



INTERIM REPORT

TIME TO CHANGE



Time to Change is the project in which Banca Generali and Stefano Guindani investigate on the state of achievement of the 17 SDGs of the UN 2030 Agenda. For each of them, the photographer's key is twofold: on the one hand, the focus is on highlighting the negative action of humankind on the environment and the community, and on the other hand, how humankind itself has an extraordinary capacity to recover through innovative and sustainable solutions. In his three-year research project, Guindani will go beyond the borders of Italy, searching for critical cases and situations of excellence abroad: Brazil, Norway and Australia, but also the United States and South Africa. He will be accompanied by an exceptional companion, Alberto Salza, one of the world's most respected anthropologists, who will edit the project's texts and suggest some of the projects to be monitored.



Interim Report at 30 September 2022

BOARD OF DIRECTORS
04 NOVEMBER 2022

This Interim Report has been translated from that issued in Italy, from the Italian into the English language, solely for the convenience of international readers. The Italian version remains the definitive version.

Banca Generali S.p.A.

Administration and Control Bodies

Board of Directors - 4 November 2022

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

Contents

01. Group Economic and Financial Highlights	5
02. Consolidated Financial Statements	9
Consolidated Balance Sheet	10
Consolidated Profit and Loss Account	11
Consolidated Statement of Comprehensive Income	11
03. Interim Report	13
1. Summary of Operations for the First Nine Months of 2022	14
2. Macroeconomic Context	16
3. Banca Generali's Competitive Positioning	18
4. Operating Result	23
5. Balance Sheet and Net Equity Aggregates	39
6. Performance of Group Companies	53
7. Basis of Preparation	57
04. Declaration pursuant to Article 154-bis, Second Paragraph of Legislative Decree No. 58 of 24 February 1998	61



01

GROUP
ECONOMIC
AND FINANCIAL
HIGHLIGHTS



Group Economic and Financial Highlights

GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	30.09.2022	30.09.2021	CHANGE %
Net interest income	87.8	65.2	34.7
Net financial income	108.7	89.9	20.9
Net fees	361.0	523.0	-31.0
Net banking income	469.7	612.9	-23.4
Net operating expenses ^(a)	-181.9	-171.1	6.3
<i>of which: Staff expenses</i>	<i>-85.1</i>	<i>-80.1</i>	<i>6.4</i>
Operating result	287.8	441.8	-34.9
Provisions and charges related to the banking system ^(a) and other one-off charges	-28.0	-120.6	-76.8
Adjustments to non-performing loans	-7.5	-4.3	74.6
Profit before taxation	252.2	316.7	-20.4
Net profit	155.4	270.9	-42.6

PERFORMANCE INDICATORS

	30.09.2022	30.09.2021	CHANGE %
Cost/income ratio ^{(a) (b)}	38.7%	27.9%	38.7
Operating Costs/Total Assets (AUM) – annualised ^(c)	0.30%	0.28%	8.5
EBTDA ^(a)	314.4	467.6	-32.8
ROE ^(d)	19.5%	32.4%	-39.7
ROA ^(e)	0.26%	0.44%	-41.5
EPS - Earnings per share (euros)	1.35	2.35	-42.4

NET INFLOWS

(€ MILLION) (ASSORETI DATA)	30.09.2022	30.09.2021	CHANGE %
Funds and Sicavs	504	2,123	-76.3
Financial wrappers	471	566	-16.8
Insurance wrappers	237	1,018	-76.7
Managed solutions	1,212	3,707	-67.3
Traditional insurance policies	-418	-524	-20.2
AUC	3,265	2,282	43.1
Total	4,059	5,465	-25.7

- (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 cost/income ratio measures the ratio of operating expenses to net operating income. This ratio has been restated compared to the previous quarters in order to include the item "Adjustments of property, equipment and intangible assets" as well.
- (c) Ratio of operating expenses, gross of non-recurring components, to Assoreti's year-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 reporting period and the end of the previous period.
- (e) Ratio of net result for the period to Assoreti's period-end exact AUM and AUM arising from new acquisitions, annualised.

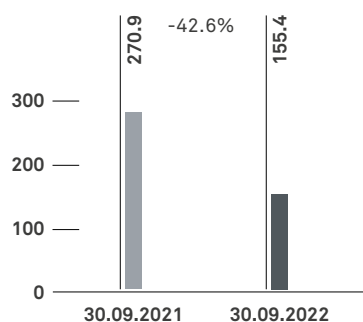
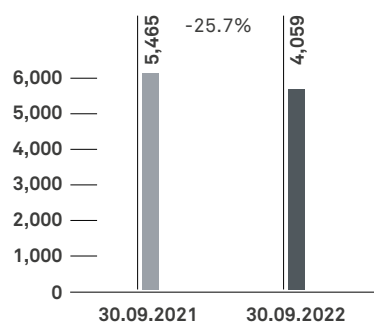
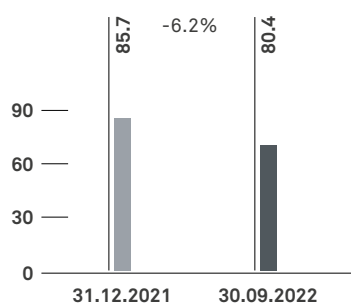
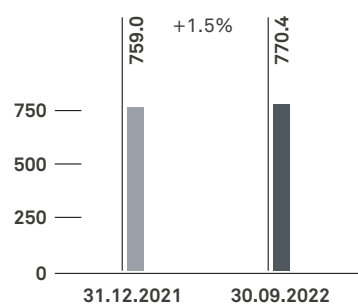
ASSETS UNDER MANAGEMENT & CUSTODY

(€ BILLION)	30.09.2022	31.12.2021	CHANGE %
Funds and Sicav ^(f)	20.2	23.6	-14.4
Financial wrappers ^(f)	8.7	9.4	-7.7
Insurance wrappers	10.0	11.2	-10.7
Managed solutions	38.9	44.3	-12.1
Traditional insurance products	15.7	16.3	-3.3
AUC	25.8	25.2	2.2
Total ^(f)	80.4	85.7	-6.2

(f) Total Assoreti's AUM were increased by AUM not included in the consolidation scope and generated by the new acquisitions.

NET EQUITY

(€ MILLION)	30.09.2022	31.12.2021	CHANGE %
Net equity	1,016.2	1,105.9	-8.1
Own funds	770.4	759.0	1.5
Excess capital	205.9	242.6	-15.1
Total Capital Ratio	16.8%	17.4%	-3.4

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



An aerial photograph of a city street scene. In the center, a large, modern hospital building with a glass facade and a helipad on the roof is visible. To the left of the hospital is a soccer field with a red running track. To the right of the hospital is a large, multi-story building with a green roof. The street is lined with parked cars and trees. The overall scene is a mix of urban development and green space.

02

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	423,583	415,558	8,025	1.9%
Financial assets at fair value through other comprehensive income	1,635,970	2,543,065	-907,095	-35.7%
Financial assets measured at amortised cost:	14,596,770	12,447,258	2,149,512	17.3%
a) loans to banks ^(*)	3,560,506	2,811,785	748,721	26.6%
b) loans to customers	11,036,264	9,635,473	1,400,791	14.5%
Hedging derivatives	305,216	11,357	293,859	n.a.
Equity investments	3,081	2,048	1,033	50.4%
Property, equipment and intangible assets	283,319	295,184	-11,865	-4.0%
Tax receivables	70,077	72,627	-2,550	-3.5%
Other assets	440,433	401,819	38,614	9.6%
HFS assets	-	2,694	-2,694	-100.0%
Total assets	17,758,449	16,191,610	1,566,839	9.7%

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

LIABILITIES AND NET EQUITY

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Financial liabilities measured at amortised cost:	16,004,867	14,412,354	1,592,513	11.0%
a) due to banks	808,094	818,734	-10,640	-1.3%
b) due to customers	15,196,773	13,593,620	1,603,153	11.8%
Financial liabilities held for trading and hedging	103,144	171,871	-68,727	-40.0%
Tax liabilities	43,788	28,320	15,468	54.6%
Other liabilities	366,023	242,037	123,986	51.2%
HFS liabilities	-	318	-318	-100.0%
Special purpose provisions	224,394	230,843	-6,449	-2.8%
Valuation reserves	-11,421	522	-11,943	n.a.
Equity instruments	50,000	50,000	-	-
Reserves	721,191	624,033	97,158	15.6%
Share premium reserve	53,759	55,866	-2,107	-3.8%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-70,034	-64,822	-5,212	8.0%
Net equity attributable to minority interests	501	313	188	60.1%
Net profit (loss) for the period (+/-)	155,385	323,103	-167,718	-51.9%
Total liabilities and net equity	17,758,449	16,191,610	1,566,839	9.7%

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Net interest income	87,837	65,190	22,647	34.7%
Net income (loss) from trading activities and dividends	20,844	24,687	-3,843	-15.6%
Net financial income	108,681	89,877	18,804	20.9%
Recurring fee income	708,001	688,382	19,619	2.9%
Fee expense	-364,607	-361,942	-2,665	0.7%
Net recurring fees	343,394	326,440	16,954	5.2%
Variable fee income	17,576	196,597	-179,021	-91.1%
Net fees	360,970	523,037	-162,067	-31.0%
Net banking income	469,651	612,914	-143,263	-23.4%
Staff expenses	-85,138	-80,050	-5,088	6.4%
Other general and administrative expenses (net of duty recovery)	-80,299	-70,751	-9,548	13.5%
Net adjustments of property, equipment and intangible assets	-26,630	-25,812	-818	3.2%
Other operating expenses/income	10,177	5,529	4,648	84.1%
Net operating expenses	-181,890	-171,084	-10,806	6.3%
Operating result	287,761	441,830	-154,069	-34.9%
Net adjustments to non-performing loans	-7,472	-4,279	-3,193	74.6%
Net provisions for liabilities and contingencies	-11,008	-26,115	15,107	-57.8%
Other one-off charges	-	-80,000	80,000	-100.0%
Contributions and charges related to the banking system	-17,000	-14,517	-2,483	17.1%
Gains (losses) from equity investments	-113	-177	64	-36.2%
Operating profit before taxation	252,168	316,742	-64,574	-20.4%
Income taxes for the period	-61,473	-45,917	-15,556	33.9%
One-off charges related to the tax settlement	-35,330	-	-35,330	n.a.
Net profit attributable to minority interests	-20	-38	18	-47.4%
Net profit	155,385	270,863	-115,478	-42.6%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Net profit	155,365	270,825	-115,460	-42.6%
Other income, net of taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	586	-	586	n.a.
Financial assets measured at fair value through other comprehensive income	-15,049	-3,536	-11,513	n.a.
Without transfer to Profit and Loss Account:				
Financial assets measured at fair value through other comprehensive income	818	211	607	n.a.
Actuarial gains (losses) from defined benefit plans	1,909	544	1,365	n.a.
Total other income, net of taxes	-11,736	-2,781	-8,955	n.a.
Comprehensive income	143,629	268,044	-124,415	-46.4%
Consolidated comprehensive income attributable to minority interests	187	12	175	n.a.
Consolidated comprehensive income attributable to the Group	143,442	268,032	-124,590	-46.5%



03

INTERIM REPORT



1. Summary of Operations for the First Nine Months of 2022

The first nine months of 2022 closed with **consolidated net profit at 155.4 million euros**, compared to 270.9 million euros for the same period of the previous year (-42.6%).

The comparison is adversely influenced by variable components more closely linked to financial market dynamics. The highly expansionary phase of 2021 gave way to a rapid deterioration in the macroeconomic and financial prospects, which gradually intensified over the course of the year. In the wake of growing concerns about the restrictive policies implemented by the central banks to counter inflation, the equity and bond markets hit new lows in September. This reflected on the sharp decline in variable fees to 17.6 million euros in the first nine months of 2022 from 196.6 million euros for the same period of the previous year.

The result was also impacted by **one-off tax charges** amounting to 35.3 million euros, borne as a result of the framework agreement reached with the Italian Revenue Agency on 19 September 2022. However, this agreement allowed the Company to settle pending claims related to transactions with the subsidiary BGFML for the tax periods from 2014 to 2019 and to significantly reduce the risk of potential future claims. Moreover, it should be noted that the agreement paves the way for full implementation of the Cooperative Compliance procedures to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period.

Net of such volatile components, Banca Generali confirmed the substantial improvement in net profit quality — as confirmed by its recurring component — testifying to the commitment it had announced when launching the 2022-2024 Strategic Plan aimed at achieving a greater financial sustainability of its results.

In fact, **recurring net profit**, excluding variable revenue items and other one-off items¹, amounted to **163.5 million euros**, up nearly 24% compared to the previous year. This growth benefited from the flexibility of the business model, as well as from a tight containment of operating expenses.

Despite the markets' strong volatility and the ensuing prudent approach to investments, **net inflows** exceeded **4 billion euros**, showing resilience in a particularly complex market context.

Investors' preference towards protection and liquidity in this highly uncertain phase reflected in a net inflows mix chiefly oriented towards AUC, which recorded net inflows amounting to 2.2 billion euros, compared to 0.8 billion euros for the same period of the previous year, and towards current accounts, which recorded net inflows of 1.1 billion euros.

Managed solutions (funds, financial and insurance wrappers) amounted to 1.2 billion euros, diversified over a wide range of products and services (in-house and third-party funds, financial and insurance wrappers), among which in-house products accounted for nearly two thirds of the growth reported.

Banca Generali's **total assets** at the end of the period were **80.4 billion euros**, down by 2% compared to September 2021 and by 6.2% YTD, due to the gradual deterioration of the market context in the current year, until reaching the September lows.

In this context, managed solutions were particularly penalised, recording 38.9 billion euros at the end of the quarter, down by 7.5% compared to September 2021 and by 12.1% YTD.

By contrast, AUC products and current accounts rose to 25.8 billion euros (+2.2% YTD and +8.1% compared to September 2021), with AUC recording 13.0 billion euros — also thanks to the constant revamping of products and services with a focus on Advanced Advisory — and with current accounts reaching 12.8 billion euros, driven by a temporary increase in liquidity due to the risk aversion which marked the period.

¹ Profit net of variable fees (performance fees), non-recurring trading income and other one-off items.

At the end of the quarter, **Assets under Advisory (BGPA)** totalled **6.8 billion euros**, down by 1.7% compared to September 2021, accounting for 8.5% of total assets.

Net banking income totalled **469.7 million euros** and, net of the sharp decline in performance variable fees (-179.0 million euros; -91.1%), showed an 8.6% increase thanks to the progress of **net recurring fees (343.4 million euros; +5.2%)** and to the rapid growth of **net financial income (108.7 million euros; +20.9%)**. The latter benefited from both the growth of average interest-bearing assets and the strong increase in bond yields in recent months and still ongoing, thanks to a financial asset structure focusing on a bond portfolio with a short duration (1.2 years) and a high exposure to variable rates (53% of the total).

Operating expenses totalled 181.9 million euros, marking a 6.3% growth, which reflects the charges borne for the acquisition of BG Suisse personnel and technological infrastructure, and the IT expenses linked to the launch of Banca Generali's new data driven digital development projects and its open-bank infrastructure.

Core² operating expenses totalled **164.6 million euros**, up 5.8%, fully in line with the objectives of the new 2022-2024 three-year Plan and confirming the thorough cost discipline and the operating leverage potential of the Bank's business model. This item includes in particular 3.9 million euros generated by the launch of BG Suisse, net of which the growth would have been 5.0%.

The ratio of total operating expenses to total assets was approximately **30 bps**, slightly up as a result of the decline in total assets. The **cost/income ratio**, net of non-recurring items, decreased further to 39.7% (40.9% for the first nine months of 2021).

Provisions, contributions related to banking funds and net adjustments amounted to **35.5 million euros** compared to 45.0 million euros for the third quarter of 2021 (-21%), excluding the previous year's one-off provisions³. The decline was mainly due to lower provisions for contractual indemnities of an actuarial nature (-28.8 million euros), following the rise in the discount rates applied for the statistical-actuarial assessment, only partly offset by the increase in other provisions for liabilities and contingencies (+13.7 million euros) and adjustments to non-performing loans (+3.2 million euros).

Core loans grew to 16.7 billion euros, with a net increase of over 1.2 billion euros compared to the previous year (+8.1%).

The **banking book financial assets** stood at 11.9 billion euros, up 11.8% compared to the previous year. 96% of the portfolio was invested in bonds with a duration of 1.2 years and 53.1% in floating-rate securities; it is thus well positioned to benefit from any rate increase.

Exposures composed of **loans to customers** amounted to **2.5 billion euros**, with a more modest performance in the period (+2.1%), which however highlighted an increase in Lombard transactions.

Net interbank position was nearly 1.2 billion euros, virtually unchanged (-7.3%).

The Bank's **capital solidity** continued to far exceed the requirements set by the Bank of Italy for the Banking Group in its Supervisory Review and Evaluation Process (SREP), even in a context marked by higher absorption due to the Bank's business expansion, the diversification of the financial asset portfolio and the setting up of the new alternative investment portfolio at the end of the previous year, as well as the continuation of a generous dividend policy.

At 30 September 2022, CET1 ratio was **15.7%** and Total Capital Ratio (TCR) was **16.8%**, compared to SREP minimum requirements of 8% and 12.30%, respectively, as recently revised.

