profit and Loss Account	-	-3
c) other changes	-	-
130. Cash-flow hedges:	-	-
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
of which: result of net positions	-	-
140. Hedging instruments (non-designated items):	-	-
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-

ITEMS	30.06.2021	30.06.2020
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income:	-2,756	-4,047
a) fair value changes	- 2,334	- 3,259
b) transfer to Profit and Loss Account	- 422	- 788
- adjustments due to credit risk	103	32
- gains (losses) on disposal	- 525	- 820
c) other changes	-	-
160. Non-current assets available for sale and disposal groups:	-	-
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
170. Share of valuation reserves of equity investments valued at equity:	-	-
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
- adjustments due to impairment	-	-
- gains (losses) on disposal	-	-
c) other changes	-	-
180. Income taxes on other income, with transfer to Profit and Loss Account	886	1,301
190. Total other income components	-1,217	-2,939
200. Comprehensive income (Items 10 + 190)	188,863	129,002
210. Consolidated comprehensive income attributable to minority interests	33	-10
220. Consolidated comprehensive income attributable to the Parent Company	188,830	129,012

PART E - INFORMATION ON CONSOLIDATED NET EQUITY

1. Consolidated net equity

1.1 Breakdown of net equity

At 30 June 2021, the Banking Group's net equity, inclusive of net profit for the period, amounted to 990 million euros, net of the 2020 dividend of 386 million euros authorised by the Shareholders' Meeting on 22 April 2021, the distribution of which has been suspended until 15 October 2021 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 institutions²⁶.

(€ THOUSAND)	30.06.2021	31.12.2020	CHANGE	
			AMOUNT	%
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	55,875	57,062	-1,187	-2.1%
3. Reserves	613,397	726,471	-113,074	-15.6%
4. (Treasury shares)	-38,888	-45,185	6,297	-13.9%
5. Valuation reserves	2,871	4,139	-1,268	-30.6%
6. Equity instruments	50,000	50,000	-	-
7. Net equity attributable to minority interests	275	246	29	n.a.
8. Net profit (loss) for the period	190,098	274,919	-84,821	-30.9%
Total net equity	990,480	1,184,504	-194,024	-16.4%

Net equity decreased by 194 million euros, compared to the end of the previous year, due to the following changes:

	30.06.2021
Net equity at period-start	1,184,504
Allocation for prior years' dividends	-385,611
Matured IFRS 2 reserves on own financial instruments	3,478
Matured IFRS 2 reserves on LTIP	85
Change in OCI valuation reserves	-1,217
Changes and dividends on AT1 equity instruments	-815
Consolidated net profit	190,080
Other changes	-24
Net equity at period-end	990,480
Change	-194,024

The change in net equity during the reporting period was influenced by the above-mentioned provision for 2020 dividends, the change in the reserves for share-based payments (IFRS 2), the change in fair value valuation reserves for the portfolio of HTCS financial assets and other reserves included in other comprehensive income.

²⁶ In accordance with the applicable 2019-2021 dividend policy, on 22 April 2021 the General Shareholders' Meeting of Banca Generali approved the proposal formulated by the Board of Directors on 5 March 2021 to distribute a dividend of 3.30 euros per share in a total maximum amount of 385.6 million euros, corresponding to a payout ratio of 70.5%, calculated on the total consolidated net profit for the years 2019 and 2020.

Dividend payout will take place in two tranches, namely 2.70 euros in the fourth quarter of 2021 and 0.60 euros in the first quarter of 2022, and will be subject to the satisfaction of the following conditions, in accordance with the provisions of the Recommendation ECB/2020/62: (i) the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; (ii) guaranteeing a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively;

1.2 Valuation reserves

1.2.1 Breakdown of valuation reserves

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 1.9 million euros, due to the stronger volatility that impacted financial markets as a result of the inflation forecasts and the various developments of the vaccination campaign that have now been launched in all the countries in order to combat the pandemic emergency.

