PILLAR 3

DISCLOSURES

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Situation at 31.12.2020

This document 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

Contents

Key regulatory indicators 4

Foreword 5
1. Risk Management Objectives and Policies 7
2. Scope of application 21
3. Own funds 22
 3.1 Common Equity Tier 1 – CET1 22
 3.2 Additional Tier 1 capital (AT1) 23
 3.3 Tier 2 capital (T2) 23
4. Capital requirements 28
5. Credit risk: General Information 31
6. Credit risk: use of ECAIS 50
7. Credit risk mitigation techniques 52
8. Counterparty risk 56
9. Securitisation 58
10. Operating risk 59
11. Capital instrument exposures not included in the trading book 61
12. Exposure to interest rate risk on positions not included in the trading book 65
13. Encumbered and unencumbered assets 66
14. Leverage 68
15. Remuneration policies 72

Declaration of the manager in charge of preparing the company's financial reports 73

Annex 1 - Own funds: Terms and conditions of Tier 1 and Tier 2 capital instruments 74

Annex 2 - Own funds: transitional own funds disclosure template 77

Annex 3 - Own funds: Overall reconciliation of CET1, Tier 2 elements, as well as filters and deductions applied to own funds and the corresponding balance sheet items 82

KEY REGULATORY INDICATORS

(€ MILLION)	31.12.2020	31.12.2019	VAR. %
Net equity	1,184.5	917.7	29.1
Common Equity Tier 1 (CET1) capital	626.1	520.9	20.2
Tier 1 capital (T1)	676.1	570.9	18.4
Own funds	676.1	570.9	18.4
Excess capital over SREP minimum requirements	242.1	150.9	60.4
Risk-weighted assets (RWAs - Pillar 1)	3,665.3	3,547.2	3.3
Tier 1 Capital Ratio (Tier 1 capital /Risk-weighted assets)	18.4%	16.1%	14.6
Total Capital Ratio (Total own funds/Risk-weighted assets)	18.4%	16.1%	14.6

FOREWORD

The new prudential supervisory provisions applicable to banks and banking groups came into force in EU law on 1 January 2014. They were drafted as part of the Basel Committee agreements ("Basel 3") and designed to strengthen banks' capacity to absorb shocks caused by financial and economic stresses, regardless of their origin, improve risk management and governance, and reinforce banks' transparency and reporting.

In continuity with the previous framework, the new regulatory scheme requires that intermediaries publish a public disclosure (**Public Disclosure or Pillar 3**) aimed at combining minimum capital requirements (Pillar 1) and the prudential control process (Pillar 2), by identifying information transparency requirements that permit the market operators to have access to full, relevant and reliable information about:

> capital adequacy;
> risk exposure; and
> general characteristics of systems intended to identify, measure and manage such risks.

Within the new framework, this pillar has been revised to introduce, amongst other things, transparency requirements regarding the composition of capital for regulatory purposes and the methods used by the Parent Company to calculate capital ratios, securitisation exposures, assets pledged and the new leverage ratio.

Bank of Italy's Circular Letter No. 285 "*Supervisory Provisions for Banks*" of 17 December 2013, as further amended, which covers this subject in Chapter 13, Part Two, thus does not establish specific rules for drafting and publishing Pillar 3, but merely reproduces the list of provisions laid down on the matter in the Regulation EU No. 575/2013 (CRR – Capital Requirements Regulation).

The subject is therefore governed directly by:

> the CRR itself, Part 8 "Disclosure by institutions" (Articles 431–455), and Part 10, Title I, Chapter 3 "Phase-in provisions for disclosure of own funds" (Article 492);
> the Regulations of the European Commission entrusted to the EBA (European Banking Authority), laying down the regulatory technical standards and implementing technical standards for uniform models for publication of the various types of disclosures.

