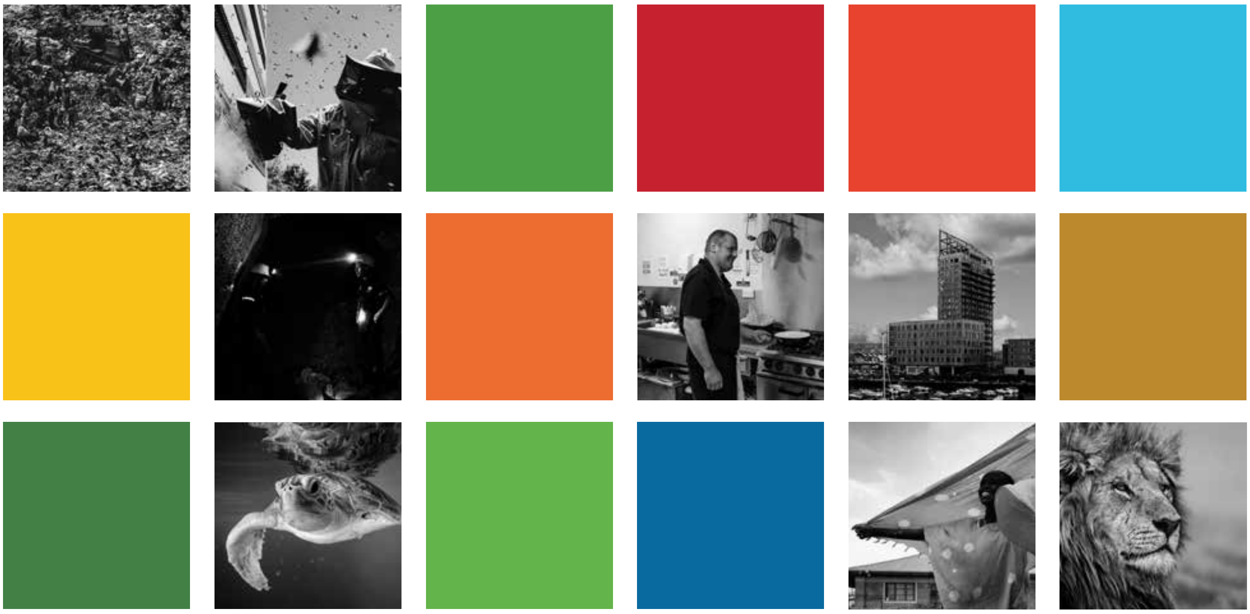


INTERIM REPORT

AT 31 MARCH 2023

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 31 March 2023

Board of Directors
11 May 2023

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

BANCA GENERALI

Banca Generali S.p.A.

Administration and control bodies

Board of Directors - 11 May 2023

Board of Directors	Antonio Cangeri	Chairman
	Gian Maria Mossa	Chief Executive Officer
	Azzurra Caltagirone	Directors
	Lorenzo Caprio	Directors
	Roberta Cocco	Directors
	Alfredo Maria De Falco	Directors
	Ilaria Romagnoli	Directors
	Cristina Rustignoli	Directors
	Vittorio Emanuele Terzi	Directors
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

Group Economic and Financial Highlights

GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

(€ MILLION)	31.03.2023	31.03.2022	CHANGE %
Net interest income	71.0	22.5	214.9
Net financial income	**74.9**	**27.2**	**175.8**
Net fees	118.3	133.6	-11.5
Net banking income	**193.2**	**160.8**	**20.1**
Net operating expenses [(a)]	**-63.7**	**-59.9**	**6.2**
of which: staff expenses	*-29.7*	*-28.7*	*3.4*
Operating result	**129.5**	**100.9**	**28.4**
Provisions and charges related to the banking system [(a)] and other one-off charges	-16.2	-10.9	49.1
Adjustments to non-performing loans	1.2	-2.1	-155.9
Profit before taxation	**114.4**	**88.3**	**29.6**
Net profit	**83.1**	**68.3**	**21.6**

PERFORMANCE INDICATORS

	31.03.2023	31.03.2022	CHANGE %
Cost/income ratio [(a)] [(b)]	33.0%	37.3%	-11.6
Operating Costs/Total Assets (AUM) – annualised [(c)]	0.30%	0.29%	2.8
EBTDA [(a)]	138.9	109.5	26.8
ROE [(d)]	29.9%	24.0%	24.4
ROA [(e)]	0.39%	0.33%	17.7
EPS - Earnings per share (euros)	0.72	0.60	21.3

NET INFLOWS

(€ MILLION) (ASSORETI DATA)	31.03.2023	31.03.2022	CHANGE %
Funds and Sicavs	226	213	6.1
Financial wrappers	156	218	-28.4
Insurance wrappers	-49	136	-136.0
Managed solutions	**333**	**567**	**-41.3**
Traditional insurance products	**-655**	**-24**	**n.a.**
AUC products and deposits	**1,846**	**917**	**101.3**
Total	**1,524**	**1,460**	**4.4**

(a) For a greater understanding of operating performance, mandatory contributions (of both an ordinary and extraordinary nature) paid to the Italian Interbank Deposit Protection Fund, the European Single Resolution Fund and Italian National Resolution Fund have been reclassified from the 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 period-end exact AUM and AUM arising from new acquisitions, annualised.
(d) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the 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.

ASSET UNDER MANAGEMENT & CUSTODY

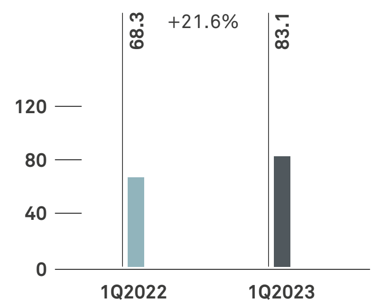
(€ MILLION)	31.03.2023	31.12.2022	CHANGE %
Funds and Sicavs [f]	21.3	20.6	3.3
Financial wrappers [f]	9.6	9.4	2.5
Insurance wrappers	10.2	10.1	0.7
Managed solutions	**41.2**	**40.1**	**2.7**
Traditional insurance products	**14.7**	**15.3**	**-4.2**
AUC products and deposits	**30.0**	**27.6**	**8.7**
Total [f]	**85.9**	**83.1**	**3.5**

NET EQUITY

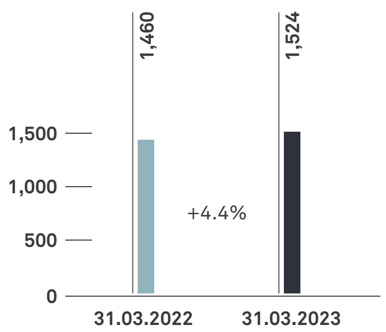
	31.03.2023	31.12.2022	CHANGE %
Net equity (€ million)	1,157.1	1,068.5	8.3
Own funds (€ million)	782.4	762.2	2.7
Excess capital (€ million)	217.5	199.5	9.0
Total Capital Ratio	17.1%	16.7%	2.2

(f) Total Assoreti's AUM were increased by AUM not included in Assoreti's scope.

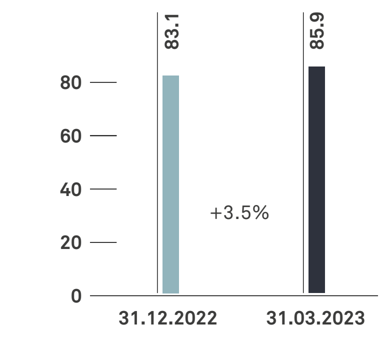
NET PROFIT
(€ million)



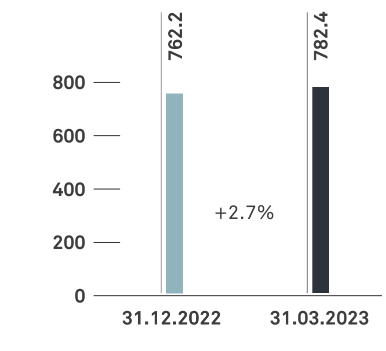
NET INFLOWS
(€ million)



ASSET UNDER MANAGEMENT
(€ billion)



OWN FUNDS
(€ million)



02

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	504,991	507,346	-2,355	-0.5%
Financial assets at fair value through other comprehensive income	1,020,267	1,120,101	-99,834	-8.9%
Financial assets measured at amortised cost:	14,341,714	14,478,596	-136,882	-0.9%
a) loans to banks (*)	3,239,432	3,284,113	-44,681	-1.4%
b) loans to customers	11,102,282	11,194,483	-92,201	-0.8%
Hedging derivatives	245,363	286,776	-41,413	-14.4%
Equity investments	3,008	3,091	-83	-2.7%
Property, equipment and intangible assets	294,089	295,279	-1,190	-0.4%
Tax receivables	86,040	72,266	13,774	19.1%
Other assets	508,377	503,394	4,983	1.0%
Total assets	**17,003,849**	**17,266,849**	**-263,000**	**-1.5%**

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

LIABILITIES AND NET EQUITY

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Financial liabilities measured at amortised cost	15,205,464	15,503,979	-298,515	-1.9%
a) due to banks	821,661	544,531	277,130	50.9%
b) due to customers	14,383,803	14,959,448	-575,645	-3.8%
Financial liabilities held for trading and hedging	134,378	123,604	10,774	8.7%
Tax liabilities	58,487	44,577	13,910	31.2%
Other liabilities	200,656	281,248	-80,592	-28.7%
Special purpose provisions	247,751	244,921	2,830	1.2%
Valuation reserves	-8,292	-9,972	1,680	-16.8%
Equity instruments	50,000	50,000	-	-
Reserves	941,473	724,536	216,937	29.9%
Share premium reserve	53,767	53,767	-	-
Share capital	116,852	116,852	-	-
Treasury shares (-)	-80,139	-80,139	-	-
Net equity attributable to minority interests	381	442	-61	-13.8%
Net profit (loss) for the period (+/-)	83,071	213,034	-129,963	-61.0%
Total liabilities and net equity	**17,003,849**	**17,266,849**	**-263,000**	**-1.5%**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Net interest income	70,952	22,535	48,417	214.9%
Net income (loss) from trading activities and dividends	3,956	4,623	-667	-14.4%
Net financial income	**74,908**	**27,158**	**47,750**	**175.8%**
Recurring fee income	238,113	244,616	-6,503	-2.7%
Fee expense	-124,856	-124,647	-209	0.2%
Net recurring fees	**113,257**	**119,969**	**-6,712**	**-5.6%**
Variable fee income	5,007	13,660	-8,653	-63.3%
Net fees	**118,264**	**133,629**	**-15,365**	**-11.5%**
Net banking income	**193,172**	**160,787**	**32,385**	**20.1%**
Staff expenses	-29,713	-28,744	-969	3.4%
Other general and administrative expenses (net of duty recoveries)	-26,100	-23,492	-2,608	11.1%
Net adjustments of property, equipment and intangible assets	-9,400	-8,683	-717	8.3%
Other operating expenses/income	1,541	988	553	56.0%
Net operating expenses	**-63,672**	**-59,931**	**-3,741**	**6.2%**
Operating result	**129,500**	**100,856**	**28,644**	**28.4%**
Net adjustments to non-performing loans	1,155	-2,065	3,220	-155.9%
Net provisions for liabilities and contingencies	-10,229	-4,999	-5,230	104.6%
Contributions and charges related to the banking system	-6,000	-5,882	-118	2.0%
Gains (losses) from investments and equity investments	-3	374	-377	-100.8%
Operating profit before taxation	**114,423**	**88,284**	**26,139**	**29.6%**
Income taxes for the period	-31,389	-19,998	-11,391	57.0%
Net profit attributable to minority interests	-37	-13	-24	184.6%
Net profit	**83,071**	**68,299**	**14,772**	**21.6%**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Net profit	**83,034**	**68,286**	**14,748**	**21.6%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	61	107	-46	-43.0%
Financial assets measured at fair value through other comprehensive income	1,817	-6,946	8,763	-126.2%
Without transfer to Profit and Loss Account:				
Financial assets measured at fair value through other comprehensive income	-13	102	-115	-113.1%
Actuarial gains (losses) from defined benefit plans	-208	391	-599	-153.2%
Total other income, net of taxes	**1,657**	**-6,346**	**8,003**	**-126.1%**
Comprehensive income	**84,691**	**61,940**	**22,751**	**36.7%**
Consolidated comprehensive income attributable to minority interests	-61	88	-149	-169.6%
Consolidated comprehensive income attributable to the Group	**84,752**	**61,852**	**22,900**	**37.0%**




03

INTERIM REPORT

1. Summary of Operations for the First Three Months of 2023

The Banca Generali Group closed the first quarter of 2023 with **consolidated net profit at 83.1 million euros**, sharply up compared to the first quarter of 2022 (+21.6%), also thanks to the very swift and marked reversal of the interest rate trend launched by central banks in the fourth quarter of 2022 to stem the strong inflationary pressures that were peaking. This result was achieved in a context marked by gradually recovering stock markets compared to the lows of the previous year, albeit still impacted by strong volatility and macroeconomic and geopolitical uncertainties.

Within this scenario, **recurring net profit** reached **77 million euros**, rising by nearly 45% compared to the first quarter of the previous year, whereas non-recurring items stood at 6.1 million euros (-59.6%). Overall, recurring net profit accounted for 93% of net profit for the period, confirming a significant profitability improvement.

Despite the markets' strong volatility and the ensuing prudent approach to investments, **net inflows** reached **1.5 billion euros**, with a resilient performance of managed solutions (funds, financial and insurance wrappers), which totalled **333 million euros**. Among these, funds performed best (226 million euros YTD) supported by instruments functional to current dynamics, such as accumulation plans and switch solutions to seize the diversification opportunities arising from market inconsistencies.
However, most of the quarter's net inflows were concentrated on AUC solutions and deposits with **1,846 million euros** YTD, of which -874 million euros in current accounts.

At the end of the quarter, **Assets under Advisory (BGPA)** reached 7.8 billion euros (+10% compared to the previous year; +6% YTD), accounting for 8.5% of total assets.

Net banking income totalled **193.2 million euros** compared to 160.8 million euros for the first quarter of 2022. The significant increase was driven by the **net financial income** acceleration (74.9 million euros; +175.4%), with net recurring fees amounting to 113.3 million euros (-5.6%) and a lower contribution of variable fees (5.0 million euros; -63.3%) due to market volatility.

Despite the inflationary pressures, **operating expenses** amounted to 63.7 million euros (+6.2% on an annual basis), including 1.1 million euro one-off charges, thus confirming the Bank's operational efficiency. **Core**[1] **operating expenses** totalled **57.4 million euros**, up 5.9%, of which 1.5 million euros attributable to the start-up phase of BG Suisse, in line with the Plan's projections. The aggregate's increase was mainly attributable to higher IT and logistics costs.