(€ THOUSAND)	30.06.2021			31.12.2020	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	5,648	-487	5,161	7,030	-1,869
Valuation reserves - OCI equity securities	97	-602	-505	-510	5
Exchange differences	-	-130	-130	-131	1
Actuarial gains (losses) from defined benefit plans	-	-1,655	-1,655	-2,250	595
Total	5,745	-2,874	2,871	4,139	-1,268

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

Valuation reserves on the HTCS portfolio showed a net decrease of 1.9 million euros for the first half of 2021, as a result of the following factors:

1. a decrease in net valuation capital gains totalling 2.2 million euros, net of 0.1 million euros referring to reversal of collective reserves;
2. the reduction of pre-existing net positive reserves due to re-absorption through profit or loss upon realisation (-0.5 million euros);
3. a positive net tax effect (+0.9 million euros) associated with the above changes and mainly resulting from a net reduction in DTLs.

(€ THOUSAND)	30.06.2021				
	DEBT SECURITIES		EQUITY SECURITIES	UCITS UNITS	TOTAL
	CORPORATE	GOVERNMENT			
1. Amount at period-start	2,032	4,998	-510	-	6,520
2. Increases	542	2,001	171	-	2,714
2.1 Fair value increases	400	828	162	-	1,390
2.2 Adjustments for credit risk	19	84	X	-	103
2.3 Transfer to Profit and Loss Account of negative reserves: due to disposal	83	202	X	-	285
2.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
2.5 Other changes	40	887	9	-	936
3. Decreases	598	3,814	166	-	4,578
3.1 Fair value decreases	512	3,049	156	-	3,717
3.2 Reversals for credit risk	-	-	-	-	-
3.3 Transfer to Profit and Loss Account of positive reserves: due to disposal	72	738	X	-	810
3.4 Transfer to other net equity components (equity securities)	-	-	-	-	-
3.5 Other changes	14	27	10	-	51
4. Amount at period-end	1,976	3,185	-505	-	4,656

2. Own funds and regulatory capital ratios

In accordance with Circular No. 262 of 22 December 2005, 6th update of 30 November 2018, for the details of Own Funds and regulatory capital ratios, reference is made to the information regarding own funds and capital adequacy provided in the Pillar 3 Disclosure provided at the consolidated level, available from Banca Generali's corporate website at the address www.bancagenerali.com.

PART F - RELATED PARTY TRANSACTIONS

1. Information on Related Party Transactions

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

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

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

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

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

1.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions with related parties in the first half of 2021. Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, atypical and unusual transactions are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly significant transactions

In the first half of 2021, the Banking Group did not undertake any transaction qualifying as "highly significant".

Other significant transactions

In the first half of 2021, only one transaction was approved qualifying as "moderately significant" transaction, which is subject to the prior non-binding opinion of the Internal Audit and Risk Committee; in this regard, the reader is referred to the dedicated section of the Report on Operations.

1.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties for the first half of 2021 are presented in the following sections.

Transactions with Assicurazioni Generali Group

Balance Sheet data

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	30.06.2021	31.12.2020	WEIGHT % 2021
Financial assets measured at fair value through profit or loss:					
c) other financial assets mandatorily measured at fair value	1,046	-	1,046	883	2.6%
Financial assets measured at fair value through other comprehensive income	246	-	246	246	-
Financial assets measured at amortised cost:	37,235	1,504	38,739	38,045	0.4%
b) loans to customers	37,235	1,504	38,739	38,045	0.4%
Equity investments	-	2,205	2,205	1,717	100.0%
Property, equipment and intangible assets	65,314	-	65,314	68,896	23.6%
Other assets	145	-	145	191	-
Total assets	103,986	3,709	107,695	109,978	0.7%
Financial liabilities measured at amortised cost:	632,827	8,775	641,602	335,801	4.8%
b) due to customers	632,827	8,775	641,602	335,801	5.1%
Tax liabilities (AG tax consolidation)	6,960	-	6,960	5,287	11.5%
Other liabilities	3,229	-	3,229	5,850	0.4%
Equity instruments	50,000	-	50,000	50,000	100.0%
Total liabilities	693,016	8,775	701,791	396,938	4.5%
Guarantees issued	2,049	-	2,049	2,300	3.7%

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to slightly less than 104.0 million euros, compared to the 106.6 million euros recognised at the end of 2020, equal to 0.7% of Banca Generali Group's total balance sheet assets.