Total **assets under management (AUM)** managed by the Group amounted to **80.4 billion euros** overall, including the 0.8 billion euro contribution deriving from the assets managed by BG Valeur. In addition, managed assets also included 0.9 billion euros in AUC of the Generali Group companies and 3.5 billion euros in funds and Sicavs distributed directly by BGFML, for an overall total of **84.8 billion euros**.

² Operating expenses, net of non-recurring items, amounting to 2.6 million euros, and of costs related to sales personnel amounting to 14.8 million euros at 30 September 2022 (14.8 million euros at the end of the third quarter 2021).

³ In the previous year, 80 million euros was also allocated to protect clients from potential losses on investments in securitisations of healthcare receivables, reserved for professional clients. In this regard, reference should be made to the Annual Integrated Report 2021 and the Interim Report on Operations at 30 June 2021.

2. Macroeconomic Context

The third quarter of the year was characterised by a decline of the main equities at global level. Further losses were also recorded in government bonds, particularly in the Eurozone, which have always been seen as safe havens. In some cases, the losses incurred by the latter exceeded those recorded by the euro area's main equity indices. Many global factors contributed to this situation, including the actions taken by the central banks to counter rampant inflation and the Eurozone's energy crisis due to the impact of the conflict in Ukraine.

Regarding the attitude of the central banks, the Federal Reserve raised interest rates in both July and September by 75 basis points taking the cost of money to 3.25%. The decision by the US Central Bank followed a period in which US inflation peaked above 9%. However, this level of inflation was reached in the United States with a very solid labour market and good domestic economy growth.

In Europe, the European Central Bank, led by Christine Lagarde, actually followed the same rate hike trajectory as the FED; this was despite the fact that the situation in which the two countries found themselves was substantially different. The two hikes of 75 basis points that took place during the quarter were, in this case as well, in response to inflation (CPI index), which reached almost 10% at Eurozone level. However, while US inflation was accompanied by a healthy economy and a labour market approaching full employment, in Europe the inflationary phenomenon was mainly triggered by the energy crisis due to the conflict in Ukraine.

In this context, the main bond curves rose during the period. In particular, at the short end, the curves saw a rise in yields due to the hawkish statements of the central bankers, while the medium/long-term component rose, albeit to a lesser extent, due to investors being recently more focused on inflation rather than on a possible downturn in the economy.

The yield on the two- and ten-year US Treasuries reached around 4.26% and 3.80%, respectively, while the German ten-year yield reached a peak of around 2.23% in September.

For the future, the main risk for financial operators is certainly the approach of a recession both in the United States and, especially, in Europe. Since the second half of August, these fears of recession, combined with inflation that has shown no signs of abating, have helped create a feeling of risk aversion on the financial markets that has also penalised corporate issues. In particular, the spread of high-yield issues returned to the year's highest levels.

In a very difficult environment for the Eurozone, spreads in peripheral countries were also under pressure, with particular reference to Italy. In the quarter, the BTP-Bund spread went from 189 bps to 241 bps. The widening of the spread was due both to the general rise in yields, and to investors' expectations regarding the next elected government's first moves in terms of economic policy.

During the period, the main stock markets recorded losses in local currency of around 5%. In detail, developed countries outperformed emerging countries. The latter were penalised by the performance of the Chinese stock market, which was mainly impacted by lower-than-expected growth estimates. However, it was the strength of the dollar that saved the US market's performance.

The US currency appreciated by about 6% against the euro due, first and foremost, to the more restrictive monetary policy implemented by the US Central Bank.

In sector terms, there was no significant difference in performance between growth and value stocks during the quarter.

In the third quarter of 2022, the general commodity index, despite the continuing military conflict in Ukraine, fell by about 7.5% in dollar terms. In fact, prevailing concerns arose about the effect on the global economic cycle of the extreme rate hikes by the world's major central banks.

At sector level, the events outlined above led to underperformance by the most cyclical components such as energy and industrial metals, while agricultural commodities — traditionally less cyclically sensitive — stood out in relative terms.

Outlook

Over the next few weeks, inflation trends in both Europe and the United States and the resulting monetary policy moves adopted by the central banks will have to be monitored. These events will significantly determine the performance of the main stock exchanges and bond prices. So far, the main global operators have focused on the issue of inflation, while over the next few months the focus could be on the outlook in terms of recession. In this context, attention will also have to be paid to the development of the war in Ukraine, and more generally to the entire geopolitical context that is causing the current energy crisis in Europe.

3. Banca Generali's Competitive Positioning

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

3.1 The asset management market

In the first eight months of 2022, net inflows of the asset management industry were positive for about 19.4 billion euros. This growth was chiefly driven by foreign funds, which recorded net inflows of approximately 14.0 billion euros, whereas Italian funds reported a slight increase of about 0.3 billion euros.

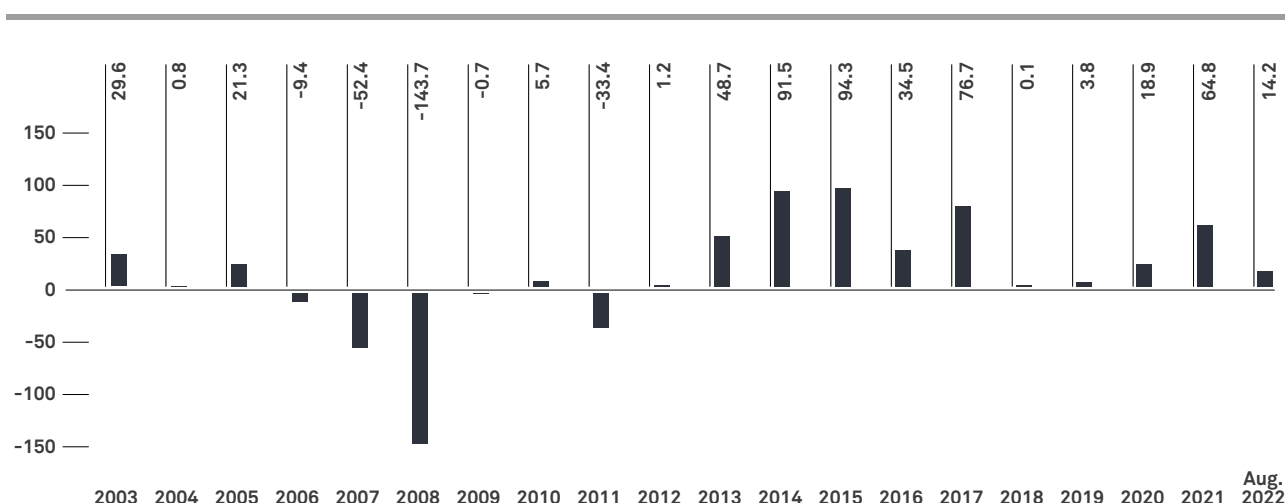
EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

(€ MILLION)	NET INFLOWS		ASSETS	
	AUGUST 2022	AUGUST 2021	AUGUST 2022	AUGUST 2021
Italian funds	267	2,715	233,634	254,984
Foreign funds	13,976	47,623	883,089	988,391
Total open-ended funds	14,243	50,338	1,116,723	1,243,375
GP Retail	5,200	7,264	146,793	158,370
Total	19,443	57,602	1,263,516	1,401,745

Source: Assogestioni data updated August 2022 (€ million).

In a period of great instability and uncertainty, the role played by the networks of Financial Advisors authorised to make off-premises offers has become particularly important: considering the open-ended UCITS system, the Financial Advisor networks gathered 14.2 billion euro net inflows from January to August 2022.

THE UCITS MARKET IN ITALY SINCE 2003 (€ billion)



Source: Assogestioni data updated August 2022.

3.2 The Assoreti market

In the first eight months of 2022, Assoreti market's net inflows (which relate to the distribution activity of FA networks) declined compared to the figure reported in the same period of 2021 (-20.5%), chiefly due to particularly unfavourable market conditions. This period, marked by great volatility and uncertainty due to economic and geopolitical tensions, impacted not only volumes, but also the net inflows mix, with a clear customer preference for more tactical solutions, such as AUC products (18.2 billion euros; +75.3% compared to August 2021), also thanks to the strong liquidity inflows (5.8 billion euros). By contrast, AUM solutions (totalling 5.4 billion euros) dropped by -66.2% compared to August 2021, as did insurance products, which recorded net inflows of 6.8 billion euros (-43.1% compared to August 2021).

ASSORETI MARKET

(€ MILLION)	ASSORETI MARKET		
	AUGUST 2022	AUGUST 2021	CHANGE
Asset management	5,374	15,894	-10,520
Insurance products	6,822	11,989	-5,167
AUC	18,213	10,392	7,821
Total	30,410	38,275	-7,865

Source: Assoreti data updated August 2022 (€ million).

In the asset management market, the first eight months of 2022 saw a positive performance of the UCITS segment for approximately 2.7 billion euros and net inflows of 2.6 billion euros generated by discretionary mandates. The insurance sector continued to represent an important share of investments, with 6.8 billion euro net inflows, the majority of which were unit-linked and multi-line policies (6.5 billion euros).

3.3 Banca Generali

Against this particularly challenging background, Banca Generali continued to be one of the market leaders in terms of net inflows through Financial Advisors, with 3.8 billion euros at the end of August 2022 (latest available figure for Assoreti comparison), with a market share of 12.5%. Per-capita net inflows per Financial Advisor were 1.7 million euros, 39% above the market average (1.2 million euros).

TOTAL NET INFLOWS –
ASSORETI – 30.4 BILLION EUROS – AND MARKET SHARE %
(August 2022, € million)

FINCOBANK	6,070	20.0
BANCA FIDEURAM	5,727	18.8
ISPB	1,948	6.4
BANCA MEDIOLANUM	4,607	15.2
ALLIANZ BANK	3,903	12.8
BANCA GENERALI	3,797	12.5
BNL LIFE BANKER	1,013	3.3
DEUTSCHE BANK	835	2.7
CHEBANCA!	765	2.5
CREDEM	583	1.9
BANCA EUROMOBILIARE	503	1.7
AZIMUT	494	1.6
MPS	382	1.3
CONSULTINVEST	1	-
IW PRIV. INV. SIM	-220	-
	MILLION	%

Source: Assoreti.

NET INFLOWS FROM AUM AND INSURANCE PRODUCTS –
ASSORETI – 12.2 BILLION EUROS – AND MARKET SHARE %
(August 2022, € million)

BANCA MEDIOLANUM	2,976	24.4
ALLIANZ BANK	2,192	18.0
FINCOBANK	2,189	17.9
BANCA FIDEURAM	1,966	16.1
ISPB	107	0.9
BANCA GENERALI	868	7.1
DEUTSCHE BANK	741	6.1
BNL LIFE BANKER	534	4.4
CHEBANCA!	408	3.3
AZIMUT	324	2.7
MPS	152	1.2
CREDEM	9	0.1
CONSULTINVEST	-2	-
BANCA EUROMOBILIARE	-12	-
IW PRIV. INV. SIM	-257	-
	MILLION	%

Source: Assoreti.

In terms of net inflows from assets under management and insurance products, Banca Generali had a market share of 7.1% (0.9 billion euros), with a per-capita figure of 0.4 million euros, slightly down compared to the average market figure of 0.5 million euros.

With specific reference to September figures, the Bank's net inflows further increased to 4.1 billion euros, reflecting a solid commercial trend in a market context that continued to be particularly complicated. This highlights the importance of Banca Generali's network for savers, in a complex and volatile context in which Financial Advisors' professionalism is a key factor for controlling risk and volatility, as well as for identifying diversification opportunities. Banca Generali has set itself the goal of helping savers in facing the challenges of wealth protection, becoming a beacon for households in search of a secure, reliable and highly professional partner capable of protecting their assets and providing bespoke investment solutions.

NET INFLOWS OF BANCA GENERALI

(€ MILLION)	BG GROUP		CHANGES VS 30.09.2021	
	30.09.2022	30.09.2021	AMOUNT	%
Funds and Sicavs	504	2,123	-1,619	-76.3%
Financial wrappers	471	566	-95	-16.8%
Insurance wrappers	237	1,018	-781	-76.7%
Total assets under management	1,212	3,707	-2,495	-67.3%
Other life insurance policies	-418	-524	106	-20.2%
Total AUC	3,265	2,282	983	43.1%
Total net inflows from products placed by the network	4,059	5,465	-1,406	-25.7%

In line with the general market trend, Banca Generali's net inflows decreased as well compared to the first nine months of the previous year, with a net inflows mix mainly oriented towards protection and liquidity (net inflows from AUC products at +43.1%). In a particularly complex context for managed solutions (1.2 billion euros YTD; -67.3% compared to September 2021), the contribution of financial wrappers remained overall positive, as these continued to show good dynamics due to personalisation and diversification features that are particularly appreciated by customers (-16.8% compared to September 2021).

In terms of Assets Under Management, in June 2022 Banca Generali was once again one of the five top competitors in the Assoreti market (distribution activity carried out through Financial Advisors), with 79.9 billion euro AUM and a market share of 13.5% (excluding ISPB).

ASSORETI TOTAL AUM – 731.9 € BILLION – AND MARKET SHARE %
(June 2022, € billion)

BANCA FIDEURAM	138.6	18.9	
ISPB	138.2	18.9	
BANCA MEDIOLANUM	90.5	12.4	
FINECOBANK	90.1	12.3	
BANCA GENERALI	79.9	10.9	13.5% without ISPB
ALLIANZ BANK	58.4	8.0	
AZIMUT	46.2	6.3	
CREDEM	26.4	3.6	
DEUTSCHE BANK	16.6	2.3	
BANCA EUROMOBILIARE	12.8	1.8	
BNL LIFE BANKER	8.9	1.2	
IW PRIV. INV. SIM	8.2	1.1	
MPS	7.6	1.0	
CHEBANCA!	7.4	1.0	
CONSULTINVEST	2.1	0.3	
	BILLION	%	

Source: Assoreti.

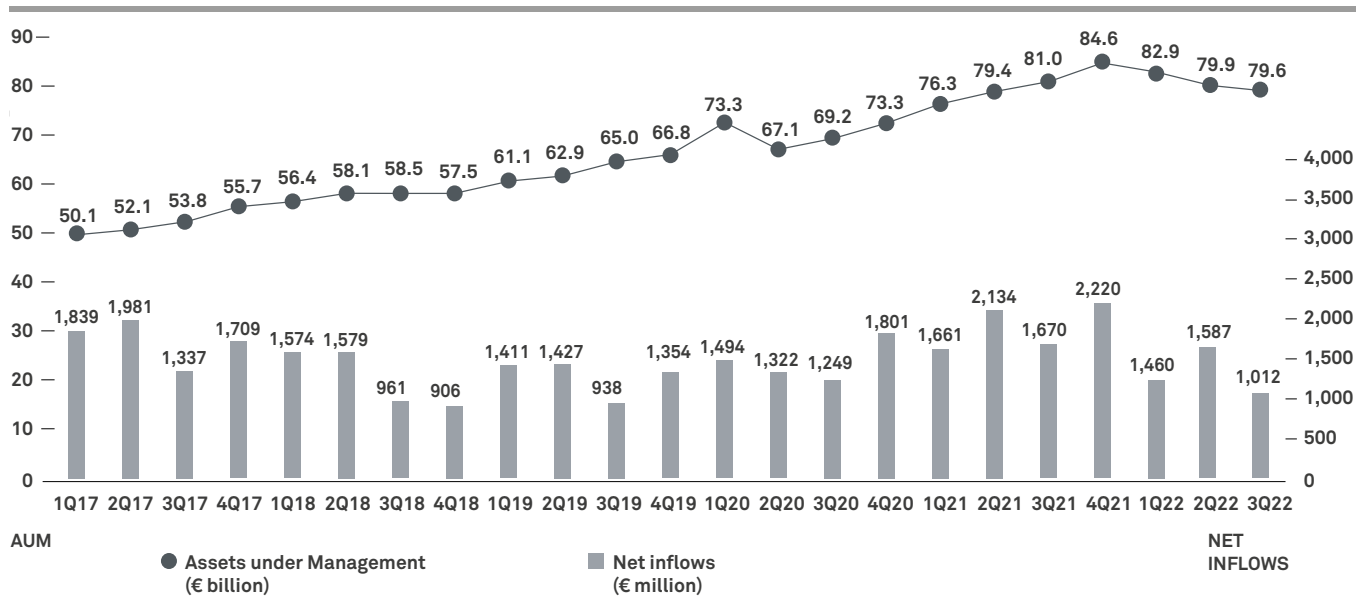
With specific reference to the September figures, Banca Generali's assets under management — as illustrated in the table below — showed a -6.0% decrease in the first nine months of 2022 compared to December 2021, reflecting the negative market trend and the particularly challenging context.

AUM in asset management products declined by -11.8%: the most impacted products were funds and Sicavs, which recorded a -14.2% decline, and insurance wrappers (-10.7%), whereas financial wrappers recorded the lowest negative impact (-6.6%). Assets invested in traditional life policies declined by -3.4%, whereas investments in AUC products grew by 2.2%, mainly thanks to an increase in net inflows from securities portfolios.