The following EBA guidelines were adopted with the 31st [d] update to Circular No. 285, "Supervisory Provisions for Banks", issued in March 2020:

> the "EBA/GL/2014/14 Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No. 575/2013" (CRR), governing the publication of confidential, proprietary and material information and information for which banks are asked to assess the need for publication more frequently than annually, as generally required;
> "Guidelines on disclosure requirements under Part Eight of CRR (EBA/GL/2016/11, version 2), which envisage:
  – a table-based reporting format aimed at increasing the comparability of the figures published by European banks on own funds and capital requirements, with regard to credit, market and counterparty risk;
  – the submission of specific information on governance and the governing body, with particular regard to: a) the number of positions held by members of the governing body; b) the gender equality policy; and c) the risk reporting process;
> the "EBA/GL/2017/01 Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of CRR, aimed at specifying and harmonising the methods of disclosure of the liquidity coverage ratio (LCR);
> the "EBA/GL/2018/01 Guidelines on uniform disclosures under Article 473-*bis* of CRR set out in Schedule C to Circular No. 285/2013 as regards phase-in arrangements for mitigating the impact of the introduction of IFRS 9 on own funds";
> the "EBA/GL/2018/10 Guidelines on disclosure of non-performing and forborne exposures".

In addition, the Bank of Italy, by its Communication of 30 June 2020, implemented the Guidelines of the European Banking Authority (EBA) on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07), namely:

1) loans subject to "moratoria" falling 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);
2) loans subject to Covid-19-related forbearance measures[1];
3) newly originated loans guaranteed by the Government or other Public Entity.

It bears remarking that some of the additional disclosures required under the above Guidelines apply solely to larger banks, in accordance with the proportionality principle, with the exception of:

> specific information on governance provided for in the Guidelines EBA/GL/2016/11 (version 2);
> quantitative information on LCR to be presented in a simplified template, including by less significant banks, as provided for in "Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No. 575/2013."

[1] The above information is required merely for reporting purposes.

In particular, for the information required by Article 435(2) (a) (the number of directorships held by members of the governing body), (c) (diversity policy) and (e) (information flow on risk to the management body), see the Annual Corporate Governance and Ownership Structure Report, available from the Corporate Governance Section of Banca Generali's institutional website at the address: *www.bancagenerali.com/site/en/home/corporate-governance.html*

The Guidelines EBA/GL/2018/01 do not apply since Banca Generali has not applied phase-in provisions aimed at mitigating the impact of the introduction of IFRS 9 on own funds.

Accordingly, this document has been prepared in continuity with the previous year, following the instructions provided in the EBA documents in accordance with the proportionality principle and publishing only material information that is not proprietary or confidential, as defined in Article 432 of CRR.

Disclosures are of a **qualitative and quantitative** nature, structured so as to provide as complete as possible an overview of the risks assumed, the characteristics of the pertinent governance and control systems and capital adequacy of the Banca Generali Group.

In line with Article 433 of CRR, the Bank shall publish public disclosures on at least an **annual** basis, along with its financial reporting documents.

The Pillar 3 public disclosures are drafted at the **consolidated level** by the Banking Parent Company.
Unless otherwise specified, all amounts are in **thousands of euros**.
Compliance with public disclosure obligations is an essential condition for the Banca Generali Group to be eligible, for prudential purposes, for the effects of credit risk mitigation (CRM) techniques.
Given the public significance of Pillar 3, the document is submitted to the competent Corporate Boards for approval under the responsibility of the manager in charge of preparing the Company's financial reports. In accordance with Article 154-*bis* of Legislative Decree No. 58/98 (TUF), the document is then submitted for the relative certification.

In order to ensure compliance with disclosure requirements, the Banca Generali Group has adopted organisational measures suitable to ensuring the fulfilment of disclosure obligations. Top management analyses the assessment and verification of information quality, inasmuch as the law specifies that these activities fall within the remit of company bodies on an independent basis.

In order to conform to the requirements of supervisory legislation, the Banca Generali Group has defined an internal process for determining Public Disclosures regarding Banca Generali S.p.A. (the "Parent Company") and, insofar as applicable, the Companies (the "Group Companies") subject to consolidated prudential regulatory rules.