This exposure includes 65.3 million euros referring to the net value of the ROU recognised under property and equipment pursuant to IFRS 16 and relating primarily to the lease payments for the Milan and Trieste administrative offices and the commercial network offices.

By contrast, the total debt position reached 693.0 million euros, accounting for 4.4% of liabilities, up by 299 million euros (75.8%) compared to the end of the previous year.

Following the introduction of IFRS 16 with effect from 1 January 2019, amounts due to customers include 68.1 million euros due to the recognition of the corresponding lease liabilities.

As part of assets, **financial assets mandatorily measured at fair value through other comprehensive income (OCI FV)** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolio of Banca Generali. As part of the **financial assets measured at fair value through other comprehensive income (HTCS)** portfolio, shareholdings in subsidiaries of the Generali Insurance Group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions).

The item "Associates subject to joint control or significant influence" includes the 19.9% interest in BG Saxo SIM that was acquired on 31 October 2019. The value of the equity investment in BG Saxo SIM S.p.A. changed in the first half of 2021 as a result of the capital increase in May, the relevant share of which (equal to 597 thousand euros) was subscribed by Banca Generali S.p.A.

With regard to the equity investment in BG Saxo SIM S.p.A., at 30 June 2021 the share of loss for the period recognised by Banca Generali amounted to approximately 109 thousand euros.

Exposures to Generali Group companies recognised as **loans to customers** amounted to 37 million euros and refer to the following transactions:

COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	30.06.2021		31.12.2020	
			AMOUNT	REVENUES	AMOUNT	REVENUES
Genertellife	Subsidiary of the AG Group	Operating loans	33,718	-	31,949	-
Other companies of the Generali Group	Subsidiary of the AG Group	Operating loans	2,418	-	3,520	-
Other companies of the Generali Group	Subsidiary of the AG Group	Medium/Short-term loans	870	9	933	19
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	5	612	11	1,178
			37,011	621	36,413	1,197

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

Amounts due to customers attributable to Generali Group's related parties amounted to 632.8 million euros at the end of the half-year compared to 333.1 million euros for the previous year and included amounts due to the parent company Assicurazioni Generali S.p.A. for 253.1 million euros, and amounts due to Generali Italia S.p.A. for 81.4 million euros (of which 36.8 million euros relating to lease liabilities arising from the lease contracts for the administrative offices and the commercial network offices).

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

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

The third instalment for an overall amount of 1,125 thousand euros was paid on 23 June 2021, following the two already paid in 2020.

Finally, a total of 2.0 million euros in personal guarantees was issued for Generali Group companies, of which 1.1 million euros on behalf of Assicurazioni Generali S.p.A.

Profit and Loss Account data

At 30 June 2021, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 124 million euros, or 39.1% of operating profit before taxation.

(€ THOUSAND)	SUBSIDIARIES AND ASSOCIATES OF THE INSURANCE GROUP	ASSOCIATES SUBJECT TO JOINT CONTROL OR SIGNIFICANT INFLUENCE	30.06.2021	30.06.2020	CHANGE		WEIGHT % 2021
					AMOUNT	%	
Interest income	621	1	622	598	24	4.0%	1.3%
Interest expense	-751	-	-751	-808	57	-7.1%	20.2%
Net interest income	-130	1	-129	-210	81	-38.6%	-0.3%
Fee income	135,462	1,553	137,015	124,698	12,317	9.9%	22.3%
Fee expense	-945	-107	-1,052	-1,023	-29	2.8%	0.5%
Net fees	134,517	1,446	135,963	123,675	12,288	9.9%	35.4%
Dividends	62	-	62	31	31	100.0%	5.9%
Operating income	134,449	1,447	135,896	123,496	12,400	10.0%	30.9%
Staff expenses	173	-	173	99	74	74.7%	-0.3%
General and administrative expenses	-6,638	-	-6,638	-6,698	60	-0.9%	7.6%
Net adjustments/reversals of property and equipment	-3,994	-	-3,994	-3,674	-320	8.7%	23.4%
Other net operating income	37	-	37	37	-	-	0.1%
Net operating expenses	-10,422	-	-10,422	-10,236	-186	1.8%	8.8%
Operating result	124,027	1,447	125,474	113,260	12,214	10.8%	39.1%
Operating profit	124,027	1,447	125,474	113,260	12,214	10.8%	59.3%
Net profit (loss) for the period	124,027	1,447	125,474	113,260	12,214	10.8%	66.0%
Net profit (loss) for the period attributable to the Parent Company	124,027	1,447	125,474	113,260	12,214	10.8%	66.0%

Overall **net interest income** accrued in dealings with members of the Insurance Group was negative at 0.1 million euros overall.