Operating efficiency indicators remained at excellent levels: the ratio of **total costs to total assets** stood at 30bps, slightly increasing as a result of the dynamics of total assets due to the trend of the reference markets; the **cost/income ratio**, adjusted for non-recurring items, further improved to 33.2% compared to 40.4% for the same period of the previous year.

Provisions, contributions to banking funds and **net adjustments** amounted to **15.1 million euros**, up compared to **12.9** million euros for the first quarter of 2022, as a result of higher provisions for liabilities and contingencies (10.2 million euros compared to 5.0 million euros for the previous year), only partly offset by the reversals of adjustments to receivables due to the improvement of the portfolio risk profile.

Core loans stood at 15.9 billion euros, virtually unchanged compared to the end of 2022 (-1.5%).
The **banking book financial assets** stood at 11.8 billion euros (-0.9% compared to the end of 2022). Nearly 96% of the assets were invested in bonds with a duration of 1.2 years and 53% in floating-rate securities; this allowed to benefit from the sharp interest rate increase underway.

[1] Operating expenses, net of non-recurring items, amounting to 1.5 million euros (0.5 million euros in 2022), and of costs related to sales personnel amounting to 5.1 million euros (5.3 million euros in 2022).

Exposures composed of loans to customers stood at 2.5 billion euros (-1.7% compared to 2022). The interbank position, net of the bond component, declined to 0.5 billion euros, markedly decreasing compared to the previous year (-47.9%) as a result of the decline in deposits with the ECB and the increase in repurchase agreement transactions.

The solidity of the **capital position** continued to far exceed the requirements set by the Bank of Italy for the Bank 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 31 March 2023, CET1 ratio was 16.0% and Total Capital Ratio (TCR) was 17.1%, compared to SREP minimum requirements of 8.0% and 12.3%, respectively.

The Group's total **assets under management** (AUM) amounted to **85.9 billion euros** overall, including the around 1.0-billion-euro contribution from the assets managed by BG Valeur. In addition, managed assets also included 1.0 billion euros in AUC products and deposits of Generali Group companies and 3.9 billion euros in funds and Sicavs distributed directly by BGFML, for an overall total of **90.9 billion euros**.

2. Macroeconomic Context

Following the very complex year that international financial markets faced in 2022 at global level, registering double-digit losses for both equity and bond markets, in the first quarter of 2023 key stock markets reported positive results.

As regards the macroeconomic context, published inflation data remained high in the period, albeit lower than analysts' expectations (+8.5% in the Eurozone and +6% in the United States), with higher-than expected GDP growth compared to the previous months (2023: the USA at +1.6%, Euro Area at +1.2%, Asia at +4%). This led central banks to keep the restrictive monetary policy implemented since last year unchanged in the first months of the year. In particular, the Federal Reserve and the European Central Bank increased the cost of money by 50 bps and 100 bps, respectively.

In addition to inflation trends and, consequently, interest rate dynamics, the main source of volatility were the events related to the banking sector, with news firstly coming from the United States about the bankruptcy of some California-based banks linked to investments in the Silicon Valley, and then even more strikingly news on the UBS rescue of Credit Suisse. Following these events, at the microeconomic level, the banking sector suddenly went from being considered the best sector year-to-date — as it was positively influenced by the net interest margins of the banks that benefited from higher interest rates — to being classified as the worst due to the panic that arose over the stability of the banking system. In a market scenario that began to price in central banks' less restrictive monetary policies, a good performance was reported by growth sectors, such as technology, after last years' losses. In detail, Nasdaq recorded about +19% in euros in the period. In addition, despite the reopening of its economy, the Chinese market underperformed developed market stocks as a result of the numerous lockdowns undertaken.

At geographical level, Europe outperformed the average of developed markets (Euro Stoxx 50 at about +13% in the quarter): after being adversely impacted by the conflict in Ukraine, it was more favoured by investors in the early months of the year.

With regard to the bond market, despite the volatility observed — chiefly due to the Credit Suisse crisis, which ended with its acquisition by UBS for a consideration of about 3 billion of Swiss francs —, it was almost exclusively the spreads linked to AT1 subordinated bonds that were impacted due to the decision of the Swiss supervisory authority Finma to write down to zero the value of AT1 bonds. Bondholders were taken by surprise by this decision, which led to sharp declines in subordinated bonds of other credit institutions, despite their solid capitalisation levels.

In such a volatile phase, however, it should be emphasised that the bond asset class, both with reference to government bonds and investment-grade and high-yield corporate bonds, recorded positive absolute returns since the beginning of the year. This confirmed that bond yields are now able to withstand any period of stress in the markets. This recovery was made possible by the reduction in the interest rates of low-risk government bonds. German ten-year yields dropped from 2.6% at year-start to 2.30% at the end of March, whereas the US Treasury yields went from 3.8% to 3.4% in the same period. In the reporting quarter, the BTP-Bund spread fell from 215 bps to 180 bps.

Over the coming weeks, attention must be paid to the behaviour of the central banks, which are now about to near a peak in their interest rate hikes and are expected to adopt a more dovish approach than in the previous quarters.

With regards to currencies, after the sharp depreciation in 2022, the euro appreciated against the dollar by about 1.4%. This movement was chiefly due to the more aggressive stance of the European Central Bank compared to the FED in increasing benchmark rates.

In the first quarter of 2023, the general commodity index fell further, weighed down by growing fears of a future global cyclical downturn.

The weakness of the index was constant and continuous over the whole period, with only short and moderate rebounds.

The energy sector was particularly weak, as it is traditionally very sensitive to the dynamics of the global economic cycle, which also weighted down the industrial metals sector.

By contrast, the precious metals sector was positive, supported by the lower market rates in the period triggered by the above-mentioned expectations of a cyclical downturn.

Outlook

Over the coming weeks, it will be necessary to monitor the monetary policy decisions of Central Banks, which will have the difficult task of keeping inflation in check without causing a recession. In addition, it will be necessary to monitor any presence of further market stressors due both to external factors, such as the Russia-Ukraine war and its possible escalation, and to idiosyncratic cases such as what happened to Credit Suisse. The bond asset class will certainly prove more attractive compared to the past, as it currently offers interesting yields.

As regard equity markets, the greater-than-expected inflation decline in the United States represents the most encouraging sign that may be seen in view of the coming year. After years of a rapid rally of growth shares, followed by a recovery of the value segment, a combined approach of the two styles is recommendable for the coming months.

3. Banca Generali's Competitive Positioning

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

3.1 The asset management market

The Italian asset management industry closed the first three months of 2023 with net outflows of -0.2 billion euros, mainly due to the outflows from long-term flexible and balanced funds.

Assets under management amounted to 1,243 billion euros (net of assets invested in collective management solutions), of which 1,095 billion euros (88%) was invested in Italian and foreign funds and 149 billion euros in retail portfolio management solutions.

Long-term funds accounted for almost all open-ended funds (96% in March 2023). These funds included the following categories:

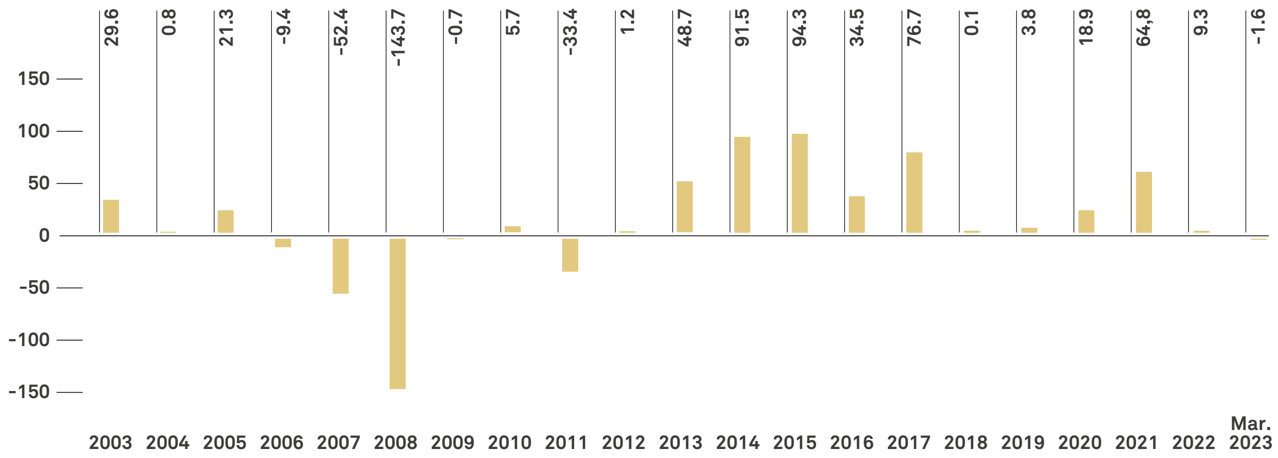
- bond funds (33.5% of total assets or 367.1 billion euros) with 3.2-billion-euro net inflows in the first three months of the year;
- equity funds (31.5% of total assets or 344.6 billion euros), with net inflows of approximately 3.7 billion euros;
- flexible funds (18.1% of total assets or 197.7 billion euros), with net outflows of -4.8 billion euros;
- balanced funds (12.9% of total assets or 141.1 billion euros), with year-to-date net outflows of -2.5 billion euros;
- hedge funds (0.1% of total assets or 1.4 billion euros), with year-to-date net inflows of -0.04 billion euros;
- money-market funds, with invested assets of 42.6 billion euros (3.9% of total invested assets). Year-to-date net outflows of this aggregate totalled -1.1 billion euros.

EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

	NET INFLOWS		ASSETS	
(€ MILLION)	MARCH 2023	MARCH 2022	MARCH 2023	MARCH 2022
Italian funds	749	-63	235,009	233,613
Foreign funds	-2,389	11,403	859,529	859,564
Total open-ended funds	**-1,640**	**11,340**	**1,094,538**	**1,093,177**
GP Retail	**1,460**	**3,738**	**148,879**	**147,546**
Total	**-180**	**15,078**	**1,243,417**	**1,240,723**

Source: Assogestioni data.

THE OPEN-ENDED (UCITS) MARKET IN ITALY (€ BILLION)



Source: Assogestioni data.

3.2 The Assoreti market

Net inflows amounted to +13.7 billion euros for the first three months of 2023, with a -0.2 billion euro decline (-1.1%) compared to the same period of the previous year.
Net inflows from assets under management stood at +2.5 billion euros, in line with the same period of the previous year. In this segment, mutual funds and Sicavs rose by +1.7 billion euros, whereas discretionary mandates increased by +0.7 billion euros.
Net inflows from insurance products declined by -156.9% compared to March 2022, reaching -1.8 billion euros (hybrid and unit-linked products represented the main component of overall net inflows from insurance products).
AUC and deposits rose to +13.1 billion euros, increasing by approximately +5.0 billion euros compared to the same period of the previous year (+62.4%). Net inflows from AUC and deposits included net outflows from money-market products for -3,106 billion euros and net inflows generated by securities for 16,205 billion euros.

NET INFLOWS - ASSORETI MARKET

	ASSORETI MARKET		
(€ MILLION)	MARCH 2023 YTD	MARCH 2022 YTD	CHANGE
Asset management	2,450	2,551	-101
Insurance products	-1,844	3,241	-5,085
AUC and deposits	13,099	8,066	5,032
Total	**13,705**	**13,859**	**-154**

Source: Assoreti.

3.3 Banca Generali

In the first quarter of 2023, Banca Generali's net inflows amounted to 1.5 billion euros (+4.4% compared to the same period of the previous year), as a result of the impact of market volatility on managed solutions (funds and insurance and financial wrappers), offset by a rise in AUC solutions and deposits (with an increase in securities deposits against a decline in current account deposits).

Managed solutions totalled +0.3 billion euros, accounting for 21.9% of total net inflows compared to 38.8% for the same period of 2022.

In the first quarter of 2023, funds and Sicavs were the main component of net inflows from managed products (+226 million euros; +6.1% compared to 2022), whereas in the previous year it had consisted of discretionary mandates (+218 million euros). Insurance wrappers (BG Stile Libero, Lux Protection Life, BG Oltre and BG Insieme Progetti di Vita) recorded -49 million euro net outflows overall (-136.0% compared to the first quarter of the previous year).

Net inflows from traditional life insurance products stood at -655 million euros (with net outflows sharply increasing compared to -24 million euros for the first quarter of 2022).

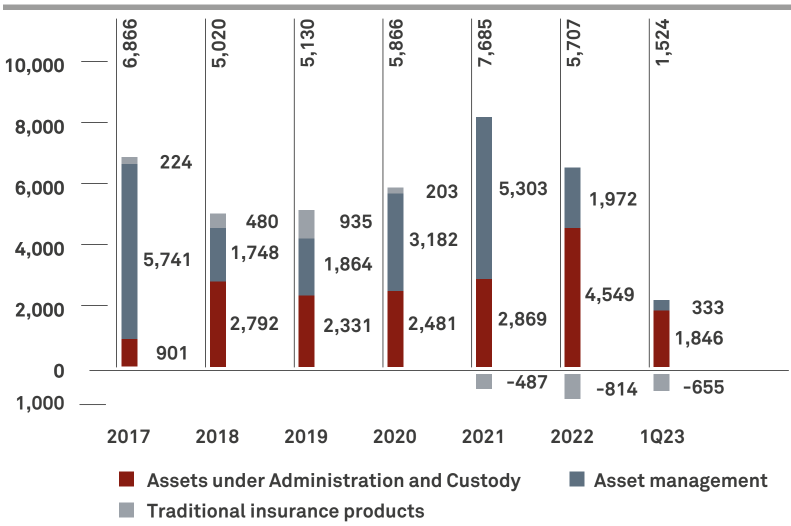
In the first quarter of 2023, net inflows from AUC and deposits amounted to a positive +1,846 million euros, increasing by +101.3% compared to 917 million euros for the same period of the previous year.

Assets under Advisory amounted to 7.8 billion euros at 31 March 2023 (7.1 billion euros at the end of March 2022).