The Banca Generali Group regularly publishes its public Pillar 3 disclosures on its website, at the following address: *www.bancagenerali.com/site/en/home/investor-relations.html*

Additional information concerning the Group's risk profile, pursuant to Article 434 of the CRR, was also published in the Annual Report for the year ended 31 December 2020, Corporate Governance Report and Remuneration Report. In light of the above Article, if similar information is already disclosed in two or more media, a reference to that information is included in each medium.

1. RISK MANAGEMENT OBJECTIVES AND POLICIES

1.1 GENERAL INFORMATION

Business model and risk governance

In the light of its **business model**, in addition to being exposed to the risks typically associated with banking (due not only to secured lending, but also to the financial instruments in the Bank's securities portfolio), the Bank is exposed to risks of a reputational/operational and strategic nature relating to industry trends/external events that are capable of influencing the performance of the market of reference (mainly the Italian asset management and AUC market), i.e., idiosyncratic events with negative impacts on the profitability/stability of the market on which the Bank operates.

At Banca Generali, risk management is based on an understanding of the risks borne by the Bank and how these risks are managed, on the definition of a governance system capable of ensuring that there is a constant connection between risk objectives and the risk appetite and on the definition of an effective risk reporting system.

The identification, measurement and assessment of the main risks to which the Bank is exposed are among the fundamental elements of ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process), whereby the Bank verifies the adequacy of its capital and liquidity positions.

Both ICAAP and ILAAP are based on the **Risk Appetite Framework (RAF)**, in which the Board of Directors sets its risk/return targets in accordance with the guidelines established in the Group's Strategic Plan.

Through the RAF, the Bank:

- determines its risk appetite in terms of both its overall risk profile and at the level of the main risks identified, and sets risk/return targets in its Budget and Strategic Plan;
- determines the level of oversight suited to ensuring that the Bank functions properly, including in conditions of stress, through a structure based on limits.

The general principles that inform **risk management in view of the Group's risk profile** may be identified as follows:

- maintenance of adequate capital levels, including in stress conditions, by monitoring the levels of the CET1 ratio, Total Capital Ratio, ICAAP Total Capital Ratio and Leverage Ratio and individual risk assumption limits;
- suitable coverage of liquidity needs, including during periods of stress, through the monitoring of short-term indicators such as the Liquidity Coverage Ratio, and long-term indicators such as the Net Stable Funding Ratio;
- the reliability and sustainability of risk-adjusted returns, including in stress conditions, through the identification of risk factors, the measurement of risk through the estimation of earnings at risk, the adoption of adequate governance tools and the monitoring of the creation of value;
- maintenance of a low risk profile at the level of credit and operational risk, through the adoption of appropriate management processes and mitigation tools;
- complete identification of risks potentially detrimental to the Company's image and assessment of the related exposure, and adoption of measures and controls mitigating reputational risk.
- promotion of an operational and financial management with a focus on social and environmental responsibility and the sustainability for future generations.

Stress Test

The Risk and Capital Adequacy Department conducts analyses and stress tests with a focus on specific areas of vulnerability of the business model, based on a hypothetical adverse macroeconomic scenario, with the aim of analysing the Group's current and prospective sustainability.

The scenario assumed involves a combination of particularly adverse events, classifiable as:

- events of a systemic nature, i.e., events (or combinations of events) involving specific macroeconomic variables, the occurrence of which gives rise to/entails adverse consequences for the entire financial system and/or for the real economy, and thus for the Banca Generali Group;
- specific (idiosyncratic) events, i.e., events (or combinations of events) the occurrence of which gives rise to/entails severe adverse consequences for the Banca Generali Group.

In the systemic scenario, the main risk events assumed are: interest rate shock on equity markets, demand, domestic consumption and the interbank market.
The stress assumptions adopted in defining the idiosyncratic scenario relate to the development of the business model (in terms of the reduction of net inflows provided for in the plan, loss of performance fees and deposit run-off), the occurrence of losses of an operational/reputational nature (i.e., fraud committed by a Financial Advisor within the sales network, events associated with the sale of illiquid and complex products, cyber-attacks) and deterioration of the credit risk concentration level.