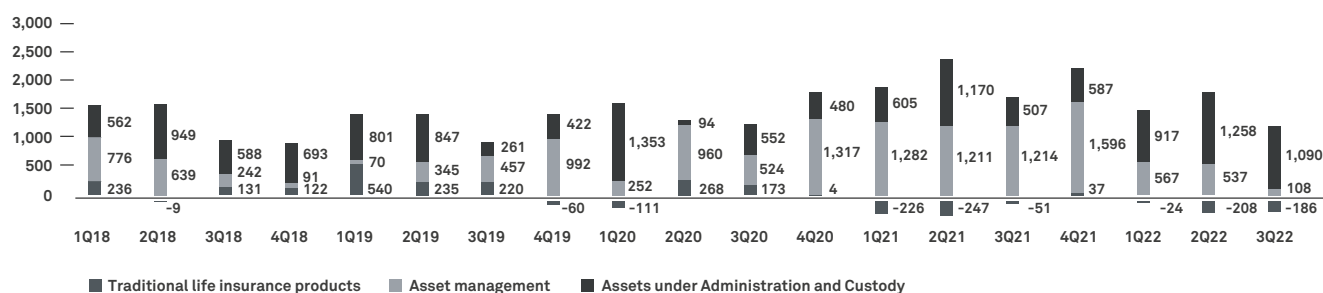
BANCA GENERALI'S ASSETS UNDER MANAGEMENT

(€ MILLION)	BG GROUP		CHANGES VS 31.12.2021	
	30.09.2022	31.12.2021	AMOUNT	%
Funds and Sicavs	20,088	23,418	-3,330	-14.2%
Financial wrappers	7,962	8,521	-559	-6.6%
Insurance wrappers	10,046	11,247	-1,201	-10.7%
Total assets under management	38,096	43,186	-5,090	-11.8%
Other life insurance policies	15,703	16,251	-548	-3.4%
Total AUC	25,766	25,209	557	2.2%
Total AUM placed by the network	79,565	84,646	-5,082	-6.0%

EVOLUTION OF AUM AND NET INFLOWS



BREAKDOWN OF QUARTERLY NET INFLOWS (€ million)



4. Operating Result⁴

The first nine months of 2022 closed with **consolidated net profit at 155.4 million euros**, compared to 270.9 million euros for the same period of the previous year (-42.6%), as it was impacted by variable components more linked to financial market dynamics.

The rapid deterioration of the macroeconomic and financial outlook, which intensified during the year, reflected on the fall in variable fees to 17.6 million euros in the first nine months of 2022 from 196.6 million euros for the same period of the previous year.

Net of these more volatile components, Banca Generali confirmed the substantial improvement in net profit quality, as reflected by its recurring component, which reached **163.5 million euros** compared to **132.0 million euros** for the first nine months of 2021, sharply up by nearly 24%, thanks to the flexible business model and a tight control of operating costs.

The result was also impacted by **one-off tax charges** amounting to 35.3 million euros, borne as a result of the framework agreement reached with the Italian Revenue Agency on 19 September 2022. However, this agreement allowed the Company to settle pending claims related to transactions with the subsidiary BGFML for the tax periods from 2014 to 2019 and to significantly reduce the risk of potential future claims. Moreover, it should be noted that the agreement paves the way for full implementation of the Cooperative Compliance procedures to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period.

⁴ 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 12.4 million euros in 2022 and 11.8 million euros in 2021;
- 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 61.6 million euros in 2022 and 51.5 million euros in 2021;
- 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;
- 4) one-off tax charges relating to the tax settlement finalised in September, consisting of taxes paid net of funds utilised (30.6 million euros), interest expense due to late payment (7.8 million euros) and the related tax component (2.5 million euros), have been reclassified as an individual item.

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Net interest income	87,837	65,190	22,647	34.7%
Net income (loss) from trading activities and dividends	20,844	24,687	-3,843	-15.6%
Net financial income	108,681	89,877	18,804	20.9%
Recurring fee income	708,001	688,382	19,619	2.9%
Fee expense	-364,607	-361,942	-2,665	0.7%
Net recurring fees	343,394	326,440	16,954	5.2%
Variable fee income	17,576	196,597	-179,021	-91.1%
Net fees	360,970	523,037	-162,067	-31.0%
Net banking income	469,651	612,914	-143,263	-23.4%
Staff expenses	-85,138	-80,050	-5,088	6.4%
Other general and administrative expenses (net of duty recovery)	-80,299	-70,751	-9,548	13.5%
Net adjustments of property, equipment and intangible assets	-26,630	-25,812	-818	3.2%
Other operating expenses/income	10,177	5,529	4,648	84.1%
Net operating expenses	-181,890	-171,084	-10,806	6.3%
Operating result	287,761	441,830	-154,069	-34.9%
Net adjustments to non-performing loans	-7,472	-4,279	-3,193	74.6%
Net provisions for liabilities and contingencies	-11,008	-26,115	15,107	-57.8%
Other one-off charges	-	-80,000	80,000	-100.0%
Contributions and charges related to the banking system	-17,000	-14,517	-2,483	17.1%
Gains (losses) from equity investments	-113	-177	64	-36.2%
Operating profit before taxation	252,168	316,742	-64,574	-20.4%
Income taxes for the period	-61,473	-45,917	-15,556	33.9%
One-off charges related to the tax settlement	-35,330	-	-35,330	n.a.
Net profit attributable to minority interests	-20	-38	18	-47.4%
Net profit	155,385	270,863	-115,478	-42.6%

Net banking income amounted to **469.7 million euros** and, net of the significant decline in variable performance fees (-179.0 million euros; -91.1%), reported an 8.6% increase as a result of the following factors:

- > the progress in **net recurring fees (343.4 million euros; +5.2%)**, among which:
 - the growth of **management fee income (+4.8%)**, thanks to the improvement in profitability of managed assets compared to the same period of the previous year;
 - a decline in **other banking and entry fees (-8.6%)** as a result of activities more closely linked to market trends (funds underwriting fees and greater exposure to bond trading), offset by the increase in revenues generated by advisory services and banking activities;
- > the improvement of **net financial income (108.7 million euros; +20.9%)**, which benefited from both the expansion of average interest-bearing assets and the strong increase in bond yields in recent months and still ongoing, thanks to a financial asset structure focusing on a bond portfolio with a short duration (1.2 years) and a high exposure to variable rates (53% of the total).

Operating expenses totalled 181.9 million euros, marking a 6.3% growth, which reflected the charges borne for the acquisition of BG Suisse personnel and technological infrastructure, and the IT expenses linked to the launch of Banca Generali's new data driven digital development projects and its open-bank infrastructure.

Core⁵ operating expenses totalled **164.6 million euros**, up 5.8%⁶, fully in line with the objectives of the new 2022-2024 three-year Plan and confirming the thorough cost discipline and the operating

⁵ Operating expenses, net of non-recurring items, amounting to 2.6 million euros, and of costs related to sales personnel amounting to 14.8 million euros at 30 September 2022 (14.8 million euros at the end of the third quarter 2021).

⁶ One-off operating charges amounted to 2.6 million euros and included the costs for M&A transactions (1.9 million euros) and for the amortisation of intangible assets arising from the acquisition of Nextam and Valeur (0.7 million euros). The comparison data for the first nine months of 2021 was restated to include the costs associated with the incorporation and start of operations of BG Suisse into the scope of recurring M&A expenses and amounted to 0.7 million euros. In detail, the reported data for the first nine months of 2021 (2.9 million euros) had included one-off charges amounting to about 4.1 million euros, of which 3.4 million euros referring to M&A transactions and 0.7 million euros related to amortisation and depreciation, as well as 1.2 million euro non-recurring income linked to the decline of variable consideration due to the sales personnel of the Nextam Group by virtue of a settlement agreement.

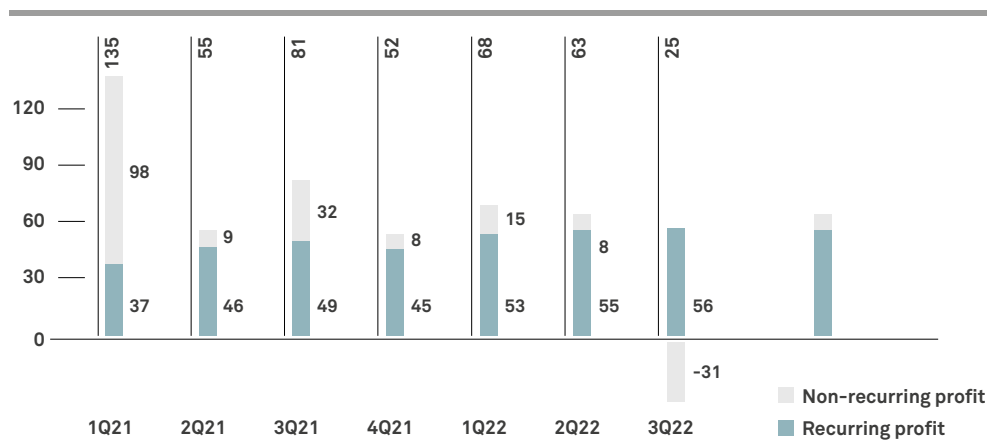
leverage potential of the Bank's business model. This item includes in particular 3.9 million euros generated by the launch of BG Suisse, net of which the growth would have been 5.0%. The ratio of total operating expenses to total assets was approximately **30 bps**, slightly up as a result of the decline in total assets. The **cost/income ratio**, net of non-recurring items, decreased further to 39.7% (40.9% for the first nine months of 2021).

Provisions, contributions related to banking funds and net adjustments amounted to **35.5 million euros** compared to 45.0 million euros for the third quarter of 2021 (-21%), excluding the previous year's one-off provisions⁷. The decline was mainly due to lower provisions for contractual indemnities of an actuarial nature (-28.8 million euros), following the rise in the discount rates applied for the statistical-actuarial assessment, only partly offset by the increase in other provisions for liabilities and contingencies (+13.7 million euros) and adjustments to non-performing loans (+3.2 million euros).

Operating profit before taxation was 252.2 million euros, down 64.6 million euros compared to the previous year (-20.4%).

The **tax burden** for the reporting period, excluding the extraordinary component related to the tax settlement finalised at the end of September, were estimated at **61.5 million euros**, with an overall tax rate of 24.4%, sharply increasing compared to 18.6% for 2021 and calculated, gross of the benefits arising from the previous year's realignment of the carrying and tax values of goodwill, trademarks and other intangible assets, mainly as a result of the lesser incidence of the tax burden accrued in jurisdictions other than Italy.

QUARTERLY NET PROFIT (€ million)



⁷ In the previous year, 80 million euros was also allocated to protect clients from potential losses on investments in securitisations of healthcare receivables, reserved for professional clients. In this regard, reference should be made to the Annual Integrated Report 2021 and the Interim Report on Operations at 30 June 2021.

QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

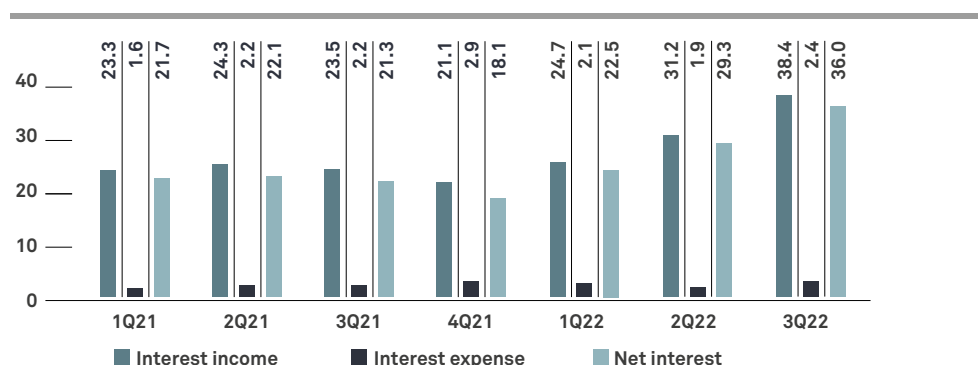
(€ THOUSAND)	3Q22	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21
Net interest income	35,993	29,309	22,535	18,144	21,306	22,147	21,737
Net income (loss) from trading activities and dividends	5,186	11,035	4,623	3,986	13,308	8,430	2,949
Net financial income	41,179	40,344	27,158	22,130	34,614	30,577	24,686
Recurring fee income	229,397	233,988	244,616	254,271	239,167	228,059	221,156
Fee expense	-117,396	-122,564	-124,647	-133,952	-125,147	-119,779	-117,016
Net recurring fees	112,001	111,424	119,969	120,319	114,020	108,280	104,140
Variable fee income	2,022	1,894	13,660	23,953	31,576	53,984	111,037
Net fees	114,023	113,318	133,629	144,272	145,596	162,264	215,177
Net banking income	155,202	153,662	160,787	166,402	180,210	192,841	239,863
Staff expenses	-27,753	-28,641	-28,744	-27,794	-26,760	-26,849	-26,441
Other general and administrative expenses	-27,556	-29,251	-23,492	-32,913	-23,826	-24,607	-22,318
Net adjustments of property, equipment and intangible assets	-9,013	-8,934	-8,683	-9,842	-8,730	-8,875	-8,207
Other operating income/expenses	2,336	6,853	988	-638	566	4,029	934
Net operating expenses	-61,986	-59,973	-59,931	-71,187	-58,750	-56,302	-56,032
Operating result	93,216	93,689	100,856	95,215	121,460	136,539	183,831
Net adjustments to non-performing loans	-2,615	-2,792	-2,065	1,755	-228	-2,665	-1,386
Net provisions	350	-6,359	-4,999	-19,268	-7,536	-7,268	-11,311
Other one-off charges	-	-	-	-628	-	-80,000	-
Contributions and charges related to the banking system	-11,118	-	-5,882	-958	-8,380	-1,508	-4,629
Gains (losses) from equity investments	-55	-432	374	-112	-68	-50	-59
Operating profit before taxation	79,778	84,106	88,284	76,004	105,248	45,048	166,446
Income taxes for the period	-20,372	-21,103	-19,998	-23,722	-24,503	9,588	-31,002
One-off charges related to the tax settlement	-35,330	-	-	-	-	-	-
Net profit attributable to minority interests	-5	-2	-13	42	-20	-36	18
Net profit	24,081	63,005	68,299	52,240	80,765	54,672	135,426

4.1 Net interest income

At the end of the first nine months of 2022, net interest income amounted to 87.8 million euros⁸, up 22.6 million euros (+34.7%) compared to the same period of 2021, as a result of both the expansion of the average volume of interest-bearing assets and the sharp rise in market interest rates.

In particular, the portfolio of debt securities showed a marked rise in interests accrued (+49%), attributable not only to the increase in loan volumes (+11.5%), but also to a very rapid increase in average yields obtained during the year (+33.6%).

NET INTEREST (€ million)



⁸ This figure does not include interest expense for late payment, amounting to 7.8 million euros, paid in relation to the tax settlement finalised at the end of September, which was restated under the specific one-off charges item.

The Bank could fully benefit from the strong increase in bond yields in recent months, thanks to a financial asset structure focusing on a bond portfolio with a short duration (1.2 years) and a high exposure to variable rates (53.1% of the total).

The average yield of the bond portfolio stood at around 79 bps in the reporting period, up compared both to 59 bps for 2021 (+33.9%).

Interest on loans to customers, most of which are benchmarked on the Euribor, grew by 11.3%, thanks both to the increase in the average exposure volume compared to the third quarter of 2021 (+5.6%), driven by the ongoing increase in Lombard loans, and to a tangible rise in average loan rates (+5.7%).

The marked reversal of the interbank interest rate trend also impacted the item exposures to banks (+1.0 million euros), due both to income from repurchase agreement transactions and the new overnight deposits with the ECB started in September.

NET INTEREST INCOME

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	105	74	31	41.9%
Financial assets measured at fair value through other comprehensive income ^(*)	-1,209	-3,630	2,421	-66.7%
Financial assets measured at amortised cost ^(*)	66,814	47,663	19,151	40.2%
Total financial assets	65,710	44,107	21,603	49.0%
Loans to banks	1,057	25	1,032	n.a.
Loans to customers	20,148	18,098	2,050	11.3%
Other liabilities (negative interest expense)	7,410	8,925	-1,515	-17.0%
Total interest income	94,325	71,155	23,170	32.6%
Due to banks	637	385	252	65.5%
Repurchase agreements - banks	3	-	3	n.a.
Due to customers	427	518	-91	-17.6%
Repurchase agreements - customers	928	-	928	n.a.
IFRS 16-related financial liabilities	2,391	2,383	8	0.3%
Other assets (negative interest income)	2,102	2,679	-577	-21.5%
Total interest expense	6,488	5,965	523	8.8%
Net interest income	87,837	65,190	22,647	34.7%

(*) Including hedging differentials.

The negative interest income paid to counterparties on loans and the negative interest expense paid by counterparties on the Bank's funding operations amounted to 2.1 million euros and 7.4 million euros, respectively. Income accrued referred to:

- > TLTRO III refinancing operations with the ECB (4.2 million euros), slightly down compared to 2021 (-0.6 million euros), as a result of the new Eurosystem interest rate structure introduced in the third quarter;
- > current account deposits held with the Bank by its institutional and non-institutional customers, in light of specific agreements and for particularly high deposit brackets (2.0 million euros);
- > to a residual extent, treasury funding repurchase agreement transactions with banks and customers (0.8 million euros) and other transactions (0.2 million euros).