BANCA GENERALI'S NET INFLOWS

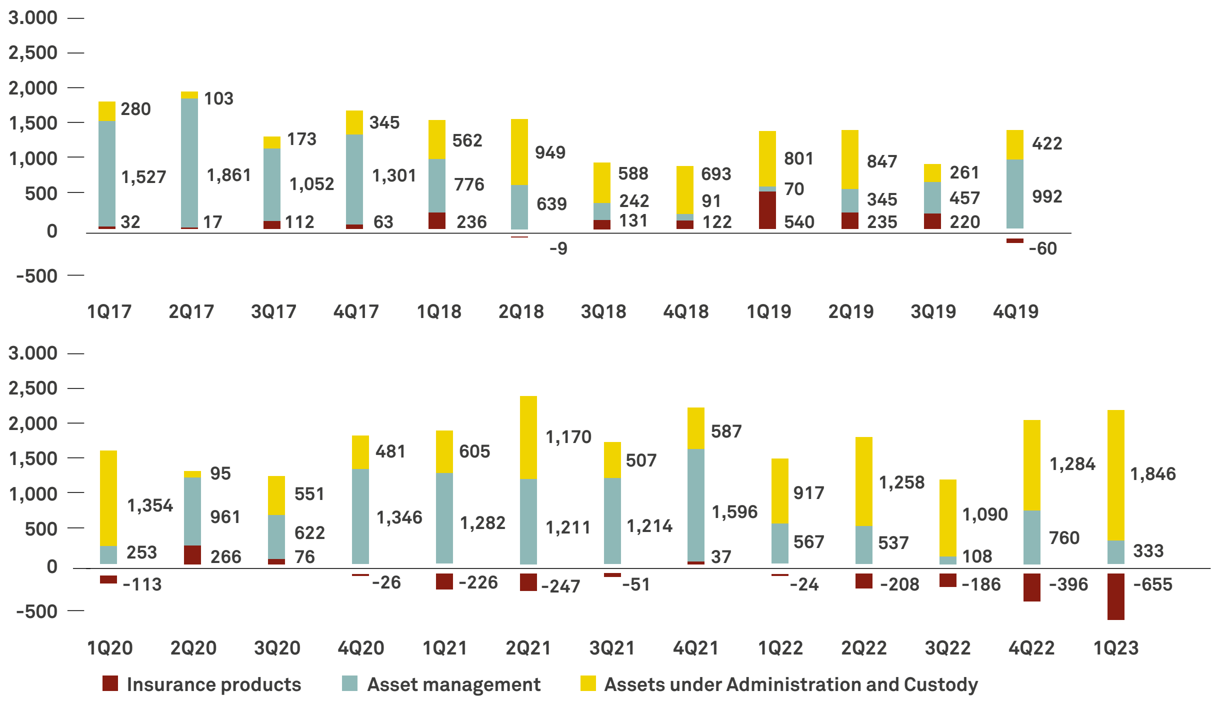
	BG GROUP		CHANGES VS 31.03.2022	
(€ MILLION)	31.03.2023	31.03.2022	AMOUNT	%
Funds and Sicavs	226	213	13	6.1%
Financial wrappers	156	218	-62	-28.4%
Insurance wrappers	-49	136	-185	-136.0%
Total assets under management	**333**	**567**	**-234**	**-41.3%**
Other life insurance policies	**-655**	**-24**	**-631**	**n.a.**
Total AUC and deposits	**1,846**	**917**	**929**	**101.3%**
Total net inflows from products placed by the network	**1,524**	**1.460**	**64**	**4.4%**

BREAKDOWN OF ANNUAL NET INFLOWS (€ MILLION)



The following chart shows how Banca Generali has consistently succeeded in attracting increasing levels of net inflows in recent years. As already mentioned above, in the first quarter of 2023, the uncertain market scenario led to an increase in the ratio of net inflows from AUC and deposits to total net inflows, accounting for 121.1% of the latter compared to 62.8% for the first quarter of 2022.

BREAKDOWN OF QUARTERLY NET INFLOWS (€ MILLION)



BANCA GENERALI'S AUM (TOTAL ASSORETI AUM)

	BG GROUP		CHANGES VS 31.03.2022	
(€ MILLION)	31.03.2023	31.12.2022	AMOUNT	%
Funds and Sicavs	21,169	20,510	659	3.2%
Financial wrappers	8,821	8,594	227	2.6%
Insurance wrappers	10,255	10,130	126	1.2%
Total assets under management	**40,245**	**39,234**	**1,011**	**2.6%**
Other life insurance policies	**14,719**	**15,340**	**-621**	**-4.0%**
Total AUC and deposits	**30,028**	**27,598**	**2,430**	**8.8%**
Total net inflows from products placed by the network	**84,992**	**82,171**	**2,821**	**3.4%**

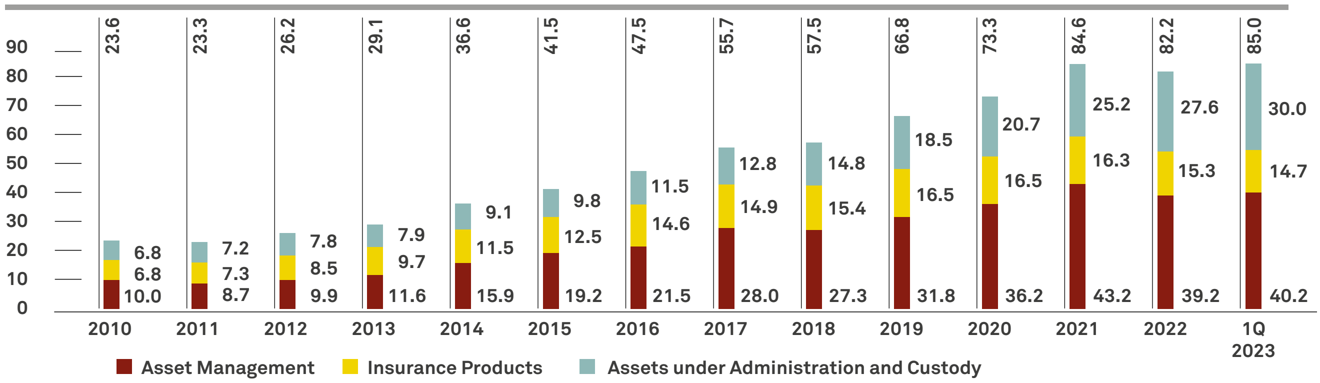
At 31 March 2023, Banca Generali's AUM (excluding BG Valeur) amounted to 85.0 billion euros (+3.4%), with managed solutions remaining the main component of the asset mix, with 47.4% of AUM invested in managed products (slightly down on 47.7% at 31 December 2022). The traditional life insurance policy component accounted for 17.3% of the total, slightly decreasing compared to 31 December 2022 (18.7%). The ratio of AUC and deposits on total assets grew, accounting for 35.3% compared to 33.6% in December 2022.

In detail, an increase was recorded in managed solutions (+2.6%) and AUC and deposits (+8.8%), whereas the traditional insurance component declined by -4.0%.

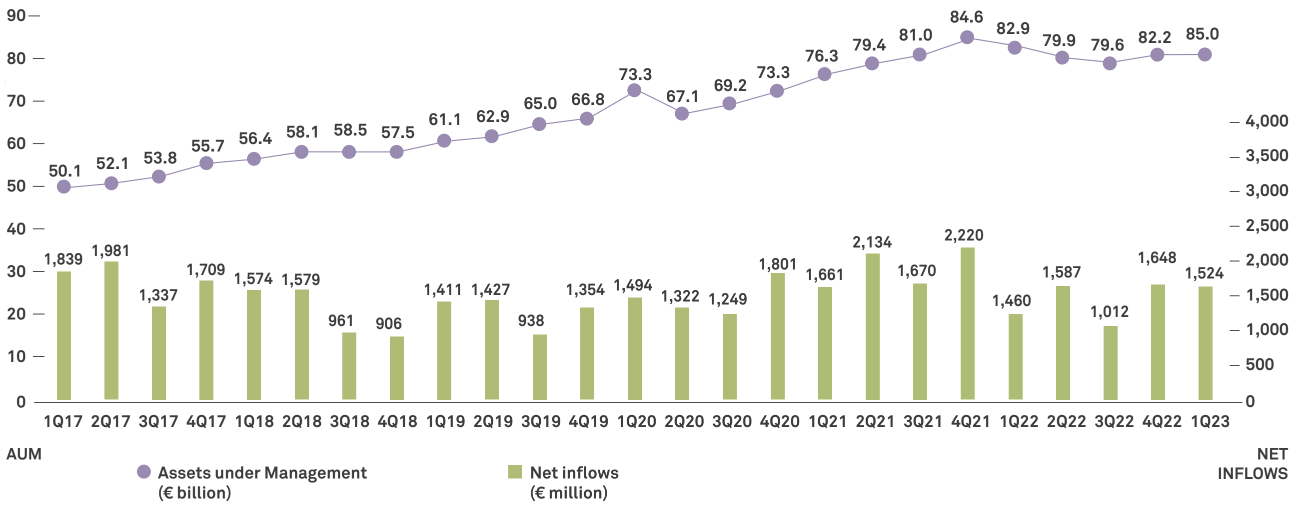
Banca Generali's total assets 2010-Q1 2023

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

ASSET UNDER MANAGEMENT (€ BILLION)



EVOLUTION OF AUM AND NET INFLOWS



Considering BG Valeur as well, at 31 March 2023, Banca Generali's AUM amounted to 86.0 billion euros (+3.5%), with managed solutions remaining the main component of its asset mix, with 47.4% of AUM invested in managed products (slightly down on 48.3% at 31 December 2022). The component including managed solutions, insurance products and AUC and deposits under advisory grew by 1.6%, accounting for 69.6% of total assets (compared to 70.9% in December 2022).

AUM BANCA GENERALI (ASSORETI PERIMETER)

	BG GROUP		CHANGES VS 31.12.2022	
(€ MILLION)	31.03.2023	31.12.2022	AMOUNT	%
Funds and Sicav	21,316	20,628	688	3.3%
Financial Wrappers	9,625	9,364	261	2.8%
Insurance Wrappers	10,255	10,130	126	1.2%
Total assets under management	**41,196**	**40,121**	**1,075**	**2.7%**
Other traditional life insurance policies	**14,719**	**15,340**	**-621**	**-4.0%**
Total AUC and deposits	**30,028**	**27,598**	**2,430**	**8.8%**
Total AUM (including Valeur)	**85,944**	**83,059**	**2,885**	**3.5%**
Total assets under management and insurance products (including AUC under Advisory)	**59,844**	**58,880**	**965**	**1.6%**

4. Operating Result[2]

The Banca Generali Group closed the first quarter of 2023 with **consolidated net profit at 83.1 million euros**, significantly increasing compared to the first quarter of 2022 (+21.6%), also thanks to the very swift and marked reversal of the interest rate trend launched by central banks in the fourth quarter of 2022 to stem the strong inflationary pressures that had arisen.

In this context, **recurring net profit** amounted to **77 million euros**, increasing by nearly 45% compared to the first quarter of the previous year, whereas non-recurring items stood at 6.1 million euros (-59.6%). Overall, recurring net profit accounted for 93% of net profit for the period, confirming a sharp profitability improvement.

			CHANGE	
(€ THOUSAND)	31.03.2023	31.03.2022	AMOUNT	%
Net interest income	70,952	22,535	48,417	214.9%
Net income (loss) from trading activities and dividends	3,956	4,623	-667	-14.4%
Net financial income	**74,908**	**27,158**	**47,750**	**175.8%**
Recurring fee income	238,113	244,616	-6,503	-2.7%
Fee expense	-124,856	-124,647	-209	0.2%
Net recurring fees	**113,257**	**119,969**	**-6,712**	**-5.6%**
Variable fee income	5,007	13,660	-8,653	-63.3%
Net fees	**118,264**	**133,629**	**-15,365**	**-11.5%**
Net banking income	**193,172**	**160,787**	**32,385**	**20.1%**
Staff expenses	-29,713	-28,744	-969	3.4%
Other general and administrative expenses (net of duty recoveries)	-26,100	-23,492	-2,608	11.1%
Net adjustments of property, equipment and intangible assets	-9,400	-8,683	-717	8.3%
Other operating expenses/income	1,541	988	553	56.0%
Net operating expenses	**-63,672**	**-59,931**	**-3,741**	**6.2%**
Operating result	**129,500**	**100,856**	**28,644**	**28.4%**
Net adjustments to non-performing loans	1,155	-2,065	3,220	-155.9%
Net provisions for liabilities and contingencies	-10,229	-4,999	-5,230	104.6%
Contributions and charges related to the banking system	-6,000	-5,882	-118	2.0%
Gains (losses) from investments equity investments	-3	374	-377	-100.8%
Operating profit before taxation	**114,423**	**88,284**	**26,139**	**29.6%**
Income taxes for the period	-31,389	-19,998	-11,391	57.0%
Net profit attributable to minority interests	-37	-13	-24	184.6%
Net profit	**83,071**	**68,299**	**14,772**	**21.6%**

[2] The following reclassifications have been made in the presentation of the reclassified Consolidated Profit and Loss Account in order to facilitate understanding of operating performance:
1) reclassification to the net fee aggregate of the provisions for incentives related to sales and recruitment plans; the net provisions aggregate was restated net of these items, amounting to 3.1 million euros in 2023 and 4.4 million euros in 2022;
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 20.2 million euros in 2023 and 20.5 million euros in 2022;
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.

Net banking income amounted to **193.2 million euros**, up 20.1% as a result of the following factors:

- the improvement of **net financial income** (47.7 million euros; +175.8%), which benefited both from the expansion of average interest-bearing assets and, to a larger extent, from 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);
- the slight decline in **gross recurring fees** (238.1 million euros; -2.7%), driven by:
  - a modest decrease in **management fee income** (199.8 million euros; -4.8%) attributable to the reduction in average assets managed compared to the first quarter of 2022;
  - the recovery of **other banking and entry fees** (38.3 million euros; +10.2%) thanks to the positive performance of bond placement, the rebound of customers' trading activities and the ongoing increase in advisory service inflows.

Despite the inflationary pressures, **operating expenses** amounted to 63.7 million euros (+6.2% on an annual basis), including 1.1 million euro one-off charges, thus confirming the Bank's operational efficiency. **Core**[3] **operating expenses** totalled **57.4 million euros**, up 5.9%, of which 1.5 million euros attributable to the start-up phase of BG Suisse, in line with the Plan's projections. The aggregate's increase was mainly attributable to higher IT and logistics costs.

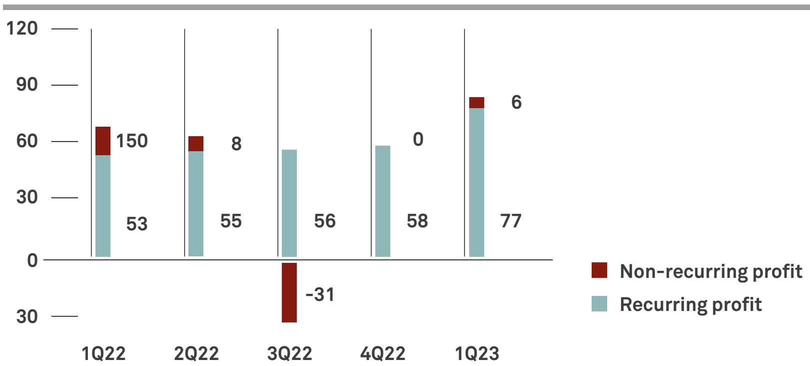
Operating efficiency indicators remained at excellent levels: the ratio of **total costs to total assets** stood at 30 bps, slightly increasing as a result of the dynamics of total assets due to the trend of the reference markets; the **cost/income ratio**, adjusted for non-recurring items, further improved to 33.2% compared to 40.4% for the same period of the previous year.