In addition, in accordance with the law the Group approved a Recovery Plan (drafted beginning on 31 March 2021 in ordinary form), which provides the Group with access to:

- **governance mechanisms** providing for the identification of the roles and responsibilities of the functions involved in recovery processes and formulation of the timescales and steps of all processes designed by the Group to monitor and manage any crisis situations;
- **a recovery indicator system** with monitoring thresholds (calibrated in accordance with the existing thresholds set within the RAF) that tie into the Bank's risk management framework and are designed to identify a state of alert in advance;
- **financial distress scenarios** that impact the Bank's main vulnerabilities and make it possible to evaluate the stress situations that would bring the Group to a near-to-default state;
- **recovery options** that, individually or together, enable

the Group to restore a situation of normality in short order following the occurrence of scenario events.

Risk governance

The Banca Generali Group has structured its **risk governance and management processes** so as to ensure reliable, sustainable creation of value, protect the Group's financial solidity and reputation and permit an appropriate understanding of the risk level assumed.

The above processes are an integral part of the Group's more general internal control structure, aimed at ensuring that business is always conducted in accordance with company strategies and policies and informed by the values of sound and prudent management. Their key principles and components are governed by the Risk Policies approved by the Parent Company's Board of Directors.

Risk management extends to executive bodies, operating units and control units at both the Parent Company and subsidiaries — each with their various tasks and attributes — with the goal of identifying, preventing, measuring, assessing, monitoring, mitigating and reporting to the various appropriate hierarchy levels the exposure to the various types of risk actually or potentially assumed by the Group's various operating segments, while analysing, within an integrated framework, the relationships between them and the trend in the external scenario. In general terms, Banca Generali supervises the implementation of effective risk management in its Group within the framework of the powers of management and coordination that the Bank exercises as Parent Company.

Strategic risk exposure guidelines are established by the Parent Company's Top Management bodies based on a global assessment of the Group's operations and the underlying actual or potential risk exposure, taking account of the specific areas of activity and risk profiles of each component.

The equivalent governing bodies of subsidiaries — each within its remit — are tasked with implementing the risk management strategies and policies set by the Parent Company, adapting them to suit the circumstances of the company concerned, while also ensuring that there are functional, appropriate internal control procedures and a full, systematic flow of information to the Parent Company regarding the types of risks relevant to the company's situation. In particular, the governing bodies involved are:

> the **Board of Directors (BoD)**, responsible for setting and approving corporate risk governance policies within the framework of the risk appetite system, as well as for designing guidelines for applying and supervising such policies;
> the **Chief Executive Officer**, responsible for implementing the Risk Appetite Framework and corporate risk governance policies;
> the **General Manager**, who contributes, within his or her remit and functions, to implement the Risk Appetite Framework and the corporate risk governance policies;
> the **Board of Statutory Auditors,** which supervises compliance with laws, regulations and the Articles of Association, sound governance, the adequacy of the Bank's organisational and accounting structure and the completeness, adequacy, functionality and reliability of the internal control system and Risk Appetite Framework.

The main company **committees** involved are:

> **Internal Audit and Risk Committee**: it supports the Board of Directors with setting strategic guidelines, the guidelines for the internal control system and risk governance policies, periodically verifying that the internal control and risk management system is adequate in light of the characteristics of the Company and the risk profile assumed, as well as that it is effective; within the context of the Risk Appetite Framework, it is responsible for the assessments and proposals necessary to ensure that the Board of Directors can set and approve risk targets (Risk Appetite) and the tolerance threshold (Risk Tolerance);
> **Risk Committee**: it is the body charged with ensuring coordinated coverage of the system for managing and controlling the risks assumed by the Group. The Risk Committee receives specific periodic information from the company control functions to perform the functions assigned to it;
> **Nomination, Governance and Sustainability Committee**: it is the corporate body that provides advice and submits proposals to the Board of Directors on matters related to nominations, governance and sustainability issues. It has the necessary competencies and independence to formulate its assessments concerning Banca Generali's nominations, governance and sustainability.

