



DISCLOSURE

EXPOSURES SUBJECT TO MEASURES APPLIED IN LIGHT OF THE COVID-19 CRISIS
SITUATION AS AT 30 JUNE 2020



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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.

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1. Introduction

The year 2020 has been marked by the Covid-19 pandemic that broke out at the beginning of the year, leading the governments of many countries around the world to decide on periods of closure of economic activities (lockdowns) due to its dramatic consequences in health terms. However, the lockdowns, which were a means of combating the health emergency, have resulted in a severe economic crisis that is still ongoing.

In response to all of this, the banking system has taken steps to support the real economy by both applying the legislative measures enacted by governments and taking individual or industry-wide initiatives.

Banking supervisory authorities — in this case, the EBA — also intervened concurrently to provide guidelines for managing processes during the emergency period.

In particular, in view of the economic crisis and the legislative and other measures adopted by the industry to combat it, in March 2020 the EBA took action by providing guidelines for issues relating to the flexibility of the framework for calculating regulatory capital, management of classification processes (default and forbearance), moratoria (official and unofficial), the calculation of impairment (IFRS 9), and the reporting treatment of several items required by the prudential framework (such as leverage, capital requirements and own funds).

Among the several areas addressed by the EBA, it is the guidelines published on 2 June 2020 regarding the reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07 - Final Report - Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis) that are relevant to this document.

In its Communication dated 30 June 2020, the Bank of Italy extended the reporting obligation to less-significant credit institutions (LSIs) subject to direct supervision, according to a simplified approach.

Reporting is submitted half-yearly, starting on 30 June 2020, and will be integrated into the Pillar III document for the annual deadline.

This document contains, first of all, a description of the reporting areas subject to disclosure (paragraph 2), followed by the associated numerical evidence (paragraph 3), in the form of the template envisaged by the EBA and, finally, the relevant regulatory references (paragraph 4).

2. Scope of application

As indicated by the EBA, the measures taken by banks in response to the Covid-19 emergency must be described in this document. In particular:

- > the loans subject to “moratoria” that fall within the scope of application of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
- > the loans subject to forbearance measures applied following the Covid-19 crisis;
- > the new loans guaranteed by the State or another public entity.

To support the country’s real economy at a time of severe difficulty, with regard to the first two measures indicated above, Banca Generali (hereinafter the “Bank”), during the sessions of its Board of Directors held in April 2020, resolved that:

- > customers may apply for the suspension of their loan payments, in application either of Articles 54 and 56 of the “Cure Italy” Decree (legislative moratoria) or of an internal initiative intended for borrowers and loans not covered by the Cure Italy Decree (non-legislative moratoria). The latter type of moratoria, in contrast to the former, do not meet all the criteria set by the EBA Guidelines (EBA/GL/2020/02), as reported by the Bank to the Bank of Italy. In particular, they are not part of sector agreements and/or agreements promoted by specific entities; rather, they are more specifically addressed to customers of the typical loan portfolio maintained by the Bank, for which lending is ancillary to its core business, essentially represented by private-banking customers or customers with deposits with the Bank;
- > the extension to non-legislative moratoria at the Bank’s initiative of the provisions for legislative moratoria, i.e., that such measures, in view of the exceptional, disruptive nature of the Covid-19 event, need not necessarily be classified as forbearance measures;
- > the launch of operations with the Mediocredito Centrale SME Guarantee Fund to obtain the guarantees provided for in the Liquidity Decree for loans to Italian companies as defined in the Decree of the President of the Council of Ministers (companies with fewer than 500 employees, including micro-enterprises and independent contractors, tradespeople and self-employed professionals).

On the basis of the dates on which the sessions of the Board of Directors mentioned above were held, the Bank adopted the application of the legislative moratoria with effect from 1 April 2020 and launched operations with the Mediocredito Centrale SME Guarantee Fund for the disbursement of loans provided for in the Liquidity Decree with effect from 23 April 2020.

Consequently, and according to the measures implemented by the Bank of Italy in its Communication dated 30 June 2020, the Bank sent the first reporting stream according to the template provided for in Annex 1 to the EBA Guidelines (EBA GL 2020 07 Annex 1) relating to the legislative moratoria in portfolio as at 30 June 2020.