Provisions, contributions related to banking funds and **net adjustments** amounted to **15.1 million euros**, up compared to **12.9** million euros for the first quarter of 2022, as a result of higher provisions for liabilities and contingencies (10.2 million euros compared to 5.0 million euros for the previous year), only partly offset by the reversal of adjustments to receivables due to the improvement of the portfolio risk profile.

Operating profit before taxation was 114.4 million euros, up 26.1 million euros compared to the same period of the previous year (+29.6%).

The **tax burden** for the period was **31.4 million euros**, with an overall tax rate of 27.4%, sharply up compared to 22.7% for the same period of the previous year, mainly due to the lower contribution of the foreign entities to the Group's result.

QUARTERLY NET PROFIT (€ MILLION)



[3] Operating expenses, net of non-recurring items, amounting to 1.5 million euros (0.5 million euros in 2022), and of costs related to sales personnel amounting to 5.1 million euros (5.3 million euros in 2022).

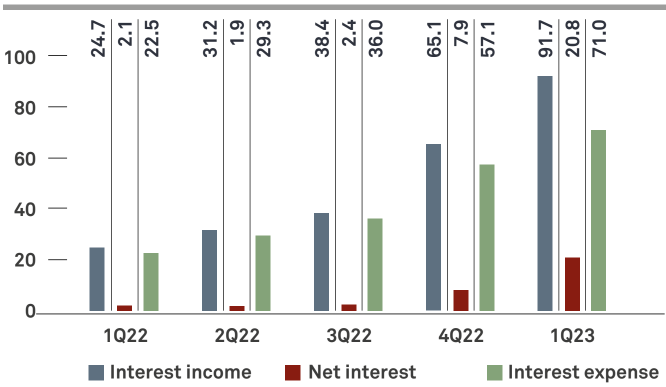
QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	1Q23	4Q22	3Q22	2Q22	1Q22
Net interest income	70,952	57,142	35,993	29,309	22,535
Net income (loss) from trading activities and dividends	3,956	2,486	5,186	11,035	4,623
Net financial income	**74,908**	**59,628**	**41,179**	**40,344**	**27,158**
Recurring fee income	238,113	232,688	229,397	233,988	244,616
Fee expense	-124,856	-123,866	-117,396	-122,564	-124,647
Net recurring fees	**113,257**	**108,822**	**112,001**	**111,424**	**119,969**
Variable fee income	5,007	1,740	2,022	1,894	13,660
Net fees	**118,264**	**110,562**	**114,023**	**113,318**	**133,629**
Net banking income	**193,172**	**170,190**	**155,202**	**153,662**	**160,787**
Staff expenses	-29,713	-29,651	-27,753	-28,641	-28,744
Other general and administrative expenses	-26,100	-36,277	-27,556	-29,251	-23,492
Net adjustments of property, equipment and intangible assets	-9,400	-10,038	-9,013	-8,934	-8,683
Other operating income/expenses	1,541	1,311	2,336	6,853	988
Net operating expenses	**-63,672**	**-74,655**	**-61,986**	**-59,973**	**-59,931**
Operating result	**129,500**	**95,535**	**93,216**	**93,689**	**100,856**
Net adjustments to non-performing loans	1,155	-862	-2,615	-2,792	-2,065
Net provisions	-10,229	-16,093	350	-6,359	-4,999
Contributions and charges related to the banking system	-6,000	-595	-11,118	-	-5,882
Gains (losses) from investments and equity investments	-3	6	-55	-432	374
Operating profit before taxation	**114,423**	**77,991**	**79,778**	**84,106**	**88,284**
Income taxes for the period	-31,389	-20,383	-20,372	-21,103	-19,998
One-off charges for tax settlement procedures	-	-	-35,330	-	-
Net profit attributable to minority interests	-37	-41	-5	-2	-13
Net profit	**83,071**	**57,649**	**24,081**	**63,005**	**68,299**

4.1 Net interest income

At the end of the first quarter of 2023, net interest income amounted to 70.9 million euros, up 48.4 million euros (+214.9%) compared to the same period of the previous year, driven by the steady increase in market interest rates, launched following the central banks' decisions in the fourth quarter of 2022 and still underway.

NET INTEREST (€ MILLION)



In particular, the debt securities portfolio showed a marked 311.6% rise in interests accrued (+48.0 million euros), mainly attributable to the very rapid increase in average yields obtained and, to a lower extent, to the expansion of loan volumes.

The average yield of the bond portfolio stood at around 225 bps in the reporting period, significantly up compared both to 59 bps for 2022 +70%) and to 100 bps for the full-year 2022.
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% of the total).

Within this context, interest on loans to customers, most of which are benchmarked on the Euribor, also rose sharply by 15.7 million euros (+249.4%), chiefly driven by the increase in the average loan rates, which went from by just above 105bps to over 350bps.

The marked reversal of the interbank interest rate trend also impacted exposures to banks (+6.4 million euros), due both to the new overnight deposits with the ECB started in September of the previous year (3.5 million euros) and income from repurchase agreement transactions.

The interest rate performance also drove the increase in the cost of net inflows, up from just above 2.1 million euros for the first quarter of 2022 to nearly 20.8 million euros, as a result of both the interest expense, benchmarked on Euribor, recognised on net inflows from customers' current account deposits (+9.5 million euros) and interest expense on repurchase agreement transactions with banks and customers (+10.1 million euros), which rose significantly compared to the first quarter of 2022.
At the end of the quarter, net inflows from repurchase agreements with customers, mainly composed of very short-term Treasury transactions with Cassa di Compensazione e Garanzia S.p.A., and with banks reached 2.5 billion euros, offsetting net outflows from customers' current account deposits due to the high return offered by investments in AUC and net outflows due to the end of TLTROs in the fourth quarter of 2022.

NET INTEREST INCOME

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Financial assets measured at fair value through profit or loss	22	29	-7	-24.1%
Financial assets measured at fair value through other comprehensive income (*)	2,745	-1,365	4,110	-301.1%
Financial assets measured at amortised cost (*)	60,584	16,726	43,858	262.2%
Total financial assets	**63,351**	**15,390**	**47,961**	**311.6%**
Loans to banks	6,413	11	6,402	n.a.
Loans to customers	21,971	6,288	15,683	249.4%
Other assets and negative interest expense on other liabilities	-	2,978	-2,978	-100.0%
Total interest income	**91,735**	**24,667**	**67,068**	**271.9%**
Due to banks	274	179	95	53.1%
Repurchase agreements – banks	3,741	-	3,741	n.a.
Due to customers	9,570	95	9,475	n.a.
Repurchase agreements – customers	6,356	-	6,356	n.a.
IFRS 16-related financial liabilities	842	788	54	6.9%
Other liabilities and negative interest income on other assets	-	1,070	-1,070	-100.0%
Total interest expense	**20,783**	**2,132**	**18,651**	**n.a.**
Net interest income	**70,952**	**22,535**	**48,417**	**214.9%**

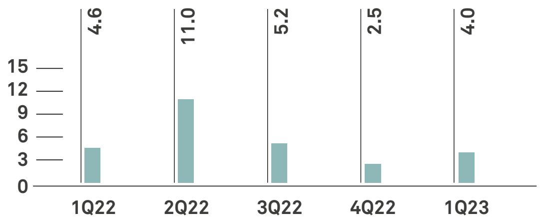
(*) Including hedging differentials.

The negative interest expense paid by counterparties on the Bank's funding operations and the negative interest income paid to counterparties on loans decreased to zero, compared to +3.0 million euros and -1.0 million euros, respectively, for the first quarter of 2022.

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 quarter of 2023, this aggregate was positive for 4.0 million euros, down 14.4% compared to the previous year.

NET RESULT OF FINANCIAL OPERATIONS

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Dividends and income on UCITS	**-**	**159**	**-159**	**-100.0%**
Trading of financial assets and equity derivatives	-41	-49	8	-16.3%
Trading of financial assets and derivatives on debt securities and interest rates	110	-25	135	n.a.
Trading of UCITS units	4	8	-4	-50.0%
Securities transactions	**73**	**-66**	**139**	**-210.6%**
Currency and currency derivative transactions	**143**	**787**	**-644**	**-81.8%**
Net income (loss) from trading activities	**216**	**721**	**-505**	**-70.0%**
Equity securities and UCITS	-263	-796	533	-67.0%
Debt securities	-34	36	-70	-194.4%
Financial Advisors' policies and other financial assets	1	37	-36	-97.3%
Net income (loss) of assets mandatorily measured at fair value through profit or loss	**-296**	**-723**	**427**	**-59.1%**
Net income (loss) from hedging	**1,130**	**-197**	**1,327**	**n.a.**
Debt securities	2,906	4,663	-1,757	-37.7%
Gains (losses) from disposal on HTC and HTCS debt securities	**2,906**	**4,663**	**-1,757**	**-37.7%**
Net result of financial operations	**3,956**	**4,623**	**-667**	**-14.4%**

Net income from **trading activities** amounted to 0.2 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 0.3 million euros, declining compared to the first quarter of 2022, which had been impacted by the fair value adjustment of the important investment in the Forward Fund.

The treasury management of debt securities allocated to the HTCS and HTC portfolios recorded **gains on disposals** for the period amounting to 2.9 million euros (-37.7%), mostly attributable to the turnover of the HTC portfolio.

Net income from hedging amounted to 1.1 million euros, attributable to the early unwinding of some asset swap transactions.

4.3 Fee income

Fee income totalled **243.1 million euros**, down compared to the first quarter of 2022 (-5.9%) due to the decline in both variable fees (-63.4%) — which however recovered sharply on the last quarters of 2022 — and in **recurring fees** (-2.7%).

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Underwriting fees	10,692	8,757	1,935	22.1%
Management fees	199,825	209,856	-10,031	-4.8%
Fees for other services	27,596	25,996	1,600	6.2%
Recurring fees	**238,113**	**244,609**	**-6,496**	**-2.7%**
Performance fees	5,007	13,667	-8,660	-63.4%
Total fee income	**243,120**	**258,276**	**-15,156**	**-5.9%**

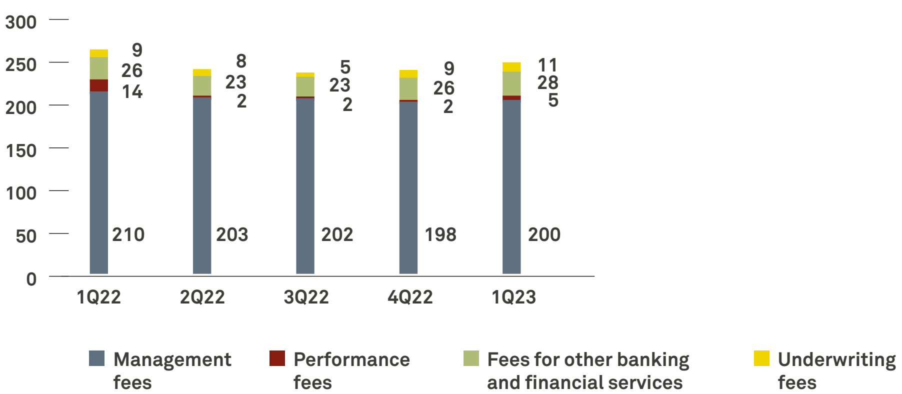
With regard to recurring fees, **performance fees declined moderately** (-4.8%), as a result of the reduction in average total assets managed compared to the first quarter of 2022 (-6.5%[4]), partly offset by the increase in their profitability.

Other **underwriting and banking fees** increased by 10.2% overall compared to 2022, owing both to the good performance of bond placements and the income generated by the trading activity and advisory services.

Underwriting fees (+22.1%) benefited from the good performance of bond placements, which offset the decline in income from the placement of UCITS (-19.9%), against an essentially stable **certificate** placement activity (+0.7%).

Fees for other services, of a banking and financial nature, grew by 6.2% thanks mainly to the income generated by investment advisory (+6.2%) and retail brokerage activities (+3.2%).

BREAKDOWN OF FEE INCOME (€ MILLION)



Fee income from the solicitation of investment and asset management of households reached 215.5 million euros and, net of the aforementioned non-recurring component, declined slightly compared to the previous year (-3.7%).

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

ASSET MANAGEMENT FEE INCOME

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
1. Collective portfolio management	84,807	99,944	-15,137	-15.1%
2. Individual portfolio management	25,360	23,630	1,730	7.3%
Fees for portfolio management	**110,167**	**123,574**	**-13,407**	**-10.8%**
1. Placement of UCITS	33,813	36,105	-2,292	-6.3%
- *of which: UCITS promoted by the Group*	*1,250*	*1,283*	*-33*	*-2.6%*
2. Placement of bonds and equity securities	8,643	6,201	2,442	39.4%
- *of which: certificates*	*5,777*	*5,739*	*38*	*0.7%*
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	292	252	40	15.9%
4. Distribution of third-party insurance products	62,450	65,993	-3,543	-5.4%
5. Distribution of other third-party financial products	159	155	4	2.6%
Fees for the placement and distribution of financial services	**105,357**	**108,706**	**-3,349**	**-3.1%**
Asset management fee income	**215,524**	**232,280**	**-16,756**	**-7.2%**

With regard to **Sicavs** promoted by the Banking Group, **management fees** — net of the effect of non-recurring performance components — decreased by 7.5% compared to 2022 due to the aforementioned decline in average AUM (-9.7%), partly offset by the new fee structure gradually introduced as of the second half of 2021 and consolidated in 2022 through the rebranding of BG Collection Investments Sicav.

However, within this context, the constant progress reported by the **Lux IM** Sicav continued, reaching 15.4 billion euro AUM at the end of the period (of which 7.0 billion euros relating to retail funds placed by the Financial Advisors' network). Worth of mention is also the relaunch of the other Sicav promoted by the Group, which changed its name in BG Collection Investments in April 2022 and was enhanced to feature new monobrand sub-funds, managed directly by renowned, highly specialised third-party partners (3.4 billion euros, of which 2.3 billion euros for retail funds).

The reduction in average AUM compared to the first quarter of 2022 also impacted fee income from **distribution of insurance products**, which declined by 5.4% against a 7.4% decrease in average AUM, and fees for the **placement of third-party UCITS** (-6.3%), which were weighted down by a 7.2% decline in average AUM and by a sharp decrease in underwriting fees (-28.1%).

In contrast with the above-mentioned aggregates, **individual portfolio management** grew by 7.3% in terms of income and by 3.2% in terms of AUM.

Fee income for other services, of a banking and financial nature, stood at 27.6 million euros, mainly thanks to the rise in advance advisory (+6.2%) and to trading fees and other fees.