The **Functions** to which the Risk Policies are addressed are those involved in risk management, namely, the departments and services that perform first-, second- and third-tier checks on risk management processes.

The **Functions** involved in risk-taking also bear primary responsibility for the risk management process, since they are tasked with concretely applying the company risk strategies and policies and ensuring the proper conduct of operations through the performance of "line checks". They are also bound to comply with any operating limits set for them in accordance with the established risk targets.

Internal Control System

Within the framework of the risk management process, and of the Bank's corporate governance more generally, the internal control system plays a key role in the risk management process.

The Banca Generali Banking Group has designed an internal control model consistent with national and international best practices, minimising the risks of inefficiency, overlapping of roles and sub-optimal system performance. The system is structured on three different levels:

> **first-tier checks**: they are performed by production or back-office company areas and organisational units, with the support of information technology procedures, where envisaged, and take the form of hierarchical or line checks;

> **second-tier checks**: they aim at preventing and mitigating risks of different nature through prior risk assessment of products and business practices, and the development of ex-ante support to operating activities. The aforementioned checks are performed by the following functions:
  - the **Risk and Capital Adequacy Department**, which is tasked with identifying, measuring/evaluating and monitoring all the types of risks to which the Banking Group is exposed in terms of its own assets (excluding the risks of non-compliance, money laundering and financing of terrorism), providing relevant information and thereby contributing to the definition and implementation of the Risk Appetite Framework, as well as all related risk management policies. The Department acts with a view to maintaining risk levels within the limits and tolerance thresholds indicated in the exposure profile and strategies established by the Board of Directors in the Risk Appetite Framework. It assures that risks are fully and transversally analysed, and to this end it applies a strategic, current and prospective approach and duly provides periodic reports;
  - the **Compliance Service**, which is tasked with verifying the observance of obligations relating to the provision of services for Banking Group Companies and preventing and managing the risk of non-compliance with applicable legislation;
  - the **Anti-Money Laundering Service**, which is responsible within the Banking Group for preventing and combating the transactions involving money laundering and financing of terrorism;

> **third-tier checks**: they are conducted by the Internal Audit Department and are aimed at an independent verification of the operating efficacy and quality of control systems and the verification of any conduct departing from the established rules.

The proper functioning of the risk governance system adopted by the Banca Generali Group is ensured by consistency from the standpoint of organisational structure, competencies and a guarantee of the independence of functions.

Risk culture

The Bank's objectives, strategies, risk profile, tolerance thresholds and guidelines for its internal control system fall within the purview of the Board of Directors (OFSS/SSFB). Within the framework of his or her delegated management powers, and in accordance with the guidelines approved by the Board of Directors, the Chief Executive Officer is responsible for constant implementation of the risk management process, ensuring that it is consistent with the risk appetite and risk governance policies, while facilitating the development and spread to all levels of the Bank of an integrated risk culture.
Accordingly, considerable attention is devoted to preparing and circulating the relevant reports (**Tableau de Bord, ICAAP, ILAAP, Risk Appetite Framework, and Recovery Plan**) and the set of information needed to monitor operating limits.
In order to ensure that the Top Management receives a constant flow of timely information regarding the status of the Bank's risk profile, the Risk and Capital Adequacy Department has also planned and circulated regular reports (known as "**Dashboards**") containing an analysis of the trend in the Bank's exposure in terms of risk profile of the securities portfolio, Loans to customers, net inflows evolution, and risk indicators/operating losses. Reports are a useful supporting tool in **(i)** monitoring the main indicators for interest rate risk (i.e., sensitivity), credit risk, operational and reputational risk, liquidity risk and leverage, and **(ii)** assessing capital adequacy and variance from the RAF targets.

Induction sessions are also organised regularly for members of the Board of Directors and Board of Statutory Auditors.
In accordance with the Corporate Governance Code, the induction sessions were aimed at equipping the directors and statutory auditors with an adequate understanding of the Bank's business model and major strategic decisions, with support, where needed, from company control functions, depending on the matter at issue.