The charges incurred consisted primarily of interest on balances with the ECB (0.7 million euros) — which however, as of the end of 2019, benefited from the wide exemption thresholds introduced by the ECB's tiering system⁹ — and, for the remainder, of repurchase agreements with banks (0.5 million euros) and other transactions.

⁹ 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.

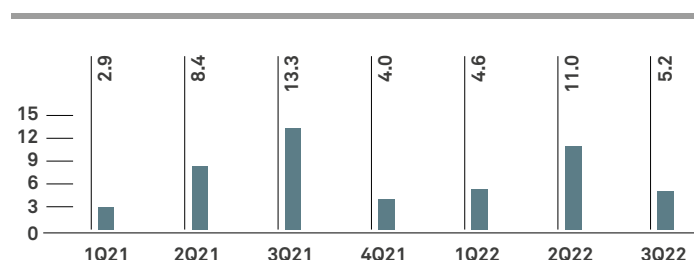
NET NEGATIVE INTEREST

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Banks	4,424	4,999	-575	-11.5%
Customers	2,986	3,926	-940	-23.9%
Total negative interest expense	7,410	8,925	-1,515	-17.0%
Banks	2,000	2,603	-603	-23.2%
Customers	102	76	26	34.2%
Total expense for negative interest income	2,102	2,679	-577	-21.5%
Net negative interest income and expense	5,308	6,246	-938	-15.0%

4.2 Net income from trading activities and dividends

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

NET RESULT OF FINANCIAL OPERATIONS (€ million)



At the end of the first nine months of 2022, this aggregate was positive for 20.8 million euros, down by 15.6% compared to the same period of the previous year, totally realised in the third quarter and due to the decline in debt securities prices on the financial markets.

NET RESULT OF FINANCIAL OPERATIONS

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Dividends and income on UCITS	1,125	1,056	69	6.5%
Trading of financial assets and equity derivatives	-48	-94	46	-48.9%
Trading of financial assets and derivatives on debt securities and interest rates	-41	51	-92	-180.4%
Trading of UCITS units	5	-57	62	-108.8%
Securities transactions	-84	-100	16	-16.0%
Currency and currency derivative transactions	1,635	4,258	-2,623	-61.6%
Net income (loss) from trading activities	1,551	4,158	-2,607	-62.7%
Equity securities and UCITS	-1,529	102	-1,631	n.a.
Debt securities	185	98	87	88.8%
Financial Advisors' policies	40	153	-113	-73.9%
Net income (loss) on assets mandatorily measured at fair value through profit and loss	-1,304	353	-1,657	n.a.
Net income (loss) from hedging	15,987	2,302	13,685	n.a.
Gains (losses) from disposal on HTC and HTCS debt securities	3,485	16,818	-13,333	-79.3%
Net result of financial operations	20,844	24,687	-3,843	-15.6%

Net income from **trading activities** amounted to 1.6 million euros, due to the significant decline in the contribution of currency transactions.

Outside of the trading book, **net income of assets mandatorily measured at fair value** through profit or loss contributed a negative 1.3 million euros, chiefly attributable to the fair value adjustment of the important investment in the Forward Fund (-0.9 million euros), analysed in detail in the Annual Integrated Report 2021¹⁰.

Net income from hedging was positive for 16.0 million euros, sharply increasing compared to the previous year (+13.7 million euros), as a result of the early closing of several asset swap transactions following the disposal of the underlying security.

The treasury management of debt securities allocated to the HTCS and HTC portfolios recorded gains on disposals for the period amounting to 3.5 million euros, down 13.3 million euros compared to 2021. This result was due to the 15.7 million euro profit imbalance generated by the turnover of the HTC portfolio and to the 12.2 million euro capital loss on disposal of the HTCS portfolio.

4.3 Fee income

Fee income amounted to **725.6 million euros**, significantly decreasing compared to the same period of 2021 (-18.0%) due to the strong decline in variable fees (-91.1%). **Recurring fees** rose by 2.8%, proving to be the aggregate's most resilient item, including within the current difficult market context.

FEE INCOME

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Underwriting fees	21,001	30,744	-9,743	-31.7%
Management fees	615,279	586,898	28,381	4.8%
Fees for other services	71,721	70,740	981	1.4%
Recurring fees	708,001	688,382	19,619	2.9%
Performance fees	17,576	196,597	-179,021	-91.1%
Total fee income	725,577	884,979	-159,402	-18.0%

With regard to recurring fees, the aggregate's steady performance was driven by **management fees**, which rose by 4.8% as a result of both the ongoing increase in average managed assets for the period (+2.8%¹¹) and their higher profitability.

Other underwriting and banking fees declined by 8.6% compared to the same period of 2021 as a result of activities more closely linked to market trends (funds underwriting fees and greater exposure to bond trading), offset by the increase in income from advisory services and banking activities.

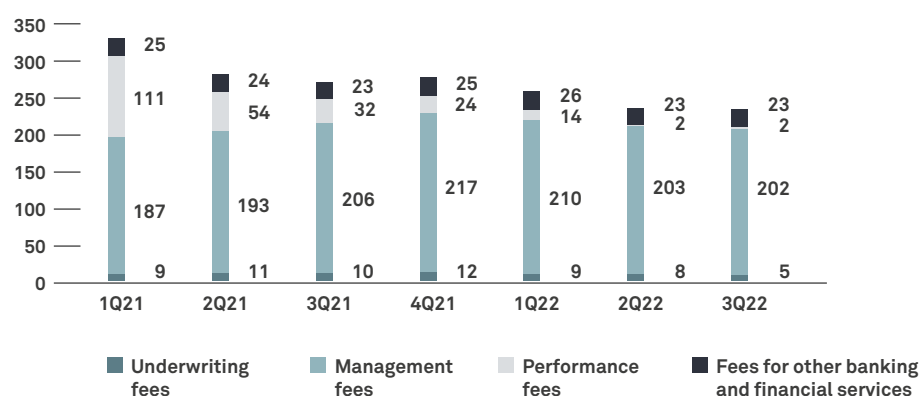
Underwriting fees (-31.7%) were impacted by the marked reduction in income from the placement of UCITS (-40.9%) and the slowdown in the placement of **certificates** (-30.1%).

Fees for other services, of a banking and financial nature, grew instead by 1.4% thanks mainly to the income generated by investment advisory (+5.9%) and other banking services (+14.4%), offset by a decline in retail brokerage activities (-8.3%).

¹⁰ For further details on the restructuring transaction of a portfolio of senior bonds issued by some special purpose vehicles for healthcare receivable securitisation that Banca Generali acquired from its customers and concurrently transferred to the Forward Fund, by subscribing its units, reference should be made to the Annual Integrated Report 2021, specifically to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements.

¹¹ Data referring to the yearly change in average AUM related to managed solutions, including BG Valeur and BG-FML's direct AUM.

BREAKDOWN OF FEE INCOME (€ million)



Fee income from the solicitation of investment and asset management of households reached 653.9 million euros, with a 3.0% increase compared to the first nine months of 2021, net of the aforementioned one-off component.

ASSET MANAGEMENT FEE INCOME

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
1. Collective portfolio management	265,499	425,475	-159,976	-37.6%
2. Individual portfolio management	69,515	65,523	3,992	6.1%
Fees for portfolio management	335,014	490,998	-155,984	-31.8%
1. Placement of UCITS	104,331	105,479	-1,148	-1.1%
- of which: UCITS promoted by the Group	3,510	5,359	-1,849	-34.5%
2. Placement of bonds and equity securities	14,473	17,912	-3,439	-19.2%
of which: certificates	11,455	16,380	-4,925	-30.1%
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	850	799	51	6.4%
4. Distribution of third-party insurance products	198,706	198,382	324	0.2%
5. Distribution of other third-party financial products	481	502	-21	-4.2%
Fees for the placement and distribution of financial services	318,841	323,074	-4,233	-1.3%
Asset management fee income	653,855	814,072	-160,217	-19.7%

With regard to the **Sicavs** promoted by the Banking Group, **management fees** — net of the effect of non-recurring performance components — rose by 8.2% compared to 2021, despite a slight decline in average managed assets (-0.76%), also thanks to the new fee structure introduced as of the second half of 2021.

In addition to the constant success of the **Lux IM** Sicav, which at period-end reported 14.2 billion euro AUM (of which 6.4 billion euros relating to retail funds placed by the Financial Advisors' network), worth of mention is the relaunch of the other Sicav promoted by the Group, which changed its name in BG Collection Investments in April 2022 and has been enhanced to feature new monobrand sub-funds, managed directly by renowned, highly specialised third-party partners (6.4 billion euros, of which 2.3 billion euros for retail funds).

Fee income from **distribution of insurance products** was essentially stable compared to the same period of 2021 (+0.2%), also as a consequence of their slowdown with reference to the overall increase in average AUM in this segment (+0.5%), and traditional solutions in particular (-1.0%).

Fees for the **placement of third-party UCITS** amounted to 100.8 million euros, up 0.7% compared to 2021, owing to the combined effect of the increase in management fees (+5.1%) following the progress of the average assets under management compared to the same period of 2021, offset by a marked decline in underwriting fees (-36.9%).

Fee income for other services, of a banking and financial nature, stood at 71.7 million euros thanks to the rise in investment advisory (+5.9%). By contrast, fees for trading declined (-8.3%).

FEE INCOME FOR OTHER SERVICES

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Fees for trading and custody	26,902	29,345	-2,443	-8.3%
Investment advisory fees	34,090	32,186	1,904	5.9%
Fees for collection and payment services	3,497	3,104	393	12.7%
Account-keeping fees and expenses	4,044	3,625	419	11.6%
Fees for other services	3,189	2,647	542	20.5%
Total fee income for other services	71,722	70,907	815	1.1%

With regard to investment advisory, fee income from BG Personal Advisory reached 27.6 million euros, up 5.9%, whereas other advisory services for the Insurance Group's unit-linked insurance policies stood at 6.5 million euros (+8.7%).

At the end of the first nine months of 2022, despite the difficult market scenario, **Assets under Advisory** recorded total AUM of **6.8 billion euros**, decreasing by 1.7% compared to 2021 and by 6.7% YTD.

4.4 Fee expense

Fee expense, including fee provisions¹², amounted to 364.6 million euros. The 0.7% increase for the period was more modest compared to the recurring fee income performance.

The Bank's ratio of total payout to total fee income (net of performance fees) was thus 51.5% compared to 52.6% for the first nine months of 2021.

FEE EXPENSE

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Fees for off-premises offer	323,467	320,806	2,661	0.8%
Ordinary payout	248,522	246,847	1,675	0.7%
Extraordinary payout	74,945	73,959	986	1.3%
Other fees	41,140	41,136	4	-
Fees for portfolio management	27,734	26,541	1,193	4.5%
Fees for trading in securities and custody	7,573	7,742	-169	-2.2%
Fees for collection and payment services	3,213	2,933	280	9.5%
Fees for other services	2,620	3,920	-1,300	-33.2%
Total fee expense	364,607	361,942	2,665	0.7%

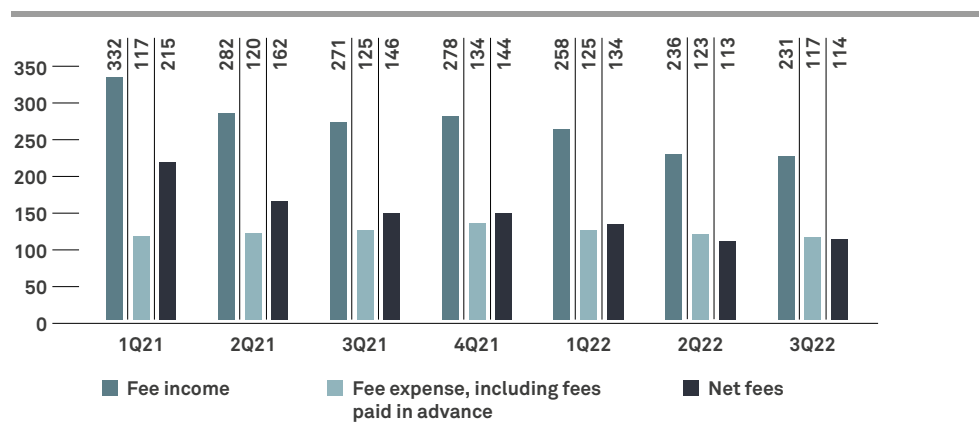
Fee expense for off-premises offer paid to the Financial Advisor network amounted to 323.5 million euros, up 2.7 million euros compared to the same period of 2021 (+0.8%), mainly attributable to the increase in ordinary payout (+1.7 million euros), driven by management fees and, to a lower extent, to incentive fees (+1.0 million euros).

¹² 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 12.4 million euros for 2022 and 11.8 million euros for 2021.

Fees for portfolio management stood at 277 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 13.4 million euros, decreasing compared to the same period of 2021 (-8.1%), mainly because some cost items recognised in 2021 for other services were no longer present, and partly thanks to the insourcing of some activities.

QUARTERLY NET FEES (€ million)



4.5 Operating expenses

Operating expenses totalled **181.9 million euros**, up 6.3% as a result of the charges borne for the acquisition of BG Suisse personnel and technological infrastructure¹³, and the IT expenses linked to the launch of Banca Generali's new data driven digital development projects and its open-bank infrastructure.

Core¹⁴ operating expenses totalled **164.6 million euros**, up **5.8%**¹⁵, fully in line with the objectives of the new 2022-2024 three-year Plan and confirming the thorough cost discipline and the operating leverage potential of the Bank's business model. This item includes in particular 3.9 million euros generated by the launch of BG Suisse, net of which the growth would have been 5.0%.

The ratio of operating expenses to total assets remained at an excellent level of **0.30%**, slightly up as a result of the decline in total assets. The **cost/income ratio**, net¹⁶ of non-recurring items such as variable fees, decreased further to 39.7% (40.9% in the first nine months of 2021).

¹³ Operating expenses referring to BG Suisse amounted to 3.9 million euros compared to 2.5 million euros for 2021.

¹⁴ Recurring operating expenses, net of one-off charges and costs related to sales personnel, amounting to 14.8 million euros at 30 September 2022 (14.8 million euros for 2021).

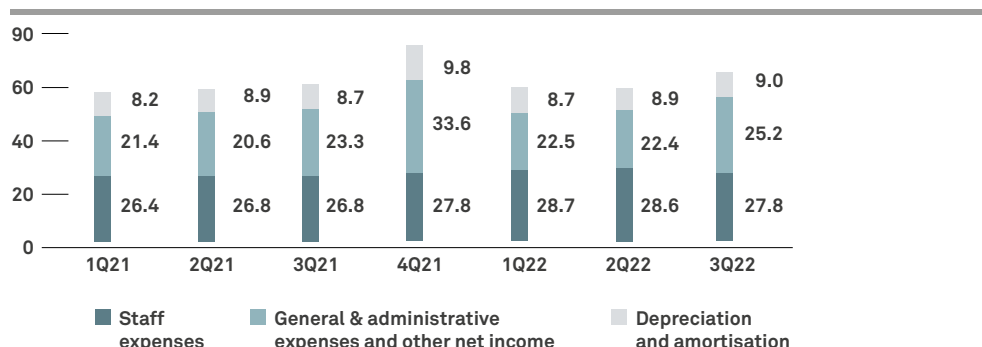
¹⁵ One-off operating charges amounted to 2.6 million euros and included the costs for M&A transactions (1.9 million euros) and for the amortisation of intangible assets arising from the acquisition of Nextam and Valeur (0.7 million euros). The comparison data for the first nine months of 2021 was restated to include the costs associated with the incorporation and start of operations of BG Suisse into the scope of recurring expenses and amounted to 0.7 million euros. In detail, the reported data for the first nine months of 2021 (2.9 million euros) had included one-off charges amounting to about 4.1 million euros, of which 3.4 million euros referring to M&As and 0.7 million euros related to amortisation and depreciation, as well as 1.2 million euro non-recurring income linked to the decline in the variable consideration due to the former owners of the Nextam Group by virtue of a settlement agreement.

¹⁶ The cost/income ratio measures the ratio of operating expenses to net operating income. The adjusted cost/income ratio is stated net of performance fees, charges related to the banking system reclassified to a separate item and the non-recurring items (operating income and expenses) for an amount of 2.6 million euros in the first nine months of 2022 (0.7 million euros in 2021). This ratio has been restated compared to the previous quarters in order to include the item "Adjustments of property, equipment and intangible assets" as well.

OPERATING EXPENSES

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Staff expenses	85,138	80,050	5,088	6.4%
General and administrative expenses and other net income	70,122	65,222	4,900	7.5%
Net adjustments of property, equipment and intangible assets	26,630	25,812	818	3.2%
Operating expenses	181,890	171,084	10,806	6.3%

OPERATING COST STRUCTURE (€ million)



Within this aggregate, **staff expenses**, including employees, interim staff and directors, reached 85.1 million euros, up 5.1 million euros (+6.4%), as a result of the new resources acquired from BG Suisse (+2.7 million euros) and the further organic growth of the Group's workforce, partly offset by a lesser incidence of variable remuneration (-0.8 million euros).