FEE INCOME FOR OTHER SERVICES

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Fees for trading and custody	11,639	11,283	356	3.2%
Investment advisory fees	11,917	11,219	698	6.2%
- *of which: BG Advisory*	*9,661*	*9,048*	*613*	*6.8%*
- *of which: on AG Group's unit-linked policies*	*2,256*	*2,171*	*85*	*3.9%*
Fees for collection and payment services	1,145	1,092	53	4.9%
Fee income and account-keeping expenses	1,413	1,293	120	9.3%
Fees for other services	1,482	1,109	373	33.6%
Total fee income for other services	**27,596**	**25,996**	**1,600**	**6.2%**

With regard to investment advisory, fee income from BG Personal Advisory reached 9.7 million euros, up 6.8%, whereas other advisory services for the Insurance Group's unit-linked insurance policies stood at 2.3 million euros (+3.9%).
At the end of the period, **Assets under Advisory** recorded total AUM of **7.9 billion euros**, increasing by 10.1% compared to 7.1 billion euros at the end of the first quarter of 2022.

4.4 Fee expense

Fee expense, including fee provisions[5], amounted to 124.9 million euros, essentially stable compared to the first quarter of 2022 (+0.2%).

The Bank's ratio of total payout to total fee income (net of performance fees) was thus 51.3% compared to 51.0%[6] for the first quarter of 2022.

FEE EXPENSE

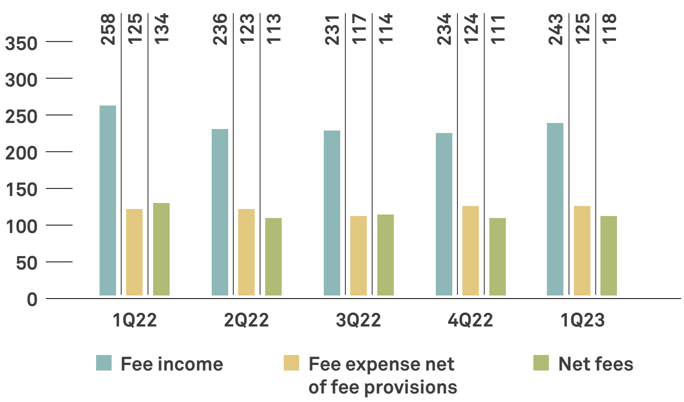
(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Ordinary payout	80,193	80,361	-168	-0.2%
Extraordinary payout	23,887	24,437	-550	-2.3%
Other network maintenance expenses	6,906	5,309	1,597	30.1%
Fee expense for off-premises offer	**110,986**	**110,107**	**879**	**0.8%**
Fees for portfolio management	9,133	9,589	-456	-4.8%
Other fee expense	4,737	4,951	-214	-4.3%
Total	**124,856**	**124,647**	**209**	**0.2%**

Fee expense for off-premises offer paid to the Financial Advisor network amounted to 111.0 million euros, virtually in line with 2022 (+0.8%), mainly as a result of the increase in other expenses incurred for the network (+1.6 million euros).

Fees for portfolio management stood at 9.1 million euros and mostly referred to administration and third-party management fees incurred by the Group's management company for the management of the Sicavs under administration.

Other **fee expense for other services, of both a banking and financial nature**, totalled 4.7 million euros, mainly including fee expense for custody and trading and fees for collection and payment services.

QUARTERLY NET FEES (€ MILLION)



[5] In order to ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentives related to sales and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 3.1 million euros for 2023 and 4.4 million euros for 2022.
[6] The numerator of the total payout ratio does not include fee expenses for 2.5 million euros, which, with effect from the fourth quarter of 2022, have been paid back to the sales network based on net interest income. At 31 March 2023, the incidence of these fees amounted to 3.5% of net interest income.

4.5 Operating expenses

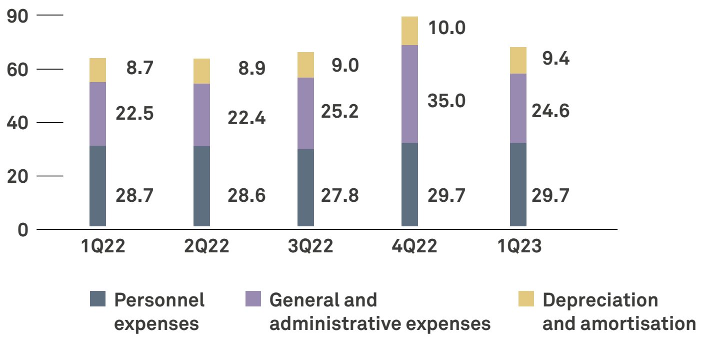
Despite the inflationary pressures, **operating expenses** amounted to 63.7 million euros (+6.2% on an annual basis), including 1.1 million euro one-off charges, thus confirming the Bank's operational efficiency. **Core[7] operating expenses** totalled **57.4 million euros**, up 5.9%, of which 1.5 million euros attributable to the start-up phase of BG Suisse, in line with the Plan's projections. The aggregate increase was mainly attributable to higher IT and logistics costs.

Operating efficiency indicators remained at excellent levels: the ratio of **total costs to total assets** stood at 30 bps, slightly increasing as a result of the dynamics of total assets due to the trend of the reference markets; the **cost/income ratio**, adjusted for non-recurring items, further improved to 33.2% compared to 40.4% for the same period of the previous year.

OPERATING EXPENSES

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Staff expenses	29,713	28,744	969	3.4%
General and administrative expenses and other net income	24,559	22,504	2,055	9.1%
Net adjustments of property, equipment and intangible assets	9,400	8,683	717	8.3%
Operating expenses	**63,672**	**59,931**	**3,741**	**6.2%**

OPERATING COST STRUCTURE (€ MILLION)



Within this aggregate, **staff expenses**, including employees, interim staff and directors, reached 29.7 million euros, up 1.0 million euros (+3.4%) as a result of the further organic growth of the Group's workforce (+0.8 million euros), partly offset by a lesser incidence of variable remuneration (-0.1 million euros).

STAFF EXPENSES

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
1) Employees	**29,271**	**28,328**	**943**	**3.3%**
Ordinary remuneration	21,713	20,886	827	4.0%
Variable remuneration and incentives	6,024	6,135	-111	-1.8%
Other employee benefits	1,534	1,307	227	17.4%
2) Other staff	**-55**	**-21**	**-34**	**161.9%**
3) Directors and Auditors	**497**	**437**	**60**	**13.7%**
Total	**29,713**	**28,744**	**969**	**3.4%**

[7] Operating expenses, net of non-recurring items, amounting to 1.5 million euros (0.5 million euros in 2022), and of costs related to sales personnel amounting to 5.1 million euros (5.3 million euros in 2022).

Group's employees totalled 1,043 at the end of the reporting quarter, 37 more compared to the same period of 2022 (+3.7%), in line with the increase by 36 in the quarterly average headcount.

EMPLOYEES

			CHANGE			WEIGHTED AVERAGE (*)	
	31.03.2023	31.03.2022	AMOUNT	%	31.12.2022	2023	2022
Managers	75	69	6	8.7%	73	74	68
Executives	357	340	17	5.0%	360	359	339
Other employees (*)	611	597	14	2.3%	589	576	566
Total	**1,043**	**1,006**	**37**	**3.7%**	**1,022**	**1,009**	**973**

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

Other general and administrative expenses and other net income amounted to 24.6 million euros, with a 2.1 million euro increase compared to the previous year attributable to the aforementioned non-recurring components (1.1 million euros), made up of legal and advisory expenses linked to the recent M&As, and for the remainder to higher costs for the IT infrastructure and logistics. Net of the non-recurring components, this aggregate grew slightly by 4.4%.

4.6 Net provisions

Net provisions not related to fees[8] totalled 10.2 million euros, up by 5.2 million euros compared to the same period of the previous year, mainly due to the increase in other provisions for liabilities and contingencies, only partly offset by the reversal of provisions to cover contractual commitments to the sales network and employees.

The increase in provisions for other liabilities and contingencies (+4.8 million euros) was essentially attributable to a prudential allocation of 4 million euros to cover commercial activities aimed at restoring customers' potential losses resulting from investments made in products distributed by the Bank and to sustain customer retention.

The increase in provisions for contractual indemnities to the sales network was mainly due to the 1.8 million euros allocated in service of the three-year incentive plan, launched only at the end of the first quarter of 2022 (+1.2 million euros).

Other provisions showed a net surplus of 1.2 million euros, virtually unchanged compared to 2022 as a result of the effect of the increase in the discount rates used to value actuarial funds[9].

NET PROVISIONS

			CHANGE	
(€ THOUSAND)	31.03.2023	31.03.2022	AMOUNT	%
Provision for staff liabilities and contingencies	455	1,161	-706	-60.8%
Provision for legal disputes	1,092	1,202	-110	-9.2%
Provision for contractual indemnities to the sales network	633	-631	1,264	-200.3%
Other provisions for liabilities and contingencies	8,031	3,267	4,764	145.8%
Guarantees and commitments	18	-	18	n.a.
Total	**10,229**	**4,999**	**5,230**	**104.6%**

8 Fee provisions, which amounted to 3.1 million euros (4.4 million euros in 2022), are recognised under the fee expense aggregate.

9 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 June 2022 – March 2023 (4.22%) compared to the previous measurement for the period March 2022 – December 2022 (3.76%) used for the valuation of actuarial funds at 31 December 2022. It should be noted that in the first quarter of 2022 the discount rate used, calculated for the period June 2021 – March 2022, had been 1.387%.

4.7 Adjustments

In the first quarter of 2023, **Net adjustments for non-performing loans** amounted to 1.2 million euros, increasing sharply by 3.2 million euros compared to the same period of the previous year.

NET ADJUSTMENTS TO NON-PERFORMING LOANS

(€ THOUSAND)	VALUE ADJUSTMENTS	REVERSALS	31.03.2023	31.03.2022	CHANGE
Specific adjustments/reversals	**-752**	**322**	**-430**	**-584**	**154**
Non-performing loans of the banking book	-557	305	-252	-371	119
Operating loans to customers	-195	17	-178	-213	35
Portfolio adjustments/reversals	**-**	**1,585**	**1,585**	**-1,481**	**3,066**
Performing debt securities	-	449	449	-1,421	1,870
Performing loans to customers and banks	-	1,136	1,136	-60	1,196
Total	**-752**	**1,907**	**1,155**	**-2,065**	**3,220**

Provisions for expected credit losses (ECLs) on the portfolio of debt securities reported net reversals for 0.4 million euros, improving by nearly 1.9 million euros compared to the first quarter of 2022, mainly as a result of the decrease in the risk profile of the portfolio of government and corporate securities.

Net provision for expected losses on performing loans to customers and banks (Stage 1 and Stage 2) reported net reversals for 1.1 million euros, attributable to the improvement of the macroeconomic forecasts included in the models used and the distribution of the rating classes.

Net specific adjustments totalled 0.4 million euros and referred primarily to new positions classified as bad debts (0.6 million euros) and past-due (0.2 million euros), partially offset by the net reversals of unlikely-to-pay positions (-0.5 million euros), and to the impairment or write-off of past advances to Financial Advisors and operating receivables for services rendered to customers (0.2 million euros).

4.8 Contributions and charges related to the banking system

In accordance with international accounting standards (IFRIC 21), and the Bank of Italy's technical standards, at 31 March 2023 **expenses related to the contributions to the Italian National Resolution (FRN) and Interbank Deposit Protection Funds (FITD)** included exclusively the ordinary contributions due to the Single Resolution Fund, for an estimated amount of 6.0 million euros.

4.9 Income taxes

Income taxes for the reporting period on a current and deferred basis were estimated at 31.4 million euros, up 11.4 million euros compared to estimated taxes at the end of the same period of 2022. The estimated total tax rate was 27.4%, up compared to the same period of the previous year (22.7%), mainly due to the lower contribution of the foreign entities to the Group's result.

INCOME TAXES

			CHANGE	
(€ THOUSAND)	31.03.2023	31.03.2022	AMOUNT	%
Current taxes for the period	-31,573	-20,789	-10,784	51.9%
Changes of prepaid taxation (+/-)	-133	174	-307	-176.4%
Changes of deferred taxation (+/-)	317	617	-300	-48.6%
Total	**-31,389**	**-19,998**	**-11,391**	**57.0%**

4.10 Earnings per Share

At the end of the first quarter of 2023, basic net earnings per share were 0.72 euros.

	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Consolidated net profit (€ thousand)	83,071	68,299	14,772	21.6%
Earnings attributable to ordinary shares (€ thousand)	83,071	68,299	14,772	21.6%
Average number of outstanding shares (thousand)	114,936	114,632	304	0.3%
EPS - Earnings per share (euros)	**0.72**	**0.60**	**0.13**	**21.3%**
Average number of outstanding shares with diluted share capital	114,936	114,632	304	0.3%
EPS - Diluted earnings per share (euros)	**0.72**	**0.60**	**0.13**	**21.3%**

4.11 Comprehensive income

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

At the end of the first quarter of 2023, the latter component provided a positive overall contribution of 1.8 million euros, against a net negative change of 6.9 million euros recorded at the end of the same period of the previous year.

In detail, HTCS debt securities portfolio valuation reserves increased by 1.8 million euros as a result of the following factors:

› an increase in net valuation capital gains totalling 2.3 million euros, net of 0.1 million euros referring to reversal of collective reserves;
› the reduction of pre-existing net negative reserves due to re-absorption through profit or loss upon realisation (0.4 million euros);
› a negative net tax effect associated with the above changes and mainly resulting from net decreases in DTAs (-0.9 million euros).

COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP

(€ THOUSAND)	31.03.2023	31.03.2022	CHANGE AMOUNT	CHANGE %
Net profit	**83,034**	**68,286**	**14,748**	**21.6%**
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	61	107	-46	-43.0%
Financial assets measured at fair value through other comprehensive income	1,817	-6,946	8,763	-126.2%
Without transfer to Profit and Loss Account:				
Financial assets measured at fair value through other comprehensive income	-13	102	-115	-113.1%
Actuarial gains (losses) from defined benefit plans	-208	391	-599	-153.2%
Total other income, net of taxes	**1,657**	**-6,346**	**8,003**	**-126.1%**
Comprehensive income	**84,691**	**61,940**	**22,751**	**36.7%**
Consolidated comprehensive income attributable to minority interests	-61	88	-149	-169.6%
Consolidated comprehensive income attributable to the Group	**84,752**	**61,852**	**22,900**	**37.0%**

5. Balance Sheet and Net Equity Aggregates

At the end of the first quarter of 2023, total consolidated assets amounted to 17.0 billion euros, decreasing by just under 0.3 billion euros (-1.5%) compared to the end of 2022.

Total net inflows reached 15.2 billion euros, down 0.3 billion euros overall, as a result of the decrease in customer's current account deposits (-687 million euros), partly offset by the interbank funding (+277 million euros).
Core loans thus totalled 15.9 billion euros, down 0.2 billion euros (-1.5%).

CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	504,991	507,346	-2,355	-0.5%
Financial assets at fair value through other comprehensive income	1,020,267	1,120,101	-99,834	-8.9%
Financial assets measured at amortised cost:	14,341,714	14,478,596	-136,882	-0.9%
a) loans to banks (*)	3,239,432	3,284,113	-44,681	-1.4%
b) loans to customers	11,102,282	11,194,483	-92,201	-0.8%
Hedging derivatives	245,363	286,776	-41,413	-14.4%
Equity investments	3,008	3,091	-83	-2.7%
Property, equipment and intangible assets	294,089	295,279	-1,190	-0.4%
Tax receivables	86,040	72,266	13,774	19.1%
Other assets	508,377	503,394	4,983	1.0%
Total assets	**17,003,849**	**17,266,849**	**-263,000**	**-1.5%**

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

LIABILITIES AND NET EQUITY (€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Financial liabilities measured at amortised cost:	15,205,464	15,503,979	-298,515	-1.9%
a) due to banks	821,661	544,531	277,130	50.9%
b) due to customers	14,383,803	14,959,448	-575,645	-3.8%
Financial liabilities held for trading and hedging	134,378	123,604	10,774	8.7%
Tax liabilities	58,487	44,577	13,910	31.2%
Other liabilities	200,656	281,248	-80,592	-28.7%
Special purpose provisions	247,751	244,921	2,830	1.2%
Valuation reserves	-8,292	-9,972	1,680	-16.8%
Equity instruments	50,000	50,000	-	-
Reserves	941,473	724,536	216,937	29.9%
Share premium reserve	53,767	53,767	-	-
Share capital	116,852	116,852	-	-
Treasury shares (-)	-80,139	-80,139	-	-
Net equity attributable to minority interests	381	442	-61	-13.8%
Net profit (loss) for the period (+/-)	83,071	213,034	-129,963	-61.0%
Total liabilities and net equity	**17,003,849**	**17,266,849**	**-263,000**	**-1.5%**

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	31.03.2023	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Financial assets at fair value through profit or loss	504,991	507,346	423,583	426,181	426,789	415,558
Financial assets at fair value through other comprehensive income	1,020,267	1,120,101	1,635,970	2,134,674	2,643,207	2,543,065
Financial assets measured at amortised cost:	14,341,714	14,478,596	14,596,770	14,160,038	13,127,518	12,447,258
a) loans to banks	3,239,432	3,284,113	3,560,506	3,408,299	2,916,354	2,811,785
b) loans to customers	11,102,282	11,194,483	11,036,264	10,751,739	10,211,164	9,635,473
Hedging derivatives	245,363	286,776	305,216	175,432	84,243	11,357
Equity investments	3,008	3,091	3,081	3,098	3,261	2,048
Property, equipment and intangible assets	294,089	295,279	283,319	287,441	288,470	295,184
Tax receivables	86,040	72,266	70,077	69,955	67,233	72,627
Other assets	508,377	503,394	440,433	428,493	374,910	401,819
HFS assets	-	-	-	-	-	2,694
Total assets	**17,003,849**	**17,266,849**	**17,758,449**	**17,685,312**	**17,015,631**	**16,191,610**

LIABILITIES AND NET EQUITY (€ THOUSAND)	31.03.2023	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
Financial liabilities measured at amortised cost:	15,205,464	15,503,979	16,004,867	15,612,346	15,120,875	14,412,354
a) due to banks	821,661	544,531	808,094	843,741	795,433	818,734
b) due to customers	14,383,803	14,959,448	15,196,773	14,768,605	14,325,442	13,593,620
Financial liabilities held for trading and hedging	134,378	123,604	103,144	158,499	222,931	171,871
Tax liabilities	58,487	44,577	43,788	37,427	31,830	28,320
Other liabilities	200,656	281,248	366,023	638,111	238,515	242,037
HFS liabilities	-	-	-	-	-	318
Special purpose provisions	247,751	244,921	224,394	234,222	231,984	230,843
Valuation reserves	-8,292	-9,972	-11,421	-10,215	-5,926	522
Equity instruments	50,000	50,000	50,000	50,000	50,000	50,000
Reserves	941,473	724,536	721,191	718,454	948,825	624,033
Share premium reserve	53,767	53,767	53,759	53,771	55,860	55,866
Share capital	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-80,139	-80,139	-70,034	-55,941	-64,816	-64,822
Net equity attributable to minority interests	381	442	501	482	402	313
Net profit (loss) for the period (+/-)	83,071	213,034	155,385	131,304	68,299	323,103
Total liabilities and net equity	**17,003,849**	**17,266,849**	**17,758,449**	**17,685,312**	**17,015,631**	**16,191,610**

5.1 Direct inflows from customers

Total direct inflows from customers amounted to 14.4 billion euros, with a decrease of 576 million euros (-3.8%) compared to 31 December 2022, chiefly attributable to the decline in customers' current accounts deposits due to reinvestments in AUC solutions, driven by interest rate increases.

In this regard, it should be noted that in the first quarter of the year, inflows from retail customers' current accounts within the Assoreti scope declined by 874 million euros, slightly up compared to the fourth quarter of 2022 (-848 million euros), whereas inflows from AUC solutions grew by over 2.7 billion euros.

The reduction was partly offset by the greater impact of repurchase agreement transactions (+122 million euros).
In detail, while the treasury repurchase transactions with very short maturities effected on the MTS Repo market, managed by Cassa di Compensazione e Garanzia, remained virtually stable at 1,353 million euros, new promotional transactions in repurchase agreements with customers were launched for 122 million euros.

Liabilities relating to daily variation margins received on the Eurex market also declined to 247 million euros, offset by the performance of the hedging derivative transactions.

DUE TO CUSTOMERS

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
1. Current accounts and demand deposits	12,285,570	12,972,643	-687,073	-5.3%
2. Financing	1,774,447	1,652,307	122,140	7.4%
Repurchase agreements with CC&G (MTS Repo)	1,353,502	1,320,571	32,931	2.5%
Repurchase agreements with customers	173,748	51,522	122,226	237.2%
Other (collateral margins)	247,197	280,214	-33,017	-11.8%
3. Other debts	323,786	334,498	-10,712	-3.2%
IFRS 16-related lease liabilities	155,839	153,656	2,183	1.4%
Operating debts to sales network	142,018	131,040	10,978	8.4%
Other debts (money orders, amounts at the disposal of customers)	25,929	49,802	-23,873	-47.9%
Total due to customers	**14,383,803**	**14,959,448**	**-575,645**	**-3.8%**

By contrast, captive inflows generated from the treasury management of the companies within the Assicurazioni Generali Group recorded net inflows of nearly 177 million euros, amounting to 553 million euros at the end of the period and accounting for 3.8% of total inflows.

INFLOWS FROM CUSTOMERS

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Inflows from Parent Company	219,652	74,677	144,975	194.1%
Inflows from other subsidiaries of the Generali Group	256,662	228,038	28,624	12.6%
IFRS 16-related lease financial liabilities	76,909	73,615	3,294	4.5%
Total inflows from Generali Group	553,223	376,330	176,893	47.0%
Inflows from other parties	13,830,580	14,583,118	-752,538	-5.2%
- *of which: current accounts*	*11,809,500*	*12,670,183*	*-860,683*	*-6.8%*
Total inflows from customers	**14,383,803**	**14,959,448**	**-575,645**	**-3.8%**

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 15.9 billion euros overall, with a net decrease of 239 million euros compared to 31 December 2022 (-1.5%).

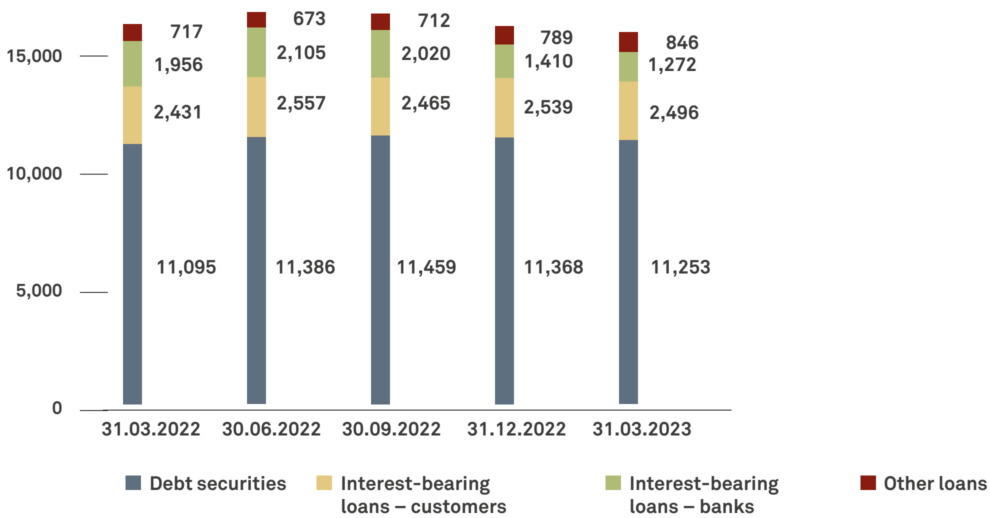
This performance was mainly driven by exposures to banks, which declined by 137 million euros (-9.7%), whereas a more modest decrease was reported by investments in the portfolio of financial assets (-109 million euros; 0.9%) and by loans to customers (-43 million euros; -1.7%).

INTEREST-BEARING FINANCIAL ASSETS AND LOANS

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Financial assets measured at fair value through profit or loss	504,991	507,346	-2,355	-0.5%
Financial assets measured at fair value through other comprehensive income	1,020,267	1,120,101	-99,834	-8.9%
Financial assets measured at amortised cost	10,255,155	10,261,614	-6,459	-0.1%
Financial assets	**11,780,413**	**11,889,061**	**-108,648**	**-0.9%**
Loans to and deposits with banks (*)	1,272,325	1,409,738	-137,413	-9.7%
Loans to customers	2,496,226	2,539,480	-43,254	-1.7%
Operating loans and other loans	318,008	267,764	50,244	18.8%
Total interest-bearing financial assets and loans	**15,866,972**	**16,106,043**	**-239,071**	**-1.5%**

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

QUARTERLY EVOLUTION OF LOANS (€ MILLION)



Overall, investments in financial instruments accounted for 74.2% of total core loans, slightly increasing compared to 73.8% at the end of 2022, and continued to focus on the portfolio of securities issued by governments and supranational and other public institutions, accounting for nearly three fourth of the total portfolio. This was supported by a careful diversification process regarding investments on bonds issued by credit institutions, particularly covered bonds.

FINANCIAL ASSETS

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Government securities	7,838,891	7,948,873	-109,982	-1.4%
Supranational and other public institutions	776,438	798,225	-21,787	-2.7%
Securities issued by banks	2,083,287	2,018,625	64,662	3.2%
Securities issued by other issuers	553,941	601,815	-47,874	-8.0%
Equity securities and other securities	527,856	521,523	6,333	1.2%
Total financial assets	**11,780,413**	**11,889,061**	**-108,648**	**-0.9%**

The residual component of equity securities, UCITS and other similar securities chiefly referred to the investment, for a total of 478.5 million euros, of the units of the Forward Fund, an Italian fund (AIF) managed by Gardant SGR and specialised in illiquid investments[10].

The held-to-collect (HTC) portfolio, driven by financial assets measured at amortised cost and held for long-term investment purposes, amounted to over 10.3 billion euros at the end of the quarter, accounting for 87.0% of total financial asset, essentially in line with the end of the previous year (-0.1%).
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 slightly by 0.1 billion euros (-8.9%) to 1.0 billion euros.

In the reporting period, the Bank continued to operate in asset swap derivatives, trading interest rate swaps to hedge debt securities, mostly Italian and foreign fixed-rate and index-linked government bonds allocated to the HTCS and HTC portfolios.
For each hedging derivative, a specific highly effective fair value hedging relationship is formed.
At the end of the first quarter of 2023, the notional amounts of the hedging derivatives outstanding amounted to 3,921 million euros, of which 115 million euros relating to the HTCS portfolio. The asset swap portfolio had a net balance of 3,953 million euros overall, in line with its fair value.

The overall portfolio remained focused on sovereign and supranational debt, which however declined slightly at the end of the quarter by 131 million euros, accounting for 73.1% of total investments in financial instruments.
The portion of the portfolio invested in Italian government bonds grew slightly to 5.6 billion euros (+0.8%), with a ratio to total volumes virtually unchanged at 64.5% compared to the previous year. Foreign sovereign debt amounted to 3.0 billion euros, which a more marked change (-178 million euros; -5.5%) and accounting for 35% of the total government portfolio.
At period-end, this component was more concentrated on the HTC portfolio (2.5 billion euros) than on the HTCS portfolio (0.5 billion euros), of which it accounted for over 54%. From a geographical standpoint, investments were primarily allocated on EU issues, with a particular focus on the Iberian Peninsula, France and central-eastern European countries.

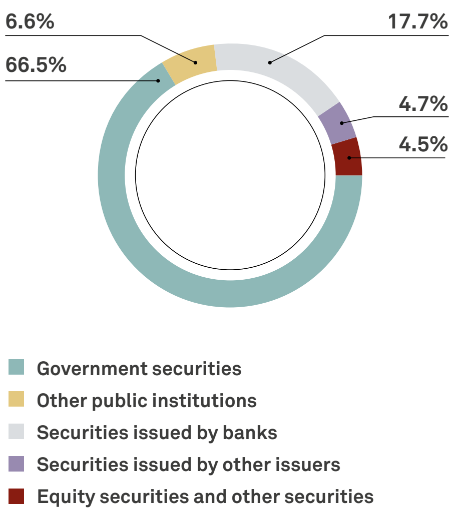
EXPOSURE TO THE SOVEREIGN RISK BY PORTFOLIO

			CHANGE	
(€ THOUSAND)	31.03.2023	31.12.2022	AMOUNT	%
Exposure to the sovereign risk by portfolio:				
Financial assets measured at fair value through other comprehensive income	842,284	906,753	-64,469	-7.1%
Financial assets measured at amortised cost	7,773,045	7,840,345	-67,300	-0.9%
Total	**8,615,329**	**8,747,098**	**-131,769**	**-1.5%**
Total foreign government bonds	**3,057,624**	**3,235,190**	**-177,566**	**-5.5%**
Total Italian government bonds	**5,557,705**	**5,511,908**	**45,797**	**0.8%**

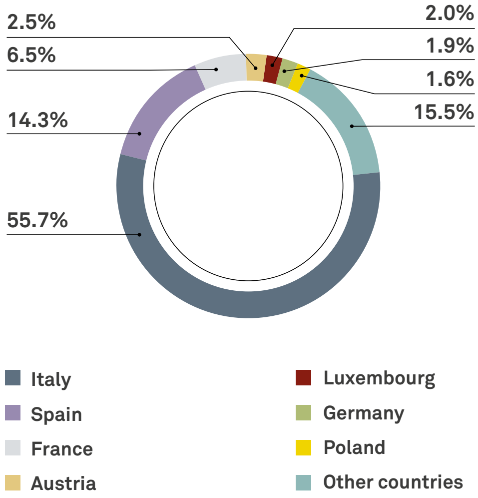
The overall geographical breakdown of the debt securities portfolio therefore indicated a greater concentration of investments in Italian securities, which rose from 54.6% at the end of 2022 to 55.7%, followed by the exposure to issuers of the Iberian Peninsula, primarily represented by government bonds, which amounted to 14.3%.