By convention, interest income also includes the negative interest expense applied to the deposits of Generali Group companies starting in June 2016, calculated according to the average one-month Euribor for the month prior to the month of calculation.

Interest expense amounted to 0.7 million euros, equal to 20.2% of the total amount recognised in the Profit and Loss Account and chiefly refers to the interest accrued on the IFRS 16-related liability, whereas the interest income from other companies of the Generali Group was absolutely negligible due to the persistence of negative short-term interest rates.

Fee income paid back by companies of the Insurance Group amounted to 135.5 million euros, equal to 22.3% of the aggregate amount and was broken down as follows:

	30.06.2021	30.06.2020	CHANGE	
			ABSOLUTE	%
Asset management fees	1,958	1,262	696	55.2%
Fees for distribution of insurance products	129,872	119,648	10,224	8.5%
Advisory fees	3,497	2,953	544	18.4%
Other banking fees	135	90	45	50.0%
	135,462	123,953	11,509	9.3%

The most significant component consists of fees for the **distribution of insurance products** paid back by **Genertellife**, reaching 129.9 million euros, up by 8.5% compared to the same period of the previous year.

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

Furthermore, Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2021 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 3.5 million euros.

Other bank fees refer both to SDD collection activity on behalf of Group companies and current account keeping fees.

It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the Banking and Insurance Group. Such fees are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.

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

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

The **net operating expenses** reported by the Banca Generali Group in relation to transactions with related parties of the Generali Group amounted to 10.4 million euros, accounting for 8.8% of the aggregate's total, and refer to outsourced services in the insurance, leasing, administrative and IT sector.

	30.06.2021	30.06.2020	CHANGE	
			ABSOLUTE	%
Insurance services	1,312	1,344	-32	-2.4%
Property services	708	655	53	8.1%
Administration, IT and logistics services	4,581	4,662	-81	-1.7%
Staff services	-173	-99	-74	74.7%
Amortisation of RoUs (IFRS 16)	3,994	3,674	320	8.7%
Total administrative expenses	10,422	10,236	186	1.8%

Property services decreased sharply due to the change in the accounting treatment of lease and rental payments following the introduction of IFRS 16 and relate solely to additional costs of leases and rentals of motor vehicles and ATMs (former condominium fees, VAT and sundry additional expenses).

Administrative expenses incurred in relation to Generali Italia S.p.A. amounted to 1.4 million euros and refer almost exclusively to insurance services.

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

The 4-million-euro value adjustments of property and equipment refers to the amortisation of the IFRS 16-related right of use.

Transactions with other related parties

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

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

(€ THOUSAND)	MANAGERS WITH STRATEGIC RESPONSIBILITIES
Loans to customers	4,054
Amounts due to customers	10,546
Other liabilities	32
General and administrative expenses	-95
Guarantees issued	45