STAFF EXPENSES

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
1) Employees	84,032	78,990	5,042	6.4%
Ordinary remuneration	62,895	57,649	5,246	9.1%
Variable remuneration and incentives	16,433	17,309	-876	-5.1%
Other employee benefits	4,704	4,032	672	16.7%
2) Other staff	-95	-167	72	-43.1%
3) Directors and Auditors	1,201	1,227	-26	-2.1%
Total	85,138	80,050	5,088	6.4%

Group employees were 1,035 at the end of the third quarter; 44 more than in the same period of 2021 (+4.4%), of which one third referring to BG Suisse. The increase in average headcount for the period was more modest, totalling 31 units.

EMPLOYEES

	30.09.2022	30.09.2021	CHANGE		WEIGHTED AVERAGE ^(*)		
			AMOUNT	%	31.12.2021	2022	2021
Managers	72	66	6	9.1%	67	70	66
Executives	367	339	28	8.3%	337	353	329
– 3 rd and 4 th level executives	190	184	6	3.3%	184	188	179
– 1 st and 2 nd level executives	177	155	22	14.2%	153	166	151
Other employees	596	586	10	1.7%	582	588	585
– of whom: part-time	46	57	-11	-19.3%	37	49	57
Total	1,035	991	44	4.4%	986	1,011	980

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

Other general and administrative expenses and other net income amounted to 70.1 million euros, with a 4.9 million euro increase compared to the previous year (+7.5%), also largely attributable to the effect of BG Suisse's start-up and infrastructural project charges.

4.6 Net provisions

Net provisions not related to fees¹⁷ amounted to 11.0 million euros, down 15.1 million euros compared to the previous year, mainly due to lower provisions to cover contractual commitments to the sales network (-28.8 million euros), partly offset by the increase in other provisions for liabilities and contingencies.

The aforementioned decrease in provisions for contractual indemnities to the sales network was largely attributable to the following factors:

- > the suspension of the Loyalty Framework Programme for the Financial Advisor network, the 6th 2022-2026 cycle of which was not activated, and which had recorded net provisions of 11.1 million euros in the corresponding period of the previous year;
- > the change in the financial and demographic parameters used for the valuation of actuarial funds, which resulted in a lower charge of 17.4 million euros, arising from the combined effect of:
 - a) surpluses released in the current year as a result of the increase in the discount rates used for the valuation of actuarial funds, amounting to 18.9 million euros, for which greater provisions had been made in 2021 (+2.8 million euros) in relation to an opposite trend¹⁸;
 - b) surpluses in the previous financial year due to the adjustment of the retirement age of financial advisors (+4.3 million euros)¹⁹.

The increase in provisions for liabilities and contingencies (+12.2 million euros) was essentially attributable to the greater customer commercial activities requested by the sales network and which are expected to be implemented in the following quarters.

Provisions for other liabilities and contingencies included a prudential allocation of 10 million euros to cover commercial activities aimed at restoring potential losses to customers resulting from investments made in products distributed by the Bank and to sustain customer loyalty.

NET PROVISIONS

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	1,450	1,107	343	31.0%
Provision for legal disputes	3,170	2,038	1,132	55.5%
Provision for contractual indemnities to the sales network	-7,166	21,634	-28,800	-133.1%
Other provisions for liabilities and contingencies	11,548	1,367	10,181	n.a.
Provision for tax and contributions dispute	2,000	-	2,000	n.a.
Guarantees and commitments	6	-31	37	-119.4%
Total	11,008	26,115	-15,107	-57.8%

¹⁷ Fee provisions, which amounted to 12.4 million euros (11.8 million euros in 2021), are recognised under the fee expense aggregate.

¹⁸ 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 increase in the discount rate used therefore reflected the increase in interest rates and government bond spreads in the period September 2021 – September 2022 (2.051%) compared to the previous measurement for the period March 2021 – December 2021 (1.0266%) used for the valuation of actuarial funds at 31 December 2021. At 30 September 2021, a 0.869% discount rate had been used, referring to the period September 2020 – September 2021.

¹⁹ In the first half of 2021, on the basis of observations of the average retirement age over a 5-year time horizon, the estimated age for Financial Advisors had been raised to about 70, an increase of two years over the estimate based on the legal parameters.

4.7 Adjustments

Net adjustments to non-performing loans amounted to 7.5 million euros, significantly increasing compared to the same period of the previous year (+74.6%).

NET ADJUSTMENTS TO NON-PERFORMING LOANS

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	30.09.2022	30.09.2021	CHANGE
Specific adjustments/reversals	-2,170	327	-1,843	-547	-1,296
Non-performing loans of the banking book	-1,843	327	-1,516	-387	-1,129
Operating loans to customers	-327	-	-327	-160	-167
Portfolio adjustments/reversals	-5,857	228	-5,629	-3,732	-1,897
Performing debt securities	-5,217	-	-5,217	-501	-4,716
Performing loans to customers and banks	-640	228	-412	-3,231	2,819
Total	-8,027	555	-7,472	-4,279	-3,193

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 5.6 million euros, with a ratio to total financial assets measured at amortised cost (HTC/HTCS) that remained very low.

The debt securities portfolio recorded net adjustments for 5.2 million euros, up by 4.7 million euros compared to the same period of the previous year, as a result of the expansion of investment volumes and the higher ratio of investments in securities of financial and corporate issuers.

By contrast, performing loans decreased significantly compared to the end of September 2021 (-2.8 million euros), which had been impacted by the adoption of the new rating models for the private and corporate segments.

Net specific adjustments totalled 1.8 million euros, up by 1.3 million euros, and referred primarily to new positions classified as unlikely-to-pay (0.7 million euros) and past-due (1.1 million euros), and the impairment or write-off of past advances to Financial Advisors and operating loans for services rendered to customers (0.3 million euros).

4.8 Contributions and charges related to the banking system

Expenses related to the contributions to the Italian National Resolution and Interbank Deposit Protection Funds amounted to **17.0 million euros** and included 5.8 million euros for the ordinary contributions to the Single Resolution Fund (4.6 million euros in 2021).

In accordance with the international accounting standards (IFRIC 21) and the Bank of Italy's technical guidelines, the ordinary contributions to the Italian Interbank Deposit Protection Fund — which accrue in the third quarter of the year — were estimated at 11.2 million euros, up due to the marked performance of the reference base for the current year, made up of protected deposits (8.4 million euros in 2021).

The additional contributions 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 was finally terminated in 2022 (1.5 million euros in 2021).

4.9 Income taxes

Income taxes for the period, excluding the one-off component of the tax settlement finalised at the end of September, amounted to **61.5 million euros**, up 2.4 million euros compared to the burden estimated at the end of the first nine months of 2021, gross of the 13.1 million euro benefits arising from the realignment of the carrying and tax values of goodwill, trademarks and other intangible assets recognised at the end of the first half 2021²⁰.

²⁰ For further details on the realignment of the carrying and tax values of goodwill, trademarks and other intangible assets at the end of the first half 2021, reference should be made to the Annual Integrated Report 2021 and the Interim Report at 30 June 2021. In this regard, it should be noted that, as at 31 December 2021, the tax benefit had been recognised in the financial statements for an amount of 8.6 million euros, up to the amount of DTAs that can be reabsorbed over a twenty-year time horizon.

The estimated total **tax rate** was 24.4%, up compared to 18.6% for the same period of the previous year (14.5% net of the realignment), mainly due to the lesser incidence of the tax burden accrued in jurisdictions other than Italy.

INCOME TAXES

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Current taxes for the period	-61,783	-92,081	30,298	-32.9%
Prior years' taxes	-	91	-91	-100.0%
Changes of prepaid taxation (+/-)	101	39,545	-39,444	-99.7%
Changes of deferred taxation (+/-)	209	6,528	-6,319	-96.8%
Total	-61,473	-45,917	-15,556	33.9%
Realignment operations	-	13,143	-13,143	-100.0%
Taxes gross of realignment operations	-61,473	-59,060	-2,413	4.1%

4.10 One-off charges related to the tax settlement

On **19 September 2022**, Banca Generali signed a framework agreement with the Italian Revenue Agency, Regional Direction of Friuli-Venezia Giulia, establishing the conditions for the settlement of the transfer pricing tax claims for the tax periods from 2014 to 2019.

Under the agreement, Banca Generali incurred an actual charge of **45.9 million euros**, including a greater amount of taxes totalling 40.7 million euros and interest for late payment of 7.8 million euros and excluding the lower taxes estimated for the year due to tax deductibility of the latter amount (2.6 million euros).

No penalties have been applied due to the penalty protection regime.

Since the Bank had already allocated **10.6 million euros** to the provision for tax disputes, the actual charge for the year thus amounted to **35.3 million euros**.

The framework agreement settled the transfer pricing claims regarding transactions with the management company BGFML, a subsidiary of Banca Generali,

- > as per the tax assessment executive notices for IRES and IRAP purposes, for the 2014 tax period, notified by the Italian Revenue Agency on 24 March 2022. Banca Generali had filed an appeal with the Tax Commission of the Province of Trieste on 23 May 2022, which was scheduled to be discussed in October;
- > in the two Reports of Verification (PVC) notified by the Trieste economic and financial unit of the Italian Finance Police, following a tax assessment started in March 2020, issued respectively on 9 December 2021 for IRES and IRAP related to the tax periods 2015 and 2016 (PVC 2021), and on 16 March 2022 for IRES and IRAP related to the tax periods from 2017 to 2019.

The tax settlement was thus finalised on 21 September 2022, with the signing of two partial, extrajudicial settlement agreements with reference to pending claims at the Trieste Provincial Tax Court for the 2014 tax period (IRES/IRAP), and 8 IRES/IRAP tax assessment settlements for the 2015 to 2018 tax periods. The tax claims relating to 2019 were dropped, as explained below.

The greater amount of taxes and the interest for late payment were therefore paid on 22 September.

For more comprehensive information on the complex tax issue originated by a tax assessment carried out by the Italian Revenue Agency in March 2017, reference should be made to the Integrated Annual Report 2021.

It should however be noted that the two executive assessment notices for the 2014 tax period, which had been based on many of the claims made by the Finance Police with reference to transactions with BGFML, claimed a IRES and IRAP total of about 36 million euros (including interest in the amount of 7.8 million euros) and about 21 million euro penalties calculated in their maximum amount.

With reference to the content of the settlement, the agreement signed is based on the recognition of a remuneration for the handover, carried out in 2008, to the newly established company BGFML of the delegated investment management of BG Sicav. The greater remuneration has been recognised in declining order for the tax periods from 2014 to 2018. There were no claims for the 2019 tax period, as it was deemed that the effects of the delegated investment management handover had ended in the above-mentioned period.

The agreement confirms the arm's length nature of the standard remuneration of transactions between Banca Generali and BGFML, thus limiting the matter to an exceptional event that occurred in 2008 and with effects until 2018. It was also recognised that Banca Generali did not contribute in any way to BGFML activities by providing non-contractual services.

As a result, the agreement also recognises the suitability of the National Documentation prepared by the Bank, and particularly of the Transfer Pricing Model and the Transfer Pricing Policy, as appropriate for the remuneration of the Bank's functions, assets and risks.

The agreement also paves the way for full implementation of the Cooperative Compliance procedures to which Banca Generali was admitted on 27 December 2021, with effects as of the 2020 tax period.

The Provincial Tax Court's judgement on the minor claims not concerning transfer pricing issues and included in the above-mentioned assessment notices for 2014 and in two further assessment notices for 2015 is still pending. However, discussions continue with the Italian Revenue Agency with a view to achieving an extrajudicial settlement for these assessment notices as well.

4.11 Earnings per Share

The first nine months of 2022 thus closed with basic net earnings per share of 1.35 euros.

	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	155,385	270,863	-115,478	-42.6%
Earnings attributable to ordinary shares (€ thousand)	155,385	270,863	-115,478	-42.6%
Average number of outstanding shares (thousand)	114,759	115,138	-379	-0.3%
EPS - Earnings per share (euros)	1.35	2.35	-1.00	-42.4%
Average number of outstanding shares with diluted share capital	114,730	115,138	-408	-0.4%
EPS - Diluted earnings per share (euros)	1.35	2.35	-1.00	-42.4%

4.12 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 nine months of 2022, the latter component provided a negative overall contribution of 11.7 million euros, against a net negative change of 2.8 million euros recorded at the end of the same period of the previous year.

In detail, HTCS debt securities portfolio valuation reserves decreased by 15.0 million euros as a result of the following factors:

- > the recognition of net valuation capital losses totalling 21.8 million euros, net of 0.4 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 (-0.3 million euros);
- > a positive net tax effect (+7.1 million euros) associated with the above changes and mainly resulting from a net increase in DTAs.

COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Net profit	155,365	270,825	-115,460	-42.6%
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	586	-	586	n.a.
Financial assets measured at fair value through other comprehensive income	-15,049	-3,536	-11,513	n.a.
Without transfer to Profit and Loss Account:				
Financial assets measured at fair value through other comprehensive income	818	211	607	n.a.
Actuarial gains (losses) from defined benefit plans	1,909	544	1,365	n.a.
Total other income, net of income taxes	-11,736	-2,781	-8,955	n.a.
Comprehensive income	143,629	268,044	-124,415	-46.4%
Consolidated comprehensive income attributable to minority interests	187	12	175	n.a.
Consolidated comprehensive income attributable to the Group	143,442	268,032	-124,590	-46.5%

5. Balance Sheet and Net Equity Aggregates

At the end of the first nine months of 2022, total consolidated assets amounted to 17.8 billion euros, up by nearly 1.6 billion euros (+9.7%) compared to the end of 2021.

Total net inflows reached 16.0 billion euros, up 1.6 billion euros overall, an increase fully attributable to the growth in customers' current account deposits.

Core loans thus totalled 16.7 billion euros, up 1.2 billion euros (+8.1%).

CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	423,583	415,558	8,025	1.9%
Financial assets at fair value through other comprehensive income	1,635,970	2,543,065	-907,095	-35.7%
Financial assets measured at amortised cost:	14,596,770	12,447,258	2,149,512	17.3%
a) loans to banks (*)	3,560,506	2,811,785	748,721	26.6%
b) loans to customers	11,036,264	9,635,473	1,400,791	14.5%
Hedging derivatives	305,216	11,357	293,859	n.a.
Equity investments	3,081	2,048	1,033	50.4%
Property, equipment and intangible assets	283,319	295,184	-11,865	-4.0%
Tax receivables	70,077	72,627	-2,550	-3.5%
Other assets	440,433	401,819	38,614	9.6%
HFS assets	-	2,694	-2,694	-100.0%
Total assets	17,758,449	16,191,610	1,566,839	9.7%

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

LIABILITIES AND NET EQUITY (€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Financial liabilities measured at amortised cost:	16,004,867	14,412,354	1,592,513	11.0%
a) due to banks	808,094	818,734	-10,640	-1.3%
b) due to customers	15,196,773	13,593,620	1,603,153	11.8%
Financial liabilities held for trading and hedging	103,144	171,871	-68,727	-40.0%
Tax liabilities	43,788	28,320	15,468	54.6%
Other liabilities	366,023	242,037	123,986	51.2%
HFS liabilities	-	318	-318	-100.0%
Special purpose provisions	224,394	230,843	-6,449	-2.8%
Valuation reserves	-11,421	522	-11,943	n.a.
Equity instruments	50,000	50,000	-	-
Reserves	721,191	624,033	97,158	15.6%
Share premium reserve	53,759	55,866	-2,107	-3.8%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-70,034	-64,822	-5,212	8.0%
Net equity attributable to minority interests	501	313	188	60.1%
Net profit (loss) for the period (+/-)	155,385	323,103	-167,718	-51.9%
Total liabilities and net equity	17,758,449	16,191,610	1,566,839	9.7%

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Financial assets at fair value through profit or loss	423,583	426,181	426,789	415,558	39,877	40,766	45,555	48,455
Financial assets at fair value through other comprehensive income	1,635,970	2,134,674	2,643,207	2,543,065	3,305,138	3,522,999	3,411,976	2,730,098
Financial assets measured at amortised cost:	14,596,770	14,160,038	13,127,518	12,447,258	11,461,254	11,308,313	9,889,588	9,657,380
a) loans to banks	3,560,506	3,408,299	2,916,354	2,811,785	2,553,351	2,304,706	1,484,204	1,236,556
b) loans to customers	11,036,264	10,751,739	10,211,164	9,635,473	8,907,903	9,003,607	8,405,384	8,420,824
Hedging derivatives	305,216	175,432	84,243	11,357	5,275	3,293	3,189	2,486
Equity investments	3,081	3,098	3,261	2,048	2,158	2,205	1,658	1,717
Property, equipment and intangible assets	283,319	287,441	288,470	295,184	271,649	277,073	280,322	288,598
Tax receivables	70,077	69,955	67,233	72,627	89,091	88,545	52,882	49,846
Other assets	440,433	428,493	374,910	401,819	402,815	440,678	350,214	398,409
HFS assets	-	-	-	2,694	1,648	1,650	1,847	-
Total assets	17,758,449	17,685,312	17,015,631	16,191,610	15,578,905	15,685,522	14,037,231	13,176,989

LIABILITIES AND NET EQUITY (€ THOUSAND)	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Financial liabilities measured at amortised cost:	16,004,867	15,612,346	15,120,875	14,412,354	13,462,819	13,465,086	12,183,528	11,506,596
a) due to banks	808,094	843,741	795,433	818,734	838,191	877,405	805,612	598,129
b) due to customers	15,196,773	14,768,605	14,325,442	13,593,620	12,624,628	12,587,681	11,377,916	10,908,467
Financial liabilities held for trading and hedging	103,144	158,499	222,931	171,871	136,860	96,758	78,082	69,404
Tax liabilities	43,788	37,427	31,830	28,320	57,543	60,595	69,593	42,516
Other liabilities	366,023	638,111	238,515	242,037	588,253	789,391	184,119	181,697
HFS liabilities	-	-	-	318	381	284	384	-
Special purpose provisions	224,394	234,222	231,984	230,843	287,410	282,928	201,785	192,272
Valuation reserves	-11,421	-10,215	-5,926	522	1,309	2,871	2,444	4,139
Equity instruments	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reserves	721,191	718,454	948,825	624,033	615,354	613,397	1,002,866	726,471
Share premium reserve	53,759	53,771	55,860	55,866	55,825	55,875	57,062	57,062
Share capital	116,852	116,852	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-70,034	-55,941	-64,816	-64,822	-64,822	-38,888	-45,185	-45,185
Net equity attributable to minority interests	501	482	402	313	258	275	275	246
Net profit (loss) for the period (+/-)	155,385	131,304	68,299	323,103	270,863	190,098	135,426	274,919
Total liabilities and net equity	17,758,449	17,685,312	17,015,631	16,191,610	15,578,905	15,685,522	14,037,231	13,176,989

5.1 Direct inflows from customers

Total direct inflows from customers amounted to 15.2 billion euros, with an increase of 1,603 million euros (+11.8%) compared to 31 December 2021, chiefly attributable to the rise in the balances of retail customers' current accounts.