3. Data and findings

3.1 Loans subject to moratoria

This section contains, in euro, the figures required by Annex 3 of the EBA Guidelines (EBA GL 2020 07 Annex 3) that describe summary statistics regarding the credit quality of the loans subject to payment moratoria on the basis of the various sectors and branches of economic activity.

The moratoria referred to in the template may be both legislative and non-legislative in nature and must meet the requirements established by the EBA Guidelines EBA/GL/2020/02.

Specifically, after thorough internal analysis, it has been determined that the requirements set in the aforementioned Guidelines have been satisfied as limited to the legislative moratoria applied by the Bank, for which the reports set out below indicate the data limited to such moratoria.

FIGURE 1 – TEMPLATE 1 EBA GL 2020 07 ANNEX 3

Information regarding loans and advances subject to legislative and non-legislative moratoria

	A	B	C	D	E	F	G
Gross carrying amount							
	Performing			Non-performing			
				Of which: instruments with a significant increase in credit risk after initial recognition but that are not non- performing (Stage 2)		Of which: unlikely-to-pay that are not past due or that are past due by no more than 90 days	
				Of which: exposures subject to forbearance measures		Of which: exposures past due or that subject to forbearance measures	
1	Loans and advances subject to moratoria	16,303,450	16,303,450		185,288		
2	of which: to households	1,103,628	1,103,628		185,288		
3	of which: secured by collateral in the form of residential property	471,326	471,326				
4	of which: to non-financial companies	15,102,383	15,102,383				
5	of which: to small and medium-sized enterprises	13,621,138	13,621,138				
6	of which: secured by collateral in the form of non-residential property	373,259	373,259				

In application of Articles 54 and 56 of the Cure Italy Decree, the Bank allowed its customers to apply for the suspension and rescheduling of loan payments due by 30 September 2020, including final balloon payments for loans subject to such payments.

After 30 June 2020, Decree Law No. 104 of 14 August 2020 (the “August” Decree) then extended the expiry of the moratoria to 31 January 2021 for companies and to 31 March 2021 for the tourism sector only.

The suspension of loan payments (including both principal and interest amounts) results in an extension of the amortisation schedule, which at the end of the suspension period resumes with

the same frequency as before the suspension, and in a recalculation of the amount of interest accrued during the suspension period, redistributed over the residual payments that have not yet come due.

No changes are made to the economic terms applied and applying a moratorium does not result in losses or impairment charges.

Payments are only suspended where requested by the customer. Available with effect from 1 April 2020, initially for payments due until 30 June 2020, the suspension of payments does not apply to contracts concluded after the date of the announcement of the measure and was extended from 30 June 2020 to 30 September 2020 following the publication of the “Guidelines amending guidelines EBA/GL/2020/02” on 25 June 2020.

As at 30 June 2020, moratorium applications had been granted for 31 customers (three private-banking customers meeting the eligibility requirements for the Gasparrini Fund and 28 non-financial companies) with a residual debt of 16.3 million euros (Figure 1).

Breaking the companies benefiting from the suspension pursuant to Article 56 of the Cure Italy Decree Law down into economic sectors, 32% of applications are attributable to the real-estate sector, 18% to commerce and 22% to the manufacturing and service sectors (evenly divided). By residual amount outstanding, 90% of the sums due are attributable to the real-estate and manufacturing sectors, in similar percentages. These percentages reflect the composition of the Bank’s business loan portfolio, the majority of which refers to the real-estate sector.

	H	I	J	K	L	M	N	O
								Gross carrying amount
Cumulative impairment, cumulative decreases in fair value due to credit risk								Reclassified to non-performing
	Performing		Non-performing					
			Of which: instruments with a significant increase in credit risk after initial recognition but that are not non-performing (Stage 2)	Of which: exposures subject to forbearance measures	Of which: unlikely-to-pay that are not past due or that are past due by no more than 90 days			
	-57,300	-57,300	-5,040					
	-7,138	-7,138	-5,040					
	-5,156	-5,156						
	-49,680	-49,680						
	-40,975	-40,975						
	-7,097	-7,097						

FIGURE 2 – TEMPLATE 2 EBA GL 2020 07 ANNEX 3

Breakdown of loans and advances subject to legislative and non-legislative moratoria by the residual duration of the moratoria