[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, and to section “One-off charges” in the Director’s Report.

BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO AT 31.03.2023



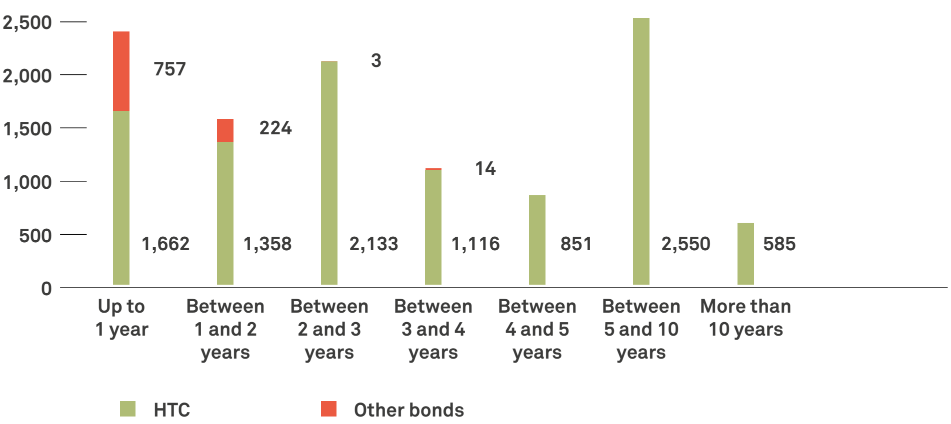
GEOGRAPHICAL BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO AT 31.03.2023



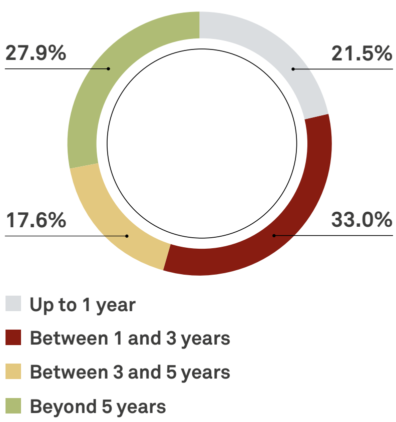
At the end of the first quarter of 2023, the share of financial assets with a maturity of more than 3 years was 45.5%, slightly up compared to the end of 2022 (44.2%).
The portfolio of debt securities had an overall average residual life of about 4.0 years. In particular, the average maturity of the HTC portfolio was 4.5 years, whereas the average maturity of the HTCS portfolio declined to 0.6 years.

53.0% of the portfolio was made up of issues with variable-rate or inflation-linked coupons, including hedged securities, and 47.0% of fixed-rate issues.

BONDS PORTFOLIO MATURITY (€ MILLION)



BREAKDOWN OF BONDS PORTFOLIO BY MATURITY AT 31.03.2023



Loans to customers exceeded **2,496 million euros**, declining by 43.3 million euros compared to the end of 2022 (-1.7%) as a result of current account exposures, including Lombard loans and transactions regarding mortgages and personal loans.
In particular, Lombard loans, made up of current account exposures fully secured by pledges on financial instruments, amounted to **1,445 million euros (-0.9%)**.

Other loans grew owing to new trade finance transactions.

LOANS AND OPERATING LOANS AND OTHER LOANS

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Current accounts	1,754,500	1,793,523	-39,023	-2.2%
Mortgages and personal loans	728,487	740,442	-11,955	-1.6%
Other financing and loans not in current accounts	13,239	5,515	7,724	140.1%
Loans	**2,496,226**	**2,539,480**	**-43,254**	**-1.7%**
Operating loans to management companies	138,976	133,975	5,001	3.7%
Sums advanced to Financial Advisors	81,936	56,330	25,606	45.5%
Stock exchange interest-bearing daily margin	75,899	57,412	18,487	32.2%
Charges to be debited and other loans	6,236	7,961	-1,725	-21.7%
Operating loans and other loans	**303,047**	**255,678**	**47,369**	**18.5%**

Operating loans and other loans grew (+18.5%), mainly as a result of the increase in margins paid in relation to repurchase agreements effected on the eMTS Repo market and, to a lower extent, to hedging derivative transactions. The increase in sums advanced to Financial Advisors was offset by the advances to the sales network under the Framework Loyalty Programme in July 2022.

Net **non-performing exposures** on loans to customers amounted to **34.1 million** euros, or **1.37%** 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 **15.5 million euros** and consisted for nearly 92% 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 the risk is effectively borne by the Bank, amounted to just **2.0 million euros**, or around **0.08%** of total loans to customers.

The portfolio of non-performing loans (loans to customers excluding operating loans and debt securities) decreased by 3.6 million euros, mostly attributable to unlikely-to-pay positions (-4.9 million euros) and, to a lower extent, to positions past due or expired (-1.7 million euros), partly offset by the increase in bad debts (+3.0 million euros).

NON-PERFORMING EXPOSURES

(€ THOUSAND)	31.03.2023 BAD LOANS	UNLIKELY TO PAY	PAST-DUE AND/ OR EXPIRED EXPOSURES	TOTAL	31.12.2022 BAD LOANS	UNLIKELY TO PAY	PAST-DUE AND/ OR EXPIRED EXPOSURES	TOTAL
Gross exposure	32,436	7,292	8,619	48,347	29,123	12,457	10,196	51,776
Adjustments	10,015	2,172	2,077	14,264	9,734	2,414	1,994	14,142
Total net exposure	**22,421**	**5,120**	**6,542**	**34,083**	**19,389**	**10,043**	**8,202**	**37,634**
Gross exposure	26,702	-	-	26,702	26,531	-	-	26,531
Adjustments	8,097	-	-	8,097	8,097	-	-	8,097
Exposure guaranteed by net indemnity	**18,605**	**-**	**-**	**18,605**	**18,434**	**-**	**-**	**18,434**
Gross exposure	5,734	7,292	8,619	21,645	2,592	12,457	10,196	25,245
Adjustments	1,918	2,172	2,077	6,167	1,637	2,414	1,994	6,045
Exposure net of indemnity	**3,816**	**5,120**	**6,542**	**15,478**	**955**	**10,043**	**8,202**	**19,200**
Net guaranteed exposure	**3,770**	**4,659**	**4,979**	**13,408**	**910**	**9,669**	**7,051**	**17,630**
Net exposure not guaranteed	**46**	**461**	**1,563**	**2,070**	**45**	**374**	**1,151**	**1,570**

At 31 March 2023, the interbank position, net of the securities portfolio and operating loans, showed a net credit balance of nearly 451 million euros, further declining compared to a net exposure of 865 million euros at the end of the previous year, chiefly due to the combined effect of:

- a reduction in the net exposure to central banks (-106 million euros), mainly including overnight deposits in service of treasury transactions;
- the increase in net amounts due to banks (-308 million euros), mainly attributable to the expansion of funding repurchase agreements with banks, which exceeded lending repurchase agreements with banks (-292 million euros), to the changes in collateral deposits and margins on OTC derivatives and repurchase agreements and to other net current account exposures (-17 million euros).

NET INTERBANK POSITION

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
1. Repayable on demand	**602,014**	**747,443**	**-145,429**	**-19.5%**
Demand deposits with ECB and Bank of Italy (*)	545,086	645,000	-99,914	-15.5%
Transfer accounts	56,928	102,443	-45,515	-44.4%
2. Time deposits	**670,311**	**662,295**	**8,016**	**1.2%**
Mandatory reserve	131,619	137,889	-6,270	-4.5%
Term deposits	44,005	13,650	30,355	222.4%
Repurchase agreements	371,573	397,723	-26,150	-6.6%
Collateral margins	123,114	113,033	10,081	8.9%
Total loans to banks	**1,272,325**	**1,409,738**	**-137,413**	**-9.7%**
1. Due to Central Banks	**-**	**-**	**-**	**-**
2. Due to banks	**821,661**	**544,531**	**277,130**	**50.9%**
Transfer accounts	49,239	31,897	17,342	54.4%
Repurchase agreements	741,973	477,028	264,945	55.5%
Collateral margins	11,730	17,055	-5,325	-31.2%
Other debts	18,719	18,551	168	0.9%
Total due to banks	**821,661**	**544,531**	**277,130**	**50.9%**
Net interbank position	**450,664**	**865,207**	**-414,543**	**-47.9%**

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

5.3 Provisions

Special purpose provisions amounted to nearly 247.7 million euros overall, moderately increasing compared to the previous year (+1.2%) and mainly referring to provisions for contractual indemnities to the sales network.

PROVISIONS

(€ THOUSAND)	31.03.2023	31.12.2022	CHANGE AMOUNT	CHANGE %
Provision for termination indemnity	3,599	3,705	-106	-2.9%
Provisions for guarantees issued and commitments	70	52	18	34.6%
Provisions for pensions and similar obligations	1,590	1,365	225	16.5%
Other provisions for liabilities and contingencies	**242,492**	**239,799**	**2,693**	**1.1%**
Provisions for staff expenses	11,129	10,979	150	1.4%
Provision for the redundancy incentive plan	1,000	1,000	-	-
Provisions for legal disputes	14,522	14,512	10	0.1%
Provisions for contractual indemnities to the sales network	153,651	152,550	1,101	0.7%
Provisions for sales network incentives	30,165	32,160	-1,995	-6.2%
Provisions for tax and contributions/ pension disputes	2,255	2,445	-190	-7.8%
Other provisions for liabilities and contingencies	29,770	26,153	3,617	13.8%
Total funds	**247,751**	**244,921**	**2,830**	**1.2%**

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 72.7 million euros;
- other indemnities relating to termination of the agency or management position (management development indemnity, portfolio development indemnity, retirement eligibility bonus) of 24.8 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 34.4 million euros;
- the new provision for the service of the three-year incentive plan for the sales network, in the amount of 21.7 million euros.

The Framework Loyalty Programme for the Sales Network was suspended at the end of 2021 and therefore no additional annual cycles have been activated since 2022. 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 2022, 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 2022-2024 three-year incentive plan, approved by the Board of Directors on 18 March 2022, is in addition to the annual incentives for the sales network and is tied to the achievement of both several overall objectives set at the Banking Group level in terms of total net inflows and recurring fee income, established in the new Strategic Plan, and individual objectives.
In particular, at the end of the Plan no incentives may be disbursed without full achievement of the three-year net inflow targets and of at least 90% of the cumulative recurring fee target at the end of 2024.
Special rules also apply to Financial Advisors eligible to participate in the previous Loyalty Framework Programme, for which a minimum bonus (bonus floor) applies, to be paid at the end of the three-year period if the other conditions are met, but only in the absence of net outflows.

The three-year bonus will be paid in 2026, provided that on 31 December 2025 the net inflow targets reached are no less than 90% of net inflows reached at the end of the three-year plan period.

The incentives accruing on a multi-year basis, tied to net inflow targets, qualify as costs of obtaining a contract pursuant to IFRS 15 and are expensed over a five-year period, like other similar incentives granted to the sales network.

In addition, the Plan calls for the payment of the cash bonus only, with the sole exception of beneficiaries qualifying as Key Personnel in the three-year period, to whom the specific provisions of the Remuneration Policies (deferral, shared-based payment, etc.) apply.

The net change in provisions for contractual indemnity to the sales network, amounting to 1.1 million euros, was the result of the decline in actuarial provisions (-3.6 million euros) and other provisions (0.2 million euros), in response to which the new provisions allocated in service of the three-year incentive plan for the sales network were recognised for a total of 4.9 million euros, of which 3.1 million euros set to accrue in subsequent years. At the end of the period, the increase in the discount rates used to measure actuarial provisions led to a decline of the latter for approximately 3.9 million euros.

Provisions for other liabilities and contingencies included a prudential allocation of 23.6 million euros to cover commercial activities aimed at restoring customers' potential losses resulting from investments made in products distributed by the Bank and to sustain customer retention.

Accruals to other provisions for liabilities and contingencies also included amounts allocated to account for the tax dispute, 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 Tax Authority are underway[11].

5.4 Net equity and regulatory aggregates

At 31 March 2023, the Banking Group's consolidated net equity, including net profit for the period, exceeded 1,157 million euros.
This aggregate also includes 192.8 million euros for the 2022 dividend approved by the Board of Directors on 8 March 2023 and authorised by the General Shareholders' Meeting on 19 April 2023, which will be paid partly in May 2023 and partly in February 2024.

CONSOLIDATED NET EQUITY

			CHANGE	
(€ THOUSAND)	31.03.2023	31.12.2022	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	53,767	53,767	-	-
Reserves	941,473	724,536	216,937	29.9%
(Treasury shares)	-80,139	-80,139	-	-
Valuation reserves	-8,292	-9,972	1,680	-16.8%
Equity instruments	50,000	50,000	-	-
Net profit (loss) for the period	83,071	213,034	-129,963	-61.0%
Consolidated net equity	**1,156,732**	**1,068,078**	**88,654**	**8.3%**
Net equity attributable to minority interests	381	442	-61	-13.8%
Banking Group net equity	**1,157,113**	**1,068,520**	**88,593**	**8.3%**

The 88.6 million euro change in net equity in the first quarter of 2023 was chiefly attributable to the consolidated net profit for the period and, to a lesser extent, to other components such as the increase in valuation reserves taken to other comprehensive income (OCI) and the change in reserves for share-based payments (IFRS 2), as shown in the following table.

[11] In this regard, reference should be made to the Annual Integrated Report 2021.

CHANGE IN NET EQUITY

(€ THOUSAND)	31.03.2023
Net equity at period-start	**1,068,520**
Change in IFRS 2 reserves	1,787
Change in OCI valuation reserves	1,657
Consolidated net profit	83,034
Dividends not paid on treasury shares	2,247
Other effects	-132
Net equity at period-end	**1,157,113**
Change	**88,593**

Fair value valuation reserves for the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) showed a net increase of 1.8 million euros due to the increase in bond prices in the quarter, driven by the decline in interest rates of government securities.

VALUATION RESERVES

	31.03.2023			31.12.2022	
(€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
Valuation reserves - HTCS debt securities	684	-8,736	-8,052	-9,867	1,815
Valuation reserves - OCI equity securities	514	-1,240	-726	-713	-13
Exchange differences	775	-	775	713	62
Actuarial gains (losses) from defined benefit plans	-289	-	-289	-105	-184
Total	**1,684**	**-9,976**	**-8,292**	**-9,972**	**1,680**

Consolidated own funds amounted to 782.4 million euros, up 20.3 million euros compared to the end of the previous year (+2.7%).