Direction and Coordination

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

PART G - SEGMENT REPORTING

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

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

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

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

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

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

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

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

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT	30.06.2021				30.06.2020			
	PB CGU	WM CGU	CORPORATE CENTER	TOTAL	PB CGU	WM CGU	CORPORATE CENTER	TOTAL
Net interest income	6,875	3,989	33,021	43,884	3,485	2,020	36,894	42,400
Fee income	367,535	167,154	79,547	614,236	273,416	131,111	50,668	455,195
<i>of which:</i>								
- <i>underwriting</i>	16,822	3,405	461	20,688	13,217	4,827	485	18,529
- <i>management</i>	242,941	117,701	19,855	380,497	207,314	101,906	17,111	326,332
- <i>performance</i>	80,282	33,344	51,395	165,021	33,042	13,445	26,707	73,194
- <i>other</i>	27,490	12,704	7,836	48,030	19,843	10,933	6,365	37,141
Fee expense	-152,954	-75,490	-8,351	-236,795	-129,193	-68,144	-6,452	-203,789
<i>of which:</i>								
- <i>incentives</i>	-5,039	-1,455	-	-6,494	-3,932	-2,566	-	-6,498
Net fees	214,581	91,664	71,196	377,441	144,223	62,966	44,216	251,406
Net income (loss) from trading activities	-	-	10,323	10,323	-	-	6,705	6,705
Dividends	-	-	1,056	1,056	-	-	1,696	1,696
Net banking income	221,456	95,653	115,595	432,704	147,709	64,987	89,511	302,206
Staff expenses	-	-	-	-53,290	-	-	-	-51,256
Other general and administrative expenses	-	-	-	-87,539	-	-	-	-79,787
Adjustments of property, equipment and intangible assets	-	-	-	-17,082	-	-	-	-15,510
Other operating expenses/income	-	-	-	39,440	-	-	-	33,147
Net operating expenses	-	-	-	-118,471	-	-	-	-113,406
Operating result	-	-	-	314,233	-	-	-	188,801
Adjustments of other assets	-	-	-	-4,051	-	-	-	-4,663
Net provisions	-	-	-	-98,579	-	-	-	-14,390
Gains (losses) from investments and equity investments	-	-	-	-109	-	-	-	-74
Operating profit before taxation	-	-	-	211,494	-	-	-	169,673
Income taxes - current operations	-	-	-	-21,414	-	-	-	-37,732
Profit (loss) from AFS assets	-	-	-	-	-	-	-	-
Net profit (loss) for the period attributable to minority interests	-	-	-	-18	-	-	-	-7
Net profit	-	-	-	190,098	-	-	-	131,948

(€ MILLION)	30.06.2021				30.06.2020			
Assets Under Management	52,343	28,074	5,561	85,977	44,317	24,579	4,414	73,309
Net inflows	2,389	1,405	n.a.	3,795	1,961	855	n.a.	2,816
No. of FAs/RMs	1,787	364	n.a.	2,151	1,724	336	n.a.	2,060

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

Trieste, 27 July 2021

The Board of Directors

ANNEXES

Board of Directors
27 July 2021



04



**ATTESTATION
TO THE
CONDENSED
HALF-YEAR
FINANCIAL
STATEMENTS**



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

1. The undersigned Gian Maria Mossa in his capacity as Chief Executive Officer, and Tommaso Di Russo, in his capacity as Manager in charge of preparing the accounting documents of Banca Generali S.p.A., hereby declare, taking into account the provisions set out in article 154-bis, paragraphs 3 and 4 of the legislative decree dated 24 February 1998, No. 58, that the administrative and accounting procedures adopted to prepare the condensed half-year report for the first half of 2021
 - are appropriate in light of the features of the company, and
 - have been applied.
2. The appropriateness of administrative and accounting procedures for preparing the condensed half-year financial statements at 30 June 2021 was assessed using a process established by Banca Generali S.p.A. based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is generally accepted as a reference framework worldwide.
3. The undersigned further declare that:
 - 3.1 the condensed half-year financial statements at 30 June 2021:
 - a) were prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of Legislative Decree No. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;
 - b) reflect the accounting books and records;
 - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and all consolidated companies.
 - 3.2 The interim report includes a reliable analysis of references to important events occurred in the first six months of the year, and to their impact on the condensed half-year financial statements; it also includes a description of the main risks and uncertainties regarding the coming six months of the year. The interim report also includes a reliable analysis of information on significant related-party transactions.

Trieste, 27 July 2021

Dott. Gian Maria Mossa
Chief Executive Officer

BANCA GENERALI S.p.A.

Dott. Tommaso Di Russo
Manager in charge of preparing
the Company's Financial Documents
BANCA GENERALI S.p.A.