	A	B	C	D	E	F	G	H	I
	Gross carrying amount								
	Number of borrowers	Residual duration of moratoria							
Of which: legislative moratoria		Of which: past-due	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months	> 1 year	
1 Loans and advances for which a moratorium has been offered									
2 Loans and advances subject to moratoria (granted)	31	16,303,450	16,303,450		15,830,500				472,950
3 of which: to households			1,103,628		630,678				472,950
4 of which: secured by collateral in the form of residential property			471,326		471,326				
5 of which: to non-financial companies			15,102,383		15,102,383				
6 of which: to small and medium-sized enterprises			13,621,138		13,621,138				
7 of which: secured by collateral in the form of non-residential property			373,259		373,259				

An analysis of the moratoria by residual duration (Figure 2) shows that:

- > 15.83 million euros refers to positions the suspension of which has a residual duration of three to six months. These are monthly payments of unsecured loans and a mortgage loan rescheduled starting at the end of March, the amortisation schedules for which are set to resume starting in October 2020;
- > 473 thousand euros refers to positions the suspension of which has a residual duration of more than one year. This amount relates to three mortgage loans that meet the eligibility requirements for the Gasparrini Fund (suspension with a maximum duration of 18 months).

3.2 Loans subject to forbearance measures

Despite adopting the option of not necessarily classifying the granting of a moratorium as a forbearance measure, as also confirmed by the Board of Directors' resolution, the Bank left its period-end position measurement process unchanged. In the period following the pandemic, the Bank therefore continued to monitor the presence of indicators of "unlikely to pay" status by assessing, on a case-by-case basis, events and elements that may indicate the granting of forbearance measures, in accordance with its internal policies. However, as at 30 June 2020 no positions for which the moratorium applied has been regarded as a forbearance measure have been identified.

3.3 New loans guaranteed by the State or another public entity

To give full application to the anti-crisis measures designed to combat the effects of the Covid-19 emergency, the Bank expanded its range of medium/long-term credit by launching accreditation and operation with the Mediocredito Centrale SME Guarantee Fund to obtain state guarantees for long-term loans, on the basis of the provisions of Article 48 of the Cure Italy Decree and Article 13 of the Liquidity Decree-Law.

The Bank deemed it appropriate to limit operations with the Mediocredito Centrale SME Guarantee Fund by formulating policies that favour the granting of loans of over 25,000 euros (with a 90% guarantee).

Loans granted with a collateral guarantee from the Mediocredito Centrale SME Guarantee Fund for Italian companies, according to the new definition, which includes all companies with fewer than 500 employees (including micro-enterprises and independent contractors, trades-

people and self-employed professionals), may have a maximum amount of 5 million euros, as provided for in the aforementioned decrees, and may not exceed 25% of company turnover. To manage credit risk adequately, for loans in excess of 250,000 euros it has been decided to obtain a personal surety guarantee covering the 10% not guaranteed by the Guarantee Fund.

The lending activity in question is a new development for the Bank, which has therefore expanded its internal processes by setting up a dedicated task force, and is conditional on approval by the SME Fund. Since operations effectively began in May, and in light of the Fund's response times in the first months following the launch of the government measures, at 30 June 2020 no loans guaranteed by the SME Fund had yet been disbursed.

4. Regulatory framework

The regulatory references cited in this notice are listed below:

- > EBA/GL/2020/02 of 2 April 2020 - Final report - Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis, updated on 25 June through the EBA/GL/2020/08 Guidelines amending Guidelines;
- > EBA/GL/2020/07 - 2 June 2020 - Final Report - Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis and related annexes:
 - EBA/GL/2020/07 Annex 1- Covid -19 reporting templates.xlsx;
 - EBA/GL/2020/07 Annex 2 - Covid-19 reporting instructions.pdf;
 - EBA/GL/2020/07 Annex 3 - Covid-19 disclosure template.xlsx;
- > EBA/GL/2020/08 - 25 June 2020 - Guidelines amending Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis;
- > EBA/GL/2020/19 Report on the application of Selected Covid Policies of 7 July 2020;
- > Communication of 30 June 2020 - Guidelines of the European Banking Authority on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis.



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 the best of his knowledge in light of the position held,

declares

that the accounting information contained in this document corresponds to the document results, books and accounting records.

Trieste, 05 November 2020

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



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