DUE TO CUSTOMERS

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
1. Current accounts and demand deposits	14,095,811	13,231,340	864,471	6.5%
3. Financing	781,581	7,441	774,140	n.a.
Repurchase agreements	483,492	-	483,492	n.a.
Other (collateral margins)	298,089	7,441	290,648	n.a.
4. Other debts	319,381	354,839	-35,458	-10.0%
IFRS 16-related lease liabilities	152,949	156,363	-3,414	-2.2%
Operating debts to sales network	121,816	157,980	-36,164	-22.9%
Other debts (money orders, amounts at the disposal of customers)	44,616	40,496	4,120	10.2%
Total due to customers	15,196,773	13,593,620	1,603,153	11.8%

Inflows from demand deposits, not related to the Assicurazioni Generali Group, showed a net increase by over 1,068 million euros, chiefly generated by inflows from customers included in the Assoreti perimeter (+1,065 million euros) and awaiting reinvestment as part of a specific investment plan.

By contrast, captive inflows generated from the treasury management of the companies within the Assicurazioni Generali Group recorded net outflows of 207 million euros and amounted to 365.7 million euros at the end of the period, accounting for 2.4% of total inflows.

INFLOWS FROM CUSTOMERS

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Inflows from Parent Company	42,469	38,848	3,621	9.3%
Inflows from other subsidiaries of the Generali Group	247,917	455,997	-208,080	-45.6%
IFRS 16-related lease financial liabilities	75,345	77,778	-2,433	-3.1%
Total inflows from Generali Group	365,731	572,623	-206,892	-36.1%
Inflows from other parties	14,831,042	13,020,997	1,810,045	13.9%
- of which: current accounts	13,805,687	12,737,092	1,068,595	8.4%
Total inflows from customers	15,196,773	13,593,620	1,603,153	11.8%

In July 2022, Banca Generali launched promotional transactions in repurchase agreements with its customers.

These transactions allow liquidity to be invested, for a period of up to four months, in a low-risk financial instrument with a default yield of 1.50% per annum gross, against the provision of new liquidity. In particular, two transactions were completed in July and August, for a total value of 280 million euros maturing on 31 October 2022. In October, further transactions were carried out, with similar characteristics and maturing in December 2022. Inflows from repurchase agreements also included 202.1 million euros referring to very short-term treasury repurchase agreements entered into on the MTS Repo market managed by CC&G.

There was also a significant expansion in liabilities relating to daily variation margins received on the Eurex market against customers' derivatives transactions.

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).

5.2 Core loans

Core loans totalled 16.7 billion euros overall, with a net increase of over 1.2 billion euros compared to 31 December 2021 (+8.1%).

Investments in the portfolio of financial assets, which grew by over 1,255 million euros (+11.8%), made up the largest component of the aggregate.

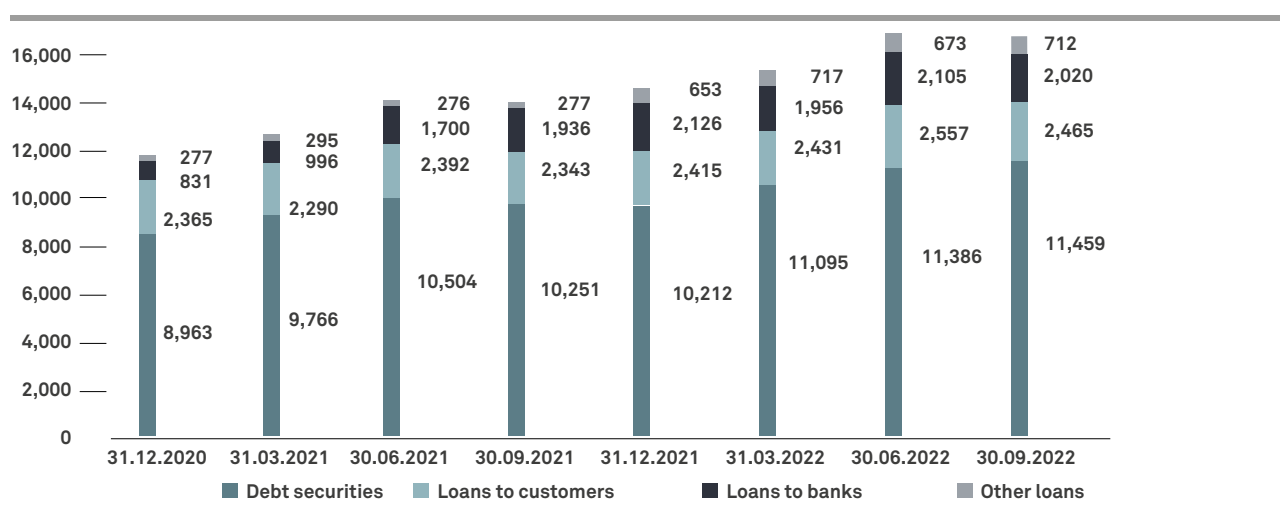
Exposures towards customers reported a more modest growth of nearly 50 million euros (+2.1%), whereas exposures to banks declined (-105 million euros; -5.0%).

INTEREST-BEARING FINANCIAL ASSETS AND LOANS

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through profit or loss	423,583	415,558	8,025	1.9%
Financial assets measured at fair value through other comprehensive in-come	1,635,970	2,543,065	-907,095	-35.7%
Financial assets measured at amortised cost	9,837,962	7,683,260	2,154,702	28.0%
Financial assets	11,897,515	10,641,883	1,255,632	11.8%
Loans to and deposits with banks (*)	2,020,306	2,125,833	-105,527	-5.0%
Loans to customers	2,465,102	2,415,273	49,829	2.1%
Operating loans and other loans	273,400	222,892	50,508	22.7%
Core loans	16,656,323	15,405,881	1,250,442	8.1%

(*) ECB demand deposits included.

QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, investments in financial instruments accounted for 71.4% of total core loans, slightly increasing compared to 69.1% at the end of 2021, and continued to be driven by the expansion of the portfolio of securities issued by the government and supranational and other public institutions, and by a careful direct diversification process regarding investments in debt securities issued by credit institutions and, to a lesser extent, other corporate issuers.

FINANCIAL ASSETS

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Government securities	8,355,123	8,223,459	131,664	1.6%
Supranational and other public institutions	784,399	577,821	206,578	35.8%
Securities issued by banks	1,722,382	860,285	862,097	100.2%
Securities issued by other issuers	597,263	550,710	46,553	8.5%
Equity securities and other securities	438,348	429,608	8,740	2.0%
Total financial assets	11,897,515	10,641,883	1,255,632	11.8%

The residual amount of equity securities, UCITS and other similar securities chiefly referred to the 393 million euro investment in the units of the Forward Fund, a newly formed Italian fund (AIF) managed by Gardant SGR and specialised in illiquid investments, in which Banca Generali made a further payment of 17 million euros in the reporting period²¹.

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 over 9.8 billion euros at the end of the third quarter, equal to 82.7% of total financial assets, increasing by 2.2 billion euros (+28.0%).

In light of financial markets' high volatility, 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, declined by 0.9 billion euros (-35.7%) to 1.6 billion euros.

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

For each hedging derivative, a specific highly effective fair value hedging relationship is formed.

At the end of the first nine months of 2022, the notional amounts of the hedging derivatives outstanding amounted to 3,955 million euros, of which 265 million euros relating to the HTCS portfolio. The asset swap portfolio had a net balance of 3,970 million euros and a fair value of 3,963 million euros overall.

The overall portfolio remained focused on sovereign debt and increased by nearly 338 million euros, accounting for 76.8% of total investments in financial instruments, down compared to the end of the previous year (82.7%).

The portion of the portfolio invested in Italian government bonds was essentially stable at 5.5 billion euros (-1.3%), with a ratio to total volumes decreasing to 60% compared to 63.2% at the end of 2021.

Foreign sovereign debt thus increased by nearly 412 million euros (+12.7%) to 3,654 million euros, or 40% of the total government portfolio.

At period-end, this component was more concentrated on the HTC portfolio (2.6 billion euros) than on the HTCS portfolio (1.0 billion euros), of which it accounted for over 72.7%. From a geographical standpoint, investments were primarily allocated on EU bonds, with a particular focus on the Iberian peninsula, France and Eastern countries.

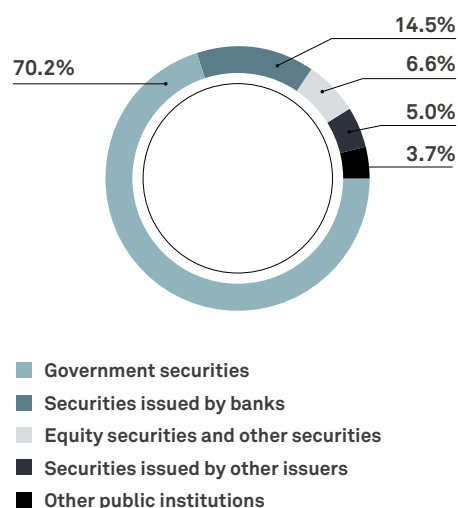
²¹ For further details on the restructuring transaction of a portfolio of senior bonds issued by some special purpose vehicles for healthcare receivable securitisation that Banca Generali acquired from its customers and concurrently transferred to the Forward Fund, by subscribing its units, reference should be made to the Annual Integrated Report 2021, specifically to Part E of the Notes and Comments to the Consolidated and Separate Financial Statements, and to section "One-off charges" in the Director's Report.

EXPOSURE TO THE SOVEREIGN RISK BY PORTFOLIO

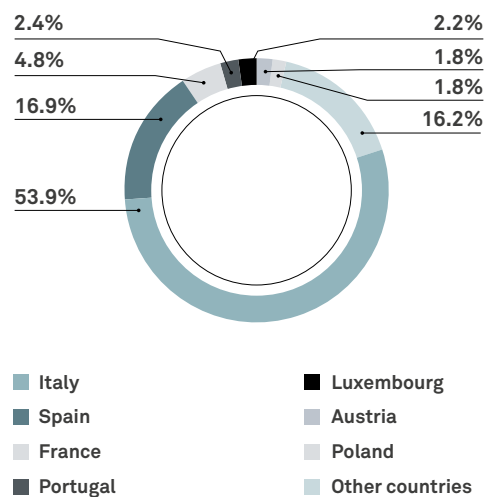
(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Financial assets measured at fair value through other comprehensive income	1,385,630	2,285,776	-900,146	-39.4%
Financial assets measured at amortised cost	7,753,892	6,515,504	1,238,388	19.0%
Total	9,139,522	8,801,280	338,242	3.8%
Total foreign government bonds	3,654,078	3,242,127	411,951	12.7%
Total Italian government bonds	5,485,444	5,559,153	-73,709	-1.3%

Accordingly, the overall geographical breakdown of the debt securities portfolio indicated a lower concentration of investments in Italian securities, which fell from 60.9% at the end of 2021 to 53.9%, against an increasing exposure to issuers of the Iberian peninsula, primarily represented by government bonds, which amounted to 19.3%.

BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO AT 30.09.2022



GEOGRAPHICAL BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO AT 30.09.2022

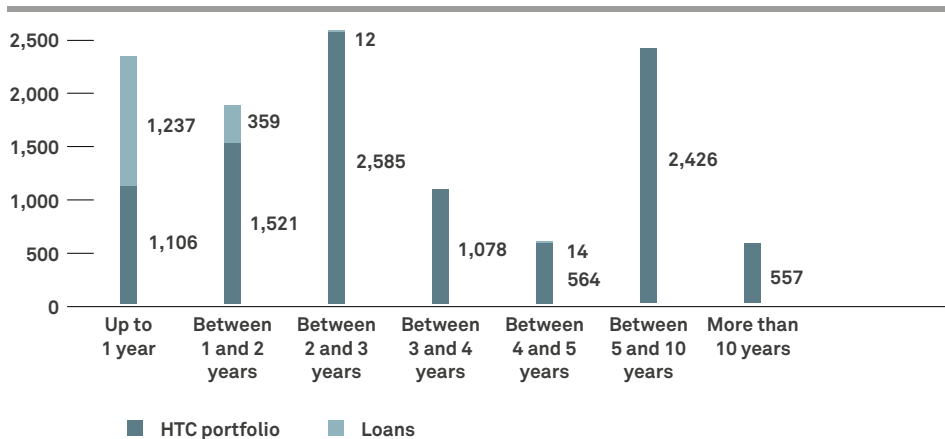


At the end of the first nine months of 2022, the share of financial assets with a maturity of more than 3 years was 40.4%, sharply down compared to the end of 2021 (46.4%).

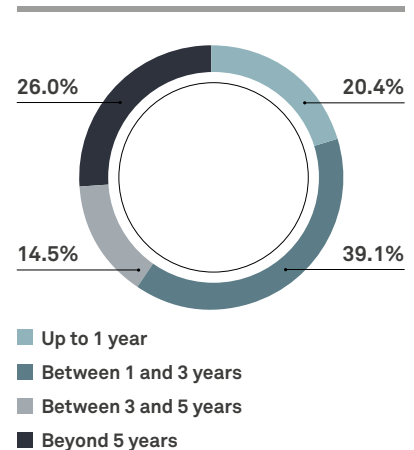
The portfolio of debt securities had an overall average residual life of about 3.9 years. In particular, the average maturity of the HTC portfolio was 4.7 years, whereas the average maturity of the HTCS portfolio declined to 0.7 years.

53.1% of the portfolio was made up of issues with variable-rate or inflation-linked coupons, including hedged securities, and 46.9% of fixed-rate issues with zero coupons.

BONDS PORTFOLIO MATURITY (€ million)



BREAKDOWN OF BONDS PORTFOLIO BY MATURITY AT 30.09.2022



Loans to customers neared **2,465 million euros**, rising by 49.8 million euros compared to year-end 2021 (+2.1%), mainly due to new Lombard loans granted, fully secured by pledges on financial instruments, which rose by **156 million euros** in the quarter, bringing the total of this type of current account exposures of over **1,388 million euros**. This uptrend was partly offset by a decline in both transactions regarding mortgages and personal loans (-82 million euros) and, to a lower extent, in other current account exposures.

LOANS AND OPERATING LOANS AND OTHER LOANS

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Current accounts	1,698,405	1,567,177	131,228	8.4%
Mortgages and personal loans	760,935	843,271	-82,336	-9.8%
Other financing and loans not in current accounts	5,762	4,825	937	19.4%
Loans	2,465,102	2,415,273	49,829	2.1%
Operating loans to management companies	157,524	157,646	-122	-0.1%
Sums advanced to Financial Advisors	60,998	31,119	29,879	96.0%
Stock exchange interest-bearing daily margin	30,736	2,257	28,479	n.a.
Charges to be debited and other loans	13,506	21,816	-8,310	-38.1%
Operating loans and other loans	262,764	212,838	49,926	23.5%

Operating loans and other loans grew (+23.5%) as a result of the increase in margins paid in relation with derivative trading and advances to the sales network, which were impacted by the advances paid under the Framework Loyalty Program in July 2022.

Net **non-performing exposures** on loans to customers amounted to **33.9 million euros**, or **1.38%** of total loans 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 **15.6 million euros** and consisted for nearly 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 **1.8 million euros**, or around **0.07%** of total loans to customers.