05

INDEPENDENT
AUDITORS'
REPORT





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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Banca Generali Group comprising the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, as at and for the six months ended June 30, 2021. The company's parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

Ancona Bari Bergamo
Bologna Bolzano Brescia
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

Società per azioni
Capitale sociale
Euro 10.415.500,00 i.v.
Registro Imprese Milano Monza Brianza Lodi
e Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

**Banca Generali Group**

*Report on review of condensed interim consolidated financial statements
June 30, 2021*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of Banca Generali Group as at and for the six months ended June 30, 2021 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Other Matter

The consolidated financial statements of the previous year and the condensed interim consolidated financial statements as at and for the six months ended June 30, 2020 have been respectively audited and reviewed by another auditor who expressed an unmodified opinion on the consolidated financial statements and an unmodified conclusion on the condensed interim consolidated financial statements on March 29, 2021 and on August 6, 2020, respectively.

Trieste, August 5, 2021

KPMG S.p.A.

(signed on the original)

Pietro Dalle Vedove
Director of Audit





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ANNEXES

BOARD OF DIRECTORS
27 JULY 2021

ANNEX 1 - RECONCILIATION BETWEEN OFFICIAL AND RECLASSIFIED STATEMENTS

RECONCILIATION BETWEEN RECLASSIFIED CONSOLIDATED BALANCE SHEET AND CONSOLIDATED BALANCE SHEET

RECLASSIFIED CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	CONSOLIDATED BALANCE SHEET ITEMS - ASSETS	30.06.2021	31.12.2020
Financial assets at fair value through profit or loss		40,766	48,455
	Item 20. Financial assets measured at fair value through profit or loss	40,766	48,455
Financial assets at fair value through other comprehensive income		3,522,999	2,730,098
	Item 30. Financial assets measured at fair value through other comprehensive income	3,522,999	2,730,098
Financial assets measured at amortised cost		11,308,313	9,657,380
a) Loans to banks		2,304,706	1,236,556
	Item 40. a) Financial assets measured at amortised cost – loans to banks	1,125,635	687,576
	Item 10 (partial) Sight deposits with central banks	1,179,071	548,980
b) Loans to customers		9,003,607	8,420,824
	Item 40 b) Financial assets measured at amortised cost – loans to customers	9,003,607	8,420,824
Equity investments		2,205	1,717
	Item 70. Equity investments	2,205	1,717
Property, equipment and intangible assets		277,073	288,598
	Item 90. Property and equipment	147,495	152,676
	Item 100. Intangible assets	129,578	135,922
Tax assets		88,545	49,846
	Item 110. Tax assets	88,545	49,846
Other assets		443,971	400,895
	Item 10. Cash and cash equivalents	1,202,771	574,108
	Item 10 (partial) Sight deposits with central banks	-1,179,071	-548,980
	Item 50. Hedging derivatives	3,293	2,486
	Item 60. Adjustment of financial assets subject to macro-hedging (+\ -)	-	-
	Item 130. Other assets	416,978	373,281
HFS assets		1,650	-
	Item 120. Non-current assets available for sale and disposal groups	1,650	-
Total assets	Total Assets	15,685,522	13,176,989

RECLASSIFIED CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES AND NET EQUITY	CONSOLIDATED BALANCE SHEET ITEMS - LIABILITIES AND NET EQUITY	30.06.2021	31.12.2020
Financial liabilities measured at amortised cost		13,465,086	11,506,596
a) Due to banks		877,405	598,129
	Item 10 a) Financial liabilities measured at amortised cost – due to banks	877,405	598,129
b) Due to customers		12,587,681	10,908,467
	Item 10 b) Financial liabilities measured at amortised cost – due to customers	12,587,681	10,908,467
Financial liabilities held for trading and hedging		96,758	69,404
	Item 20. HFT financial liabilities	1,662	1,551
	Item 40. Hedging derivatives	95,096	67,853
Tax liabilities		60,595	42,516
	Item 60. Tax liabilities	60,595	42,516
Liabilities associated with disposal groups		284	-
	Item 70. Liabilities associated with disposal groups	284	-
Other liabilities		789,391	181,697
	Item 80. Other liabilities	789,391	181,697
Special purpose provisions		282,928	192,272
	Item 90. Provisions for termination indemnity	4,559	4,936
	Item 100. Provisions for liabilities and contingencies	278,369	187,336
Valuation reserves		2,871	4,139
	Item 120. Valuation reserves	2,871	4,139
Equity instruments		50,000	50,000
	Item 140. Equity instruments	50,000	50,000
Reserves		613,397	726,471
	Item 150. Reserves	613,397	726,471
Share premium reserve		55,875	57,062
	Item 160. Share premium reserve	55,875	57,062
Share capital		116,852	116,852
	Item 170. Share capital	116,852	116,852
Treasury shares (-)		-38,888	-45,185
	Item 180. Treasury shares (-)	-38,888	-45,185
Net equity attributable to minority interests		275	246
	Item 190. Net equity attributable to minority interests (+/-)	275	246
Net profit (loss) for the period (+/-)		190,098	274,919
	Item 200. Net profit (loss) for the period	190,098	274,919
Total liabilities	Total Liabilities and Net Equity	15,685,522	13,176,989