Capital absorption grew by 1.5 million euros (+0.4%) due to a modest increase in capital absorbed to cover credit risks.

At the end of the period, CET1 ratio reached 16.0%, compared to a minimum requirement of 8%, and Total Capital Ratio (TCR) reached 17.1%, compared to the SREP minimum requirement of 12.30%[12].

[12] 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 buffer requirement envisaged in the ratios is equal to 2.5%.

OWN FUNDS AND CAPITAL RATIOS

(€ THOUSAND)	31.03.2023	31.12.2022 PHASE-IN	CHANGE AMOUNT	CHANGE %	31.12.2022 FULLY PHASED-IN
Common Equity Tier 1 capital (CET1)	732,447	712,159	20,288	2.8%	707,696
Additional Tier 1 capital (AT1)	50,000	50,000	-	-	50,000
Tier 2 capital (T2)	-	-	-	-	-
Total Own funds	**782,447**	**762,159**	**20,288**	**2.7%**	**757,696**
Credit and counterparty risk	278,925	277,424	1,501	0.5%	277,847
Market risk	2	10	-8	-79.5%	10
Operational risk	88,138	88,138	-	-	88,138
Total absorbed capital (Pillar I)	**367,065**	**365,571**	**1,493**	**0.4%**	**365,994**
Total SREP minimum requirements (Pillar II)	**564,913**	**562,615**	**2,298**	**0.4%**	**541,672**
Excess over SREP minimum requirements	217,534	199,544	17,990	9.0%	216,024
Risk-weighted assets	4,588,311	4,569,644	18,667	0.4%	4,574,931
CET1/Risk-weighted assets	16.0%	15.6%	0.4%	2.4%	15.5%
Tier 1/Risk-weighted assets	17.1%	16.7%	0.4%	2.2%	16.6%
Total own funds/Risk-weighted assets (Total Capital Ratio)	**17.1%**	**16.7%**	**0.4%**	**2.2%**	**16.6%**

The change in Own Funds was mainly attributable to the inclusion of the share of retained earnings for the period (+15.4 million euros), other net positive capital and prudential effects for 7.7 million euros, and the reduction in OCI reserves (-2.8 million euros), which were impacted by the non-renewal of the transitional prudential filter for OCI reserves for bonds (-5.5 million euros), as highlighted in the following table.

CHANGES IN OWN FUNDS

(€ THOUSAND)	
Own funds at 31.12.2022	**762,159**
Estimated regulatory provisions for retained earnings	15,398
Change in IFRS 2 reserves	1,787
Prior years' dividend not paid out	2,247
Change in OCI reserves on HTCS	-1,944
Change in IAS 19 OCI reserves	-838
Change in goodwill and intangible assets (net of related DTLs)	3,751
DTAs through P&L not arising on temporary differences (tax losses)	-83
Negative prudential filters (prudent valuation - simplified method)	102
Other effects (other reserves)	-132
Total changes in TIER 1 capital	**20,288**
Own funds at period-end	**782,447**
Change	**20,288**

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 net profit;
› a component calculated at between 50% and 100% of non-recurring consolidated net profit.

For the first quarter of 2023, on the basis of the prudential provisions that require the upper part of the payout to be considered, just 20% of the recurring net profit for the period has therefore been included in own funds.

It should also be noted that in the fourth quarter of 2022 Banca Generali had implemented the optional phase-in regime that makes it possible to exclude from the calculation of CET1 a share of unrealised gains and losses relating to exposures to public administrations and authorities recognised as of 31 December 2019.
On the basis of this regime, Banca Generali had sterilised for prudential purposes 40% of the decrease in net valuation equity reserves for government debt securities, amounting to 5.5 million euros, recognised with respect to 31 December 2019.
The amount of the related net DTAs recognised in accounting for such reserves (2.1 million euros), normally subject to a weighting coefficient of 250%, had also been sterilised for the purposes of determining RWAs, resulting in an effect on the credit risk capital requirement of just over 0.4 million euros.

The phase-in filter, introduced with Commission Delegated Regulation (EU) No 2020/873, published in the *OJEU* on 26 June 2020, in relation to the Covid-19 emergency, had nonetheless applied until the reporting deadline of 31 December 2022 and had not been subsequently extended by European authorities.

In line with the previous periods, the Bank decided to continue not to avail itself of the IFRS 9 phase-in regime, which makes it possible to eliminate the greater collective adjustments to performing (Stage 1 and Stage 2) positions recognised compared with 1 January 2021 from own funds in the 2021-2024 period.

The Bank's liquidity ratios maintained excellent levels, with the Liquidity Coverage Ratio (LCR) at 326% and Net Stable Funding Ratio (NSFR) at 234%. The Bank's leverage ratio stood at 4.5%.

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

	31.03.2023		
(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	**992,137**	**96,890**	**1,089,027**
Differences between net equity and book value of companies consolidated using the line-by-line method	57,065	-	57,065
– Profit carried forward of consolidated companies	48,303	-	48,303
– Goodwill	8,707	-	8,707
– Other changes	55	-	55
Dividends from consolidated companies	27,220	-51,220	-24,000
Consolidated companies' result for the period	-	37,454	37,454
Net profit attributable to minority interests	418	-37	381
Result of associates valued at equity	-783	-68	-851
Sterilisation of impaired equity investments	4,567	-	4,567
Valuation reserves - consolidated companies	2,431	-	2,431
Goodwill	-8,707	-	-8,707
Consolidation adjustments	-306	52	-254
Net equity of the Banking Group	**1,074,042**	**83,071**	**1,157,113**

6. Performance of Group Companies

6.1 Performance of Banca Generali S.p.A.

Banca Generali closed the first quarter of 2023 with net profit of 96.9 million euros, up compared to 89.7 million euros reported at the end of the same period of the previous year.

Dividends distributed both in advance and at the end of the year by the Luxembourg-based subsidiary BG Fund Management Luxembourg S.A. amounted to 51.2 million euros (69.8 million euros in the first quarter of 2022).

Reclassified net banking income[13], net of the dividends distributed by the Banking Group's investees, rose by approximately 44.7 million euros (+45.1%) compared to the same period of the previous year, primarily due to the increase in net interest income (+48.0 million euros). Net income (loss) from trading activities was essentially in line with the first quarter of 2022 (-0.5 million euros).

Net fees amounted to about 69.2 million euros, down compared to the first quarter of 2022 (-2.6 million euros).

INCOME STATEMENT

			CHANGE	
(€ THOUSAND)	31.03.2023	31.03.2022	AMOUNT	%
Net interest income	**70,624**	**22,667**	**47,957**	**211.6%**
Net income (loss) from trading activities	3,989	4,484	-495	-11.0%
Dividends	51,220	69,942	-18,722	-26.8%
– *of which: dividends from equity investments*	*51,220*	*69,783*	*-18,563*	*-26.6%*
Net financial income	**125,833**	**97,093**	**28,740**	**29.6%**
Fee income	184,834	186,872	-2,038	-1.1%
Fee expense	-115,680	-115,112	-568	0.5%
Net fees	**69,154**	**71,760**	**-2,606**	**-3.6%**
Net banking income	**194,987**	**168,853**	**26,134**	**15.5%**
Staff expenses	-25,267	-24,411	-856	3.5%
Other general and administrative expenses (net of duty recoveries)	-24,597	-21,953	-2,644	12.0%
Net adjustments of property, equipment and intangible assets	-8,907	-8,214	-693	8.4%
Other operating expenses/income	1,501	999	502	50.3%
Net operating expenses	**-57,270**	**-53,579**	**-3,691**	**6.9%**
Operating result	**137,717**	**115,274**	**22,443**	**19.5%**
Net adjustments to non-performing loans	1,155	-2,066	3,221	-155.9%
Net provisions	-10,230	-4,999	-5,231	104.6%
Contributions and charges related to the banking system	-6,000	-5,882	-118	2.0%
Gains (losses) from the disposal of equity investments	80	556	-476	-85.6%
Operating profit before taxation	**122,722**	**102,883**	**19,839**	**19.3%**
Income taxes for the period on operating activities	-25,832	-13,162	-12,670	n.a.
Net profit	**96,890**	**89,721**	**7,169**	**8.0%**

[13] In order to ensure a better understanding of operating performance, in the Profit and Loss Account the provisions for sales incentives and recruitment plans have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 3.1 million euros for 2023 and 4.4 million euros for 2022.

Net interest income amounted to 70.6 million euros, with an increase mostly attributable to the positive contribution of securities trading (+48.0 million euros). The result of transactions with the ECB stood at approximately 3.5 million euros, made up of interest income on overnight deposits and on the mandatory reserve.

Net fees stood at approximately 69.2 million euros at the end of the period, decreasing by 3.6% compared to the first quarter of 2022 as a result of the decline in fee income (-2.0 million euros), with particular reference to fees for the placement of securities and UCITS (-2.0 million euros) and for the distribution of third-party financial products (-3.4 million euros), only partly offset by the increase in fee income for portfolio management (+1.9 million euros). Fee expense grew by 0.6 million euros due to the increase in fee for off-premises offer (+0.8 million euros).

Net operating expenses[14] amounted to approximately 57.3 million euros, up 6.9% 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 33.6%.

Provisions, net adjustments and contributions and charges related to the banking system totalled 15.1 million euros, up 2.1 million euros compared to the same period of 2022, mainly due to the combined effect of higher provisions for liabilities and contingencies (+5.2 million euros) and lower adjustment to non-performing loans (-3.2 million euros compared to the first quarter of 2022).

Operating profit before taxation amounted to 122.7 million euros, up by 19.3% compared to the same period of 2022.

Income taxes for the period totalled 25.8 million euros and increased by 12.7 million euros compared to the tax burden estimated at 31 March 2022.
The Bank's overall tax rate was 21.0%, up compared to the same period of 2022 (12.8%) as a result of the lower contribution to the result of dividends from equity investments subject to reduced taxation.

Total AUM managed by the Bank on behalf of its customers — which is the figure used for communications to Assoreti — amounted to approximately 85.0 billion euros at 31 March 2023, up 3.4% compared to the previous year. Net inflows reached 1.5 billion euros, up 4.4% compared to the figures recorded at the end of the same period of 2022.

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 Investments[15]) and the Sicav called BG Alternative, reserved for institutional investors.
In March 2020, the management company also acquired delegated management of the Luxembourg Nextam Partners Sicav, which currently only includes a single residual sub-fund.

BGFML ended the first quarter of 2023 with a net profit for the period of 39.4 million euros, down compared to 49.9 million euros reported at the end of the same period of the previous year (-10.5 million euros).
The decline was mainly driven by performance fees, which fell by 8.7 million euros to 5.0 million euros, and performance fees, which amounted to 79.8 million euros, compared to 86.3 million euros in the first quarter of 2022.

[14] In order to facilitate the understanding of operating performance, in the presentation of the profit and loss account, taxes recovered from customers have been reclassified to the other administrative expenses aggregate. As a result, the other income aggregate was restated net of these items for an amount of 20.1 million euros for 2023 and 20.5 million euros for 2022. In addition, the costs of the mandatory contributions paid by the Bank, pursuant to the DSGD and BRRD for the protection of the banking system (contributions to the Italian Interbank Deposit Protection Fund, European Single Resolution Fund and the Italian National Resolution Fund for previous interventions) have been separated from the administrative expenses aggregate and reclassified to a separate item in order to better represent the performance of the costs most closely connected to the Bank's operating structure.
[15] New company name of BG Selection Sicav, effective 22 April 2022

Net banking income amounted to 47.5 million euros (-11.9 million euros compared to the same period of 2022). Operating expenses were 2.5 million euros (+0.2 million euros), of which 1.6 million euros staff expenses.
The company's net equity amounted to 74.0 million euros, net of a dividend payout of 51.2 million euros, as payment in advance for 2023 and total payment for 2022.
Overall, assets under management at 31 March 2023 amounted to 19,111 million euros, up 549 million euros compared to 18,562 million euros at 31 December 2022.

6.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the first quarter of 2023 breaking even and with net equity amounting to about 0.9 million euros.

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

Assets under management totalled 1,324 million euros (1,334 million euros at 31 December 2022).

6.4 Performance of BG Valeur S.A.

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

The company ended the first quarter of 2023 with net loss of CHF 496.7 thousand (500.4 thousand euros), calculated based on local GAAP.
Revenues, generated mainly from asset management and advisory services, amounted to approximately CHF 1.9 million, whereas operating expenses totalled CHF 2.0 million (of which CHF 1.6 million staff expenses).
BG Valeur S.A.'s net equity recognised in its statutory financial statements totalled CHF 3.8 million at 31 March 2023.

At 31 March 2023, assets under management amounted to 951 million euros, up compared to 887 million euros at 31 December 2022.

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 in 2023.

On 10 November 2022, Banca Generali carried out a capital increase of an additional CHF 10 million to offset balance sheet losses and replenish the authorised share capital, as a result of the protracted FINMA authorisation process, which led to pre-operating losses related to the costs incurred to start up and maintain the company's operating structure.

In the first three months of 2023, 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 first quarter with a net loss of approximately CHF 1.6 million (1.6 million euros), calculated based on local GAAP.
Operating expenses totalled CHF 1.6 million (of which CHF 1.0 million staff expenses).
BG Suisse S.A.'s net equity recognised in its statutory financial statements stood at CHF 9.9 million at 31 March 2023.

7. Basis of Preparation

The Interim Report for the first three months of 2023 was prepared in accordance with the provisions set forth in previously effective 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 31 March compared with the figures at the end of the previous year;
- the consolidated condensed profit and loss account for the first three months of the year, compared with data for the same period of the previous year;
- the statement of comprehensive income for the first three months of the year, compared with data for the same period of the previous year.

The Consolidated Balance Sheet is presented in a format that summarises the primary asset and liability items. The Consolidated Profit and Loss Account is presented in a condensed, reclassified format and states the intermediate profit margins that make up net profit.
The Report also includes explanatory notes that refer to the accounting standards employed and other specific explanatory notes on transactions undertaken during the reporting period.
The amounts included in the Financial Statements and Notes and Comments are expressed in thousands of euros, unless otherwise indicated.

The consolidated financial position illustrated in the Interim Report has been prepared according to the IAS/IFRS 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 2022.

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2023, several amendments to the IAS/IFRS and IFRIC were adopted and new IFRIC were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2023

	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 2023 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 SHARE-HOLDERS' 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 General Shareholders' Meeting).

In the first three months of 2023, the consolidation scope did not change.

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 31 March 2023, 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.

Trieste, 11 May 2023

The Board of Directors

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04

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

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

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

declares

that the Interim Report on Operations as of 31 March 2023 corresponds to document results, books and accounts records.

Trieste, 11 May 2023

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.
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