The portfolio of non-performing loans (loans to customers excluding operating loans and debt securities) rose by 2.1 million euros, mostly attributable to unlikely-to-pay positions (1.0 million euros) and, to a lower extent, to positions past due or expired (+0.8 million euros).

NON-PERFORMING EXPOSURES

(€ THOUSAND)	31.03.2022				31.12.2021				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	DELTA	CHANGE %
Gross exposure	28,856	8,675	9,810	47,341	28,650	6,751	8,451	43,852	3,489	8%
Adjustments	9,629	1,881	1,925	13,435	9,679	994	1,349	12,022	1,413	12%
Total net exposure	19,227	6,794	7,885	33,906	18,971	5,757	7,102	31,830	2,076	7%
Gross exposure	26,350	-	-	26,350	26,082	-	-	26,082	268	1%
Adjustments	8,068	-	-	8,068	8,067	-	-	8,067	1	0%
Exposure guaranteed by net indemnity	18,282	-	-	18,282	18,015	-	-	18,015	267	1%
Gross exposure	2,506	8,675	9,810	20,991	2,568	6,751	8,451	17,770	3,221	18%
Adjustments	1,561	1,881	1,925	5,367	1,612	994	1,349	3,955	1,412	36%
Exposure net of indemnity	945	6,794	7,885	15,624	956	5,757	7,102	13,815	1,809	13%
Net guaranteed exposure	707	6,395	6,737	13,839	921	5,518	6,034	12,473	1,366	11%
Net exposure not guaranteed	238	399	1,148	1,785	35	239	1,068	1,342	443	33%

At 30 September 2022, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of over 1,212 million euros, slightly down compared to a net exposure of 1,307 million euros at the end of the previous year, mainly due to the reduction in net exposure towards central banks (-214 million euros) and collateral deposits and margins (-101.6 million euros), partially offset by the increase in loans and funding repurchase agreements with banks (+193 million euros).

INTERBANK POSITION

(€ THOUSAND)			CHANGE	
	30.09.2022	31.12.2021	AMOUNT	%
1. Repayable on demand	1,376,776	1,593,647	-216,871	-13.6%
Demand and overnight deposits with ECB and Bank of Italy (*)	1,314,000	1,504,015	-190,015	-12.6%
Transfer accounts	62,776	89,632	-26,856	-30.0%
2. Time deposits	643,530	532,186	111,344	20.9%
Mandatory reserve	101,762	130,137	-28,375	-21.8%
Term deposits	18,651	31,646	-12,995	-41.1%
Repurchase agreements	428,932	199,805	229,127	114.7%
Collateral margins	94,185	170,598	-76,413	-44.8%
Total loans to banks	2,020,306	2,125,833	-105,527	-5.0%
1. Due to Central Banks	686,650	690,725	-4,075	-0.6%
TLTRO	686,650	690,725	-4,075	-0.6%
2. Due to banks	121,444	128,009	-6,565	-5.1%
Transfer accounts	41,448	96,022	-54,574	-56.8%
Repurchase agreements	47,614	11,752	35,862	n.a.
Collateral margins	13,985	670	13,315	n.a.
Other debts	18,397	19,565	-1,168	-6.0%
Total due to banks	808,094	818,734	-10,640	-1.3%
Net interbank position	1,212,212	1,307,099	-94,887	-7.3%

(*) Reclassified from Item 10 – Demand 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 as of the end of 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 in the reference period from 1 October 2020 to 31 December 2021 Banca Generali far exceeded the targets assigned, thus benefiting from the maximum interest rates to be applied up to 23 June 2022.

Following the decisions of the Governing Council of the ECB on 27 July, 8 September and 27 October 2022 changing the key ECB interest rates applicable to Eurosystem operations, the negative interest rate applicable to TLTROs subsequently increased to 0.50% and 1.25% as from the aforementioned reference dates and to 2% as of 2 November 2022. The Council also decided that interests accrued on these transactions as of 23 November will be calculated exclusively based on the average of the interest rates of reference in force as of the aforementioned date, therefore excluding from the average calculation the more favourable interest rates previously applied. Accordingly, banks were offered three additional periods for early repayment.

The rate applicable to overnight deposits, which was previously zero, rose to 0.75% in September and to 1.5% as of 2 November 2022.

5.3 Provisions

Special purpose provisions amounted to over 224 million euros overall, slightly decreasing compared to the previous year (-2.8%) and mainly referring to provisions for contractual indemnities to the sales network.

PROVISIONS

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Provision for termination indemnity	3,902	4,335	-433	-10.0%
Provisions for guarantees issued and commitments	49	43	6	14.0%
Provisions for pensions and similar obligations	961	2,974	-2,013	-67.7%
Other provisions for liabilities and contingencies	219,482	223,491	-4,009	-1.8%
Provisions for staff expenses	12,965	15,656	-2,691	-17.2%
Provision for the redundancy incentive plan	2,462	2,462	-	-
Provisions for legal disputes	16,971	16,067	904	5.6%
Provisions for contractual indemnities to the sales network	142,803	147,070	-4,267	-2.9%
Provisions for sales network incentives	29,284	31,270	-1,986	-6.4%
Provisions for tax and contributions/pension disputes	2,098	8,056	-5,958	-74.0%
Other provisions for liabilities and contingencies	12,899	2,910	9,989	n.a.
Total funds	224,394	230,843	-6,449	-2.8%

Contractual indemnities referred to:

- > provisions to cover Financial Advisor termination indemnities provided for under Article 1751 of the Italian Civil Code, assessed on an actuarial basis, in the amount of 75.5 million euros;
- > other indemnities relating to termination of the agency or management position (management development indemnity, portfolio development indemnity, retirement eligibility bonus) totalling 25.4 million euros;
- > the provision for the service of the annual cycles of the 2017-2026 Framework Loyalty Programme for the Sales Network, in the amount of 34.3 million euros;
- > the new three-year incentive provision amounting to 7.6 million euros.

It should be noted that the Bank decided to suspend the implementation of the above Loyalty Framework Programme, for which the sixth 2022-2026 cycle was therefore not activated. The provisions relating to the latter cycle refer to 50% of the accrued indemnity to be paid in cash, whereas the portion payable in Banca Generali shares has been accounted for pursuant to IFRS 2.

In July, a 34.2 million euro financial advance related to the bonuses to be paid in cash was also granted to the beneficiaries of the Loyalty Framework Programme drawing from the provision recognised and valued at 30 June 2022. This advance is subject to the same accrual conditions provided for by the Programme and beneficiaries will be definitively entitled to it in the first half of 2027.

The 4.3 million decrease in provisions for contractual indemnities for the sales network was due to the effect of the lower discount rates, which had an impact of approximately 18.9 million euros, that fully offset the growth of relevant basic fees.

Provisions for other liabilities and contingencies included a prudential allocation of 10 million euros to cover commercial activities aimed at restoring potential losses to customers resulting from investments made in products distributed by the Bank and to sustain customer loyalty.

Accruals to other provisions for liabilities and contingencies also included amounts allocated to account for tax disputes, totalling 2 million euros, to cover minor disputes that did not fall within the scope of the tax settlement, that are still pending and for which exchanges with the Italian Revenue Agency are underway²².

5.4 Net equity and regulatory aggregates

At 30 September 2022, the Banking Group's consolidated net equity, including net profit for the period, exceeded 1,016 million euros, net of the 2021 dividend payout resolved upon by the General Shareholders' Meeting on 21 April 2022 for a total amount of 227.9 million euros, which was partly already paid on 23 May 2022 and is to be partly paid in February 2023.

CONSOLIDATED NET EQUITY

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	53,759	55,866	-2,107	-3.8%
Reserves	721,191	624,033	97,158	15.6%
(Treasury shares)	-70,034	-64,822	-5,212	8.0%
Valuation reserves	-11,421	522	-11,943	n.a.
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the period	155,385	323,103	-167,718	-51.9%
Group net equity	1,015,732	1,105,554	-89,822	-8.1%
Net equity attributable to minority interests	501	313	188	60.1%
Consolidated net equity	1,016,233	1,105,867	-89,634	-8.1%

²² In this regard, reference should be made to the Annual Integrated Report 2021.

The decrease in net equity in the first nine months of 2022 was influenced by the aforementioned provision for 2021 dividend, as well as by the plan to buy-back treasury shares ended at the beginning of October; the negative performance of fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) and other reserves included in other comprehensive income, the change in reserves for share-based payments (IFRS 2), and consolidated net profit, as shown in the following table.

CHANGE IN NET EQUITY

(€ THOUSAND)	30.09.2022	31.12.2021
Net equity at period-start	1,105,867	1,184,504
Provisions for 2021 dividends	-227,861	-385,607
Purchase and sale of treasury shares	-14,280	-25,984
Change in IFRS 2 reserves	7,173	8,975
Change in OCI valuation reserves	-11,736	-3,539
Changes and dividends on AT1 equity instruments	-815	-1,631
Consolidated net profit	155,365	323,107
Minor dividends paid on treasury shares	3,537	6,057
Other effects	-1,017	-15
Net equity at period-end	1,016,233	1,105,867
Change	-89,634	-78,637

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net decrease of 14.2 million euros, due to the stronger volatility that impacted financial markets as a result of the inflation forecasts and the Ukraine crisis.

VALUATION RESERVES

(€ THOUSAND)	30.09.2022		31.12.2021		CHANGE
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	
Valuation reserves - HTCS debt securities	-	-12,355	-12,355	2,694	-15,049
Valuation reserves - OCI equity securities	-	-20	-20	-837	817
Exchange differences	909	-	909	340	569
Actuarial gains (losses) from defined benefit plans	45	-	45	-1,675	1,720
Total	954	-12,375	-11,421	522	-11,943

On 21 April 2022, the General Shareholders' Meeting also authorised the repurchase of a maximum of 897,500 treasury shares in service of remuneration plans for Key Personnel for 2022 and the new Long Term Incentive Plan for the three-year period 2022-2024.

The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 1 July 2022, was launched on 1 August 2022.

As part of the plan, up to 30 September 2022, a total of 534,500 treasury shares were repurchased for an overall value of 14,191 thousand euros in service of the Banking Group's Remuneration Policies.

The buy-back plan ended on 7 October 2022 with the completion of the acquisition of the remaining 363,000 shares, for a total value of 10,105 thousand euros, against which a commitment was recorded to repurchasing own funds of the same amount, also for prudential purposes.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 307,472 treasury shares, with a value of 8,979 thousand euros, of which 82,684 shares in service of the 2018 LTIP, were also allotted to the Group's employees and Financial Advisors falling within the Group's Key Personnel, as well as to network managers.

At 30 September 2022, the Parent Company, Banca Generali, thus held 2,446,497 treasury shares, with a value of 70,034 thousand euros, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

	NO. OF SHARES	VALUE	AVERAGE PRICE	AVERAGE NO. OF SHARES
Amount at period-start	2,219,469	64,822,379	29.21	2,219,469
Allotments	-307,472	-8,979,038	29.20	-168,056
Purchases	534,500	14,190,673	26.55	41,563
Amount at period-end	2,446,497	70,034,014	28.63	2,092,976
Purchases at 07.10.2022	363,000	10,105,103	27.84	-
	2,809,497	80,139,117	28.52	2,092,976

Consolidated own funds amounted to 770.4 million euros, up 11.4 million euros on the end of the previous year, mainly due to the inclusion of regulatory retained earnings (+32.7 million euros), partly offset by the effects of the plan for the buy-back of treasury shares (-24.3 million euros) and the decrease in OCI reserves (-11.9 million euros), net of other positive balance sheet and prudential effects (+15.0 million euros), as shown in the table below.

In accordance with the risk profile identified in the Risk Appetite Framework and overall capital adequacy, the 2022-2024 Dividend Policy calls for the distribution of a dividend composed as follows to mitigate the effects of the variability of non-recurring components:

- > a component calculated at between 70% and 80% of recurring consolidated result;
- > a component calculated at between 50% and 100% of non-recurring consolidated result.

At 30 September 2022, on the basis of the prudential provisions that require the upper extremes of the payout to be considered, just the 20% share of the consolidated recurring net profit for the period has therefore been included in own funds.

CHANGES IN OWN FUNDS

(€ THOUSAND)

Own funds at 31.12.2021	758,963
Estimated regulatory provisions for retained earnings	32,700
Repurchase commitments of CET1 instruments	-10,105
Purchase and sale of treasury shares	-14,280
Change in IFRS 2 reserves	7,173
Prior years' dividend not paid out	3,537
Change in OCI reserves on HTCS	-13,663
Change in IAS 19 OCI reserves	1,719
Change in goodwill and intangible assets (net of related DTLs)	5,266
DTAs through P&L not arising on temporary differences (tax losses)	-26
Negative prudential filters (prudent valuation - simplified method)	903
Changes and dividends on AT1 equity instruments	-815
Other effects (other reserves)	-1,018
Total changes in Tier 1 capital	11,391
Own funds at 30.09.2022	770,354
Change	11,391

Capital absorption rose by 17.9 million euros (+5.1%) due mainly to the expansion of exposures to regulated intermediaries and covered bonds (+11.8 million euros) and, to a lower extent, exposures to companies and retail exposures (+3.6 million euros).

At period-end, CET1 ratio reached 15.7%, compared to a minimum requirement of 8%, and Total Capital Ratio (TCR) stood at 16.8%, compared to the SREP minimum requirement of 12.30%²³.

OWN FUNDS AND CAPITAL RATIOS

(€ THOUSAND)	30.09.2022	31.12.2021	CHANGE	
			AMOUNT	%
Common Equity Tier 1 capital (CET1)	720,354	708,963	11,391	1.6%
Additional Tier 1 capital (AT1)	50,000	50,000	-	-
Tier 2 capital (T2)	-	-	-	n.a.
Total Own funds	770,354	758,963	11,391	1.5%
Credit and counterparty risk	281,504	263,618	17,886	6.8%
Market risk	15	26	-11	-41.7%
Operating risk	85,227	85,227	-	-
Total absorbed capital (Pillar I)	366,745	348,870	17,875	5.1%
Total SREP minimum requirements (Pillar II)	564,421	516,328	48,093	9.3%
Excess over SREP minimum requirements	205,933	242,635	-36,702	-15.1%
Risk-weighted assets	4,584,315	4,360,877	223,437	5.1%
CET1/Risk-weighted assets	15.7%	16.3%	-0.5%	-3.3%
Tier 1/Risk-weighted assets	16.8%	17.4%	-0.6%	-3.4%
Total own funds/Risk-weighted assets (Total Capital Ratio)	16.8%	17.4%	-0.6%	-3.4%

In this regard, it should be noted that the Company did not elect to apply the optional phase-in schemes introduced in Commission Delegated Regulation (EU) No. 2020/873, published in the OJEU on 26 June 2020, in relation to the Covid-19 emergency:

- > 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 2021 to be sterilised during the 2021-2024 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 Bank's liquidity ratios maintained excellent levels, with the Liquidity Coverage Ratio (LCR) at **363%** and Net Stable Funding Ratio (NSFR) at **215%**. The Bank's leverage ratio stood at **4.2%**.

²³ On 20 May 2022, upon conclusion of the SREP – Supervisory Review and Evaluation Process carried out annually by the competent Supervisory Authority, the Bank of Italy communicated to Banca Generali the following specific capital requirements to be applied to the Banking Group commencing with the reporting on Own Funds at 30 June 2022:

- a Common Equity Tier 1 (CET1) ratio of 8% (previously set at 7.75%), consisting of an Overall Capital Requirement (OCR) of 5.50% (of which 4.5% as minimum regulatory requirement and 1% as additional requirement following the SREP) and a capital conservation buffer for the remainder;
- a Tier 1 ratio (T1 ratio) of 9.85% (previously set at 9.51%), consisting of an Overall Capital Requirement (OCR) of 7.35% (of which 6% as minimum regulatory requirement and 1.35% as additional requirement following the SREP) and a capital conservation buffer for the remainder;
- a Total Capital Ratio (TCR) of 12.30% (previously set at 11.84%), consisting of an Overall Capital Requirement (OCR) of 9.80% (of which 8% as minimum regulatory requirement and 1.80% as additional requirement following the SREP) and a capital conservation buffer for the remainder.

The conservation capital buffer requirement envisaged in the ratios is equal to 2.5%.

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

(€ THOUSAND)	30.09.2022		
	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	764,941	173,878	938,819
Differences between net equity and book value of companies consolidated using the line-by-line method	64,690	-	64,690
- profit carried forward of consolidated companies	55,952	-	55,952
- goodwill	8,707	-	8,707
- other changes	31	-	31
Dividends from consolidated companies	-	119,841	119,841
Consolidated companies' result for the period	36,783	-137,783	-101,000
Net profit attributable to minority interests	520	-20	500
Result of associates valued at equity	-421	-229	-650
Valuation reserves - consolidated companies	3,050	-	3,050
Goodwill	-8,707	-	-8,707
Consolidation adjustments	-8	-302	-310
Net equity of the Banking Group	860,848	155,385	1,016,233

6. Performance of Group Companies

6.1 Performance of Banca Generali S.p.A.

Banca Generali closed the third quarter of 2022 with net profit of 173.9 million euros, down compared to 294.9 million euros reported at the end of the same period of the previous year, chiefly due to the lower contribution of dividends distributed both in advance and for the balance by the Luxembourg-based subsidiary BG Fund Management Luxembourg S.A., decreasing from 283.6 million euros to 137.8 million euros.