RECONCILIATION BETWEEN RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT AND CONSOLIDATED PROFIT AND LOSS ACCOUNT

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	30.06.2021	30.06.2020
Net interest		43,884	42,400
	Item 30. Net interest income	43,884	42,400
Net income (loss) from trading activities and dividends		11,379	8,400
	Item 70. Dividends and similar income	1,056	1,696
	Item 80. Net income (loss) from trading activities	2,503	3,157
	Item 90. Net income (loss) from hedging	2,393	83
	Item 100. Gain (loss) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	5,197	6,333
	Item 110. Net result on other financial assets and liabilities measured at fair value through profit and loss	230	-2,869
Net financial income		55,263	50,800
Recurring fee income		449,215	382,002
	Item 40. Fee income	614,236	455,196
	- Item 40 (partial) Variable fee income	-165,021	-73,194
Fee expense		-236,795	-203,791
	Item 50. Fee expense	-230,301	-197,293
	- Item 200 (partial) provisions	-6,494	-6,498
Net recurring fees		212,420	178,211
Variable fee income		165,021	73,194
	- Item 40 (partial) Variable fee income	165,021	73,194
Net fees		377,441	251,405
Net banking income		432,704	302,205
Staff expenses		-53,290	-51,255
	Item 190 a) Staff expenses (363)	-53,290	-51,255
Other general and administrative expenses		-46,925	-44,860
	Item 190 b) Other general and administrative expenses	-87,539	-79,787
	- Item 190. b) (partial) Charges related to the banking system	6,137	4,019
	- Item 230 (partial) Recovery of indirect and direct taxes	34,477	30,908
Net adjustments of property, equipment and intangible assets		-17,082	-15,509
	Item 210. Net adjustments/reversals of property and equipment	-10,851	-10,466
	Item 220. Net adjustments/reversals of intangible assets	-6,231	-5,043
Other operating expenses/income		4,963	2,239
	Item 230. Other operating expenses/income	39,440	33,147
	- Item 230 (partial) Recovery of indirect and direct taxes	-34,477	-30,908
Net operating expenses		-112,334	-109,385
Operating result		320,370	192,820

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS	30.06.2021	30.06.2020
Net adjustments to non-performing loans		-4,051	-4,662
	Item 130. Net adjustments/reversals due to credit risk	-4,051	-4,662
Net provisions		-98,579	-14,391
	Item 200. Net provisions for liabilities and contingencies	-105,073	-20,889
	- Item 200 (partial) provisions	6,494	6,498
Contributions and charges related to the banking system		-6,137	-4,019
	- Item 190. b) (partial) Charges related to the banking system	-6,137	-4,019
Gains (losses) from equity investments		-109	-75
	Item 250. Gains (losses) from equity investments	-109	-99
	Item 280. Gains (losses) on disposal of investments	-	24
Operating profit before taxation		211,494	169,673
Income taxes for the period on current operations		-21,414	-37,732
	Item 300. Income taxes for the period on current operations	-21,414	-37,732
Net profit (loss) for the period		190,080	131,941
Net profit (loss) attributable to minority interests		-18	-7
	- Item 340 Net profit (loss) for the period attributable to minority interests	-18	-7
Net profit (loss) for the period attributable to the Parent Company		190,098	131,948

Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste

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

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

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



BANCA GENERALI S.p.A.

REGISTERED
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