Reclassified net banking income²⁴, net of the dividends from the Banking Group's equity investments, rose by nearly 17.1 million euros (+5.7%) compared to the same period of the previous year. This increase was mainly attributable to the increase in net interest income (+22.5 million euros), offset by the decline in net financial income (-3.9 million euros).

Net fees amounted to about 205.6 million euros, down compared to the third quarter of 2021 (-1.5 million euros).

INCOME STATEMENT

(€ THOUSAND)	30.09.2022	30.09.2021	CHANGE	
			AMOUNT	%
Net interest income	88,173	65,714	22,459	34.2%
Net income (loss) from trading activities	19,797	23,737	-3,940	-16.6%
Dividends	138,909	284,606	-145,697	-51.2%
<i>of which: dividends from equity investments</i>	<i>137,783</i>	<i>283,550</i>	<i>-145,767</i>	<i>-51.4%</i>
Net financial income	246,879	374,057	-127,178	-34.0%
Fee income	542,474	542,695	-221	-
Fee expense	-336,895	-335,612	-1,283	0.4%
Net fees	205,579	207,083	-1,504	-0.7%
Net banking income	452,458	581,140	-128,682	-22.1%
Staff expenses	-72,687	-70,488	-2,199	3.1%
Other general and administrative expenses (net of duty recovery)	-76,089	-68,108	-7,981	11.7%
Net adjustments of property, equipment and intangible assets	-25,179	-24,507	-672	2.7%
Other operating expenses/income	10,216	5,695	4,521	79.4%
Net operating expenses	-163,739	-157,408	-6,331	4.0%
Operating result	288,719	423,732	-135,013	-31.9%
Net adjustments for non-performing loans	-7,472	-4,279	-3,193	74.6%
Net provisions	-11,008	-26,115	15,107	-57.8%
Other one-off charges	-	-80,000	80,000	-100.0%
Contributions and charges related to the banking system	-17,000	-14,517	-2,483	17.1%
Gains (losses) from the disposal of equity investments	526	-20	546	n.a.
Operating profit before taxation	253,765	298,801	-45,036	-15.1%
Income taxes for the period on operating activities	-44,557	-3,871	-40,686	n.a.
One-off charges related to the tax settlement	-35,330	-	-35,330	n.a.
Net profit	173,878	294,930	-121,052	-41.0%

²⁴ 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 12.4 million euros for 2022 and 11.8 million euros for 2021.

Net interest income amounted to 88.2 million euros, up 34.2% driven by the positive contribution of securities trading (+21.6 million euros; +49.0%). The net contribution of transactions with the ECB stood at 4.0 million euros (as imbalance between the TLTRO proceeds and the overnight deposits at positive interest rates, and the charges associated with demand deposits exceeding the mandatory reserve accrued in the first eight months of 2022).

Net fees stood at approximately 205.6 million euros at the end of the period, decreasing slightly compared to the third quarter of 2021 (-0.7%) as a result of the increase in fee expense (+1.3 million euros), with particular reference to fees for off-premises offer (+2.5 million euros), and a slight decline in fee income (-0.2 million euros). In detail, this latter aggregate reported a decrease in fees for the placement of securities and UCITS (-6.4 million euros), which was only partly offset by the growth in advisory fees (+3.0 million euros) and fees for discretionary mandates (+3.5 million euros).

Net operating expenses²⁵ amounted to approximately 163.7 million euros, up 4.0% compared to the same period of the previous year.

The cost/income ratio, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income and dividends, amounted to 44.0%.

Provisions, net adjustments and contributions and charges related to the banking system totalled 35.5 million euros, down 9.4 million euros compared to the same period of 2021, mainly due to lower provisions for risks (-15.1 million euros).

Operating profit before taxation thus amounted to 253.8 million euros, down by 15.1% compared to the same period of 2021.

Income taxes for the period, net of the one-off charges related to the tax settlement completed at the end of September, amounted to 44.6 million euros, up 27.5 million euros compared to the burden estimated at 30 September 2021, excluding the 13.1 million euro benefits arising from the realignment of the carrying and tax values of goodwill, trademarks and other intangible assets at the end of the first half 2021.

The Bank's overall tax rate was 17.6%, up compared to the third quarter of 2021 (5.6% gross of the tax benefits arising from the realignment) as a result of the lower incidence on profit of dividends from equity investments subject to reduced taxation.

Total AUM managed by the Group on behalf of its customers — which is the figure used for communications to Assoreti — amounted to 79.6 billion euros at 30 September 2022, down 6.0% compared to the previous year. Net inflows reached 4.0 billion euros, down by 25.7% compared to the figures recorded at the end of the same period of 2021.

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 Collection Investments²⁶) and the Sicav called BG Alternative, reserved for institutional investors.

In March 2020, the management company also acquired delegated management of the Luxembourg-based Sicav Nextam Partners Sicav, which currently only includes a single residual sub-fund.

²⁵ 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 61.5 million euros for 2022 and 51.3 million euros for 2021. 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.

²⁶ New company name of BG Selection Sicav, effective 22 April 2022.

BGFML ended the third quarter of 2022 with a net profit for the period of 123.3 million euros, down sharply compared to 260.6 million euros reported at the end of the same period of the previous year (-137.3 million euros).

The decline was mainly driven by performance fees, which fell by 178.7 million euros to 17.6 million euros, offset by an increase of 18.7 million euros in management fees.

Net banking income thus amounted to 148.2 million euros (-159.9 million euros compared to the same period of 2021). Operating expenses were 7.3 million euros (+1.6 million euros), of which 4.4 million euros consisted of staff expenses.

The company's net equity amounted to 81.4 million euros, net of a dividend payout of 137.8 million euros, as payment in advance for 2022 and total payment for 2021.

Overall, assets under management at 30 September 2022 amounted to 18,164 million euros, down 3,270 million euros compared to 21,434 million euros at 31 December 2021.

6.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the third quarter of 2022 with a slight net profit and net equity amounting to about 0.9 million euros.

Net banking income amounted to approximately 1.0 million euros and virtually covered operating expenses.

Assets under management totalled 1,365 million euros (1,394 million euros at 31 December 2021).

6.4 Performance of BG Valeur S.A.

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

The company ended the third quarter of 2022 with net profit of CHF 15.5 thousand (15.3 thousand euros), calculated based on local GAAP.

Revenues, generated mainly from asset management and advisory services, amounted to approximately CHF 6.7 million, whereas operating expenses totalled CHF 6.0 million (of which CHF 4.6 million staff expenses).

BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled CHF 3.0 million at 30 September 2022.

At 30 September 2022, total assets under management amounted to 842 million euros, down compared to 1,081 million euros at 31 December 2021.

6.5 Performance of BG Suisse S.A.

BG Suisse S.A., a joint-stock company under Swiss law based in Lugano, incorporated by Banca Generali on 8 October 2021 through an initial contribution of CHF 10 million with the aim of creating a new cross-border private service hub able to exploit the Swiss market's discontinuity due to the significant regulatory changes introduced to comply with the European regulations on financial services.

To this end, in January 2022, the company filed with the Swiss Financial Market Supervisory Authority (FINMA) an application to obtain the banking licence necessary to operate on the Swiss market, which should be issued at the beginning of the next year.

In the first nine months of 2022, the company — still in its start-up phase — continued its personnel recruitment activity and the development of its technological and operating infrastructure, instrumental to launching the banking activities. BG Suisse S.A. closed the third quarter with a net loss of approximately CHF 4.1 million (4.0 million euros), calculated based on local GAAP.

Operating expenses totalled CHF 4.0 million (of which CHF 2.8 million referring to staff expenses). BG Suisse S.A.'s net equity recognised in its statutory financial statements stood at CHF 3.7 million at 30 September 2022.

6.6 Nextam Partners SIM and Nextam Partners Ltd.

On 20 January 2022, after obtaining prior authorisation by the Bank of Italy, Banca Generali finalised the sale of an 80.1% interest in the share capital of Nextam Partners SIM S.p.A. to a new corporate structure led by the main key manager of the Nextam Group, for a consideration of 1,201 thousand euros.

The residual equity investment of 19.9% was recognised at 0.5 million euros and, in light of the relations between the two companies, classified as an equity investment in an associate.

Following the disposal, the settlement agreements signed in the previous year were executed with some of the previous shareholders of the Nextam Group with a view to identifying the amounts due to these shareholders in relation to the earn-outs provided for in the contract for the acquisition of Nextam Partners and to agreeing the termination of the employment relationship between Banca Generali and the main key manager of the acquired group²⁷, whereas the employment relationship with the other two Key Managers has been maintained.

Nextam Partners Ltd launched the member's voluntary liquidation procedure on 16 December 2020 and was thus fully inactive as of 2021.

At the end of September, the liquidation procedure was essentially concluded with the payment by the liquidators of a first tranche of the settlement balance of GBP 171 thousand, while just over GBP 8 thousand relating to the residual VAT credit has yet to be recognised, pending clearance from the local tax authorities (HMTC).

As soon as this obligation is fulfilled, the company will be permanently deleted from the local Companies' Register.

²⁷ At the date of disposal of the interest, a settlement amount of **2.2 million euros** was paid to the previous shareholders, compared to **3.4 million euros** initially established as earn-out upon acquisition of the Nextam Group. In this regard, it should be noted that at the end of the first half of 2021, Banca Generali had already adjusted the value of the liability recognised on the basis of the variable consideration set in the group acquisition contract in favour of the former owners, amounting to **1.2 million euros**, which has now been fully written-off. Furthermore, in June 2022, the Board of Directors of Banca Generali approved a settlement proposal to also define the residual sums payable as an earn-out to the other two Key Managers with whom the employment relationship continues. These agreements provide for writing-off a portion of the agreed variable consideration, for an amount of **1.6 million euros**, as a result of the failure to achieve the objectives set by the contract in terms of AUM growth and recognition of the residual amount of **0.7 million euros** by way of a settlement. At the end of the first half of 2022, the liability allocated against the variable consideration was therefore further reduced by 1.6 million euros and recognised among provisions for contingencies.

7. Basis of Preparation

The Interim Report for the first nine months of 2022 was prepared in accordance with the provisions set forth in Article 154-ter, paragraph 5, of Italian Legislative Decree No. 58/98.

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

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

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

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

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

The Interim Report provides:

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

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

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

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

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

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

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

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

7.1 Accounting Standards

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2021.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2022, 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 2022

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

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BUT NOT EFFECTIVE YET

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 17 – Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	2021/2036	23.11.2021	01.01.2023
Amendments to IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	2022/357	03.03.2022	01.01.2023
Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021)	2022/357	03.03.2022	01.01.2023
Amendments to IFRS 17 – Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)	2022/1491	09.09.2022	01.01.2023

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards. The standards and interpretations that entered into force in 2022 did not have a significant impact on the Group's balance sheet and profit and loss account.

Measurement

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

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

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

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

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

7.2 Consolidated companies and business combinations

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

COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
				INVESTOR	% OF OWNERSHIP INTEREST	
Banca Generali S.p.A.	Trieste	Trieste, Milan		Parent Company		
BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
BG Suisse S.A.	Lugano	Lugano	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 the General Shareholders' Meeting).

In the first nine months of 2022, the consolidation scope changed due to the deconsolidation of the following investments:

- > **Nextam Partners SIM:** as a result of the loss of control following the sale of 80.1% of the share capital to a group of investors including some of the former shareholders of the Nextam Group, which took place on 20 January 2022, the minority shareholding resulting from the transaction, equal to 19.9%, was valued at equity;
- > **Nextam Partners Ltd.,** a 100% UK subsidiary and inactive since the end of 2020 for which the liquidation procedure was substantially completed in September; in the consolidated financial statements, the equity investment was therefore maintained at cost for a value corresponding to the last tranche of the liquidation balance still to be received, amounting to approximately 8 thousand euros.

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 September 2022, properly reclassified and adjusted, where necessary, to take account of consolidation requirements. The most significant intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

The comparative financial position and financial performance as at and for the period ended 30 September 2021 also does not include the equity investment in the Swiss subsidiary BG Suisse, formed on 8 October 2021 and still in the start-up phase.

Overall, the aforementioned deconsolidation and the acquisition of BG Suisse did not materially impact the Banking Group's main operating aggregates. An analysis of their most significant impacts on specific items of the Profit and Loss Account is nonetheless provided in this Interim Report.

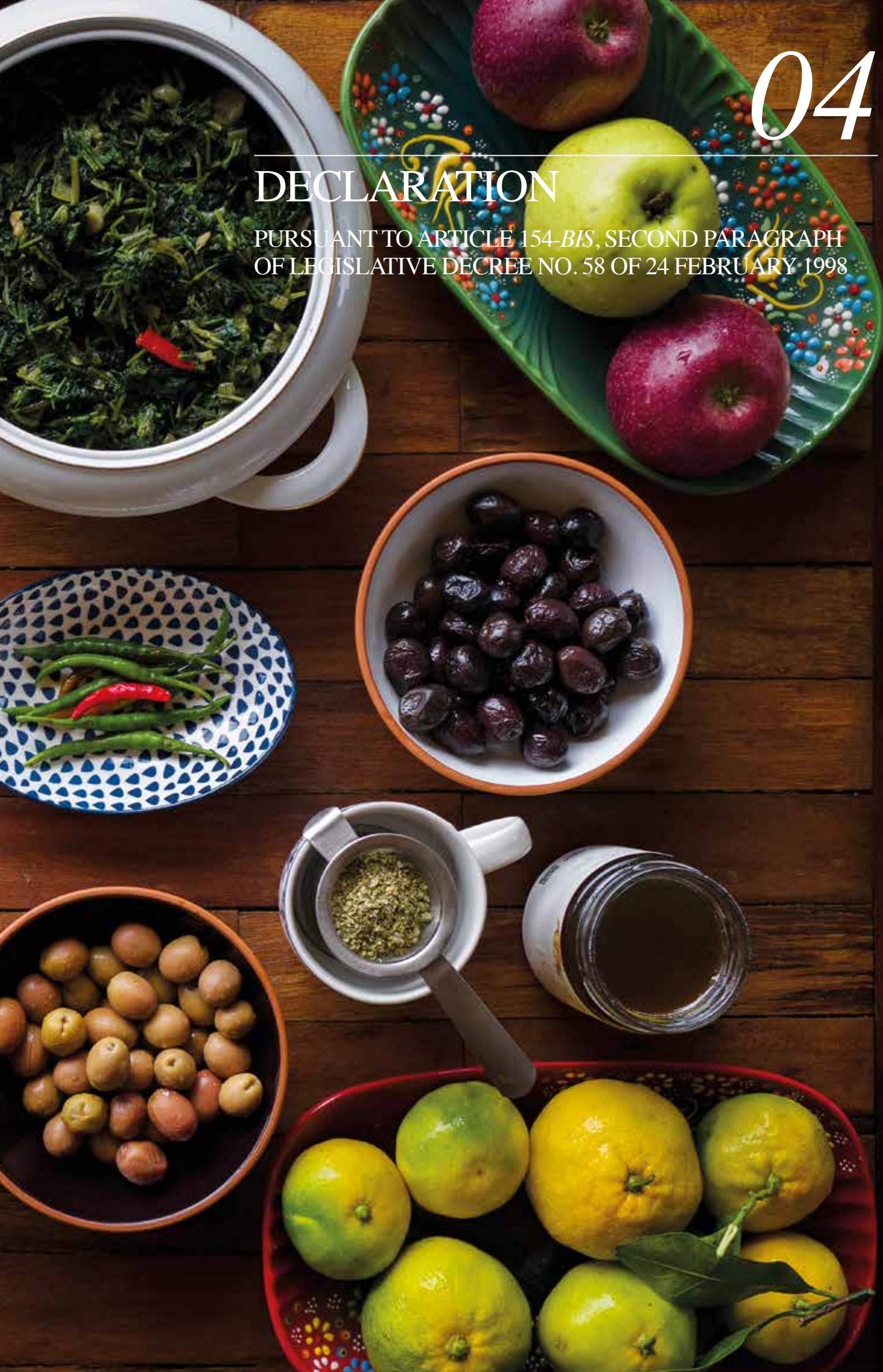
Trieste, 04 November 2022

The Board of Directors



DECLARATION

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



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

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

declares

that the Interim Report on Operations as of 30 September 2022 corresponds to document results, books and accounts records.

Trieste, 04 November 2022

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



Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste - Italy

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

Tax code and Trieste register
of companies: 00833240328
VAT number: 01333550323

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

Consultancy and coordination
Sege S.r.l. / zero3zero9 S.r.l.
Layout - t&t
Cover page photograph - Beverly Joubert
Internal photographs - Stefano Guindani



BANCA GENERALI S.P.A.

REGISTERED
OFFICE

Via Machiavelli 4
I - 34132 Trieste

MILAN HEAD
OFFICE

Piazza Tre Torri 1
I - 20145 Milan
T. +39 02 40826691

TRIESTE HEAD
OFFICE

Via Cavour 5/A
I - 34132 Trieste
T. +39 040 777 111

BANCAGENERALI.COM