1.2 GOVERNANCE STRUCTURE BY RISK CATEGORY

1.2.1 Credit risk

Credit risk exposure derives from loans to customers, which include current accounts and mortgage loans and unsecured loans to individuals and businesses, operating receivables, financial instruments classified in the Hold To Collect portfolio (IFRS 9) and then valued at amortised cost, and liquidity invested on the money market through interbank deposits.

With regard to credit risk management process, the Group has formally defined lending policy guidelines within the Lending Rules of Banca Generali S.p.A., assigning specific responsibilities to each company unit involved. Within the same Rules, the Group has defined an extensive system of powers and limits associated with loan authorisation. Within this framework, levels of autonomy and specific operating procedures have been formally defined at the various decision-making levels.

As part of its credit risk management process, the Group has established a formal Credit Risk Management Policy and a Financial Portfolio Risk Management Policy, which lay down the general principles and the roles of company bodies and functions involved in managing risks associated with loans granted to institutional customers/counterparties and deriving from investments in financial instruments. In addition, these Policies include the Group's credit risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

Loans to customers

Exposures to Retail and Corporate borrowers classifiable as cash loans and endorsements loans are subject to first-tier monitoring by the Lending and Operations Departments and to second-tier monitoring by the Risk and Capital Adequacy Department, with the aim of implementing the risk appetite approved within the Bank's Risk Appetite Framework (RAF).

In short, the Lending Department:
> is responsible for lending activities and managing the credit lines granted in accordance with the special Lending Rules, with a view to ensuring the quality of granted loans and pursuing the risk/return targets established by the Board of Directors;
> is responsible for supervising and verifying the proper execution of the entire lending process within the Bank, while constantly monitoring the Bank's overall credit position; specifically, it regularly monitors the performances of the Bank's credit positions, with a particular focus on those that show an anomalous performance.

With regard to non-performing loans, except for bad loans, the Lending Department is responsible for managing past due and/or expired positions and unlikely to pay positions that relate to approved credit facilities, whereas the Operations Department is responsible for managing those same categories of non-performing loans for customers without approved credit facilities. In some cases, for customers without credit facilities approved by the Operations Department, the Lending Department proposes that positions be reclassified to the bad debt category, through a report submitted to the Lending Committee and shared with the Legal Department, followed by the related resolution passed by the said Committee.
The Lending Department is the decision-making authority for forborne positions (both performing and non-performing).

The second-tier control activities are the responsibility of the Risk and Capital Adequacy Department which ensures that the operations, strategies and Risk Appetite Framework (RAF), approved by the Bank's Board of Directors, are coherent.
In the specific case of portfolios of loans to retail and corporate counterparties, the Risk and Capital Adequacy Department is tasked with i) identifying, measuring, assessing, monitoring and managing credit risk through performance monitoring aimed at identifying any anomalies or substantial changes in the trend in the portfolio of reference, providing both an overview of the risk profile of the portfolio in question, and evidence of the situation of individual positions to be further analysed by the Lending Department, and ii) preparing timely, adequate information for company bodies.
Credit risk management associated with institutional borrowers is carried out within appropriate credit lines, which are monitored by the Risk Department and established with the objective of always maintaining a level of risk that is consistent with the strategies and the risk appetite framework.

Within the framework of the aforementioned activities, as provided for in Bank of Italy Circular No. 285, the Risk and Capital Adequacy Department is thus responsible for:
> conducting assessments, at the overall level and by specific exposure drivers and coverage levels, with a particular focus on monitoring the value and nature of guarantees over time;
> conducting an assessment of the degree of concentration of the portfolio at the level of individual borrowers;
> collective and individual measurement of past-due positions;
> collective and individual measurement of non-performing exposures;
> assessment of the consistency of classification: in this area, the Department participated in the development of the Early Warning application, used by the first-tier function in both formulating triggers and verifying and testing for proper implementation;
> assessment of the appropriateness of provisions and the adequacy of the process of recovering non-performing exposures, in coordination with the competent units (Lending Department, Administration Department and Legal Department), in accordance with the new internal processes described in the IFRS 9 policy;
> ongoing assessment, based on the findings and results of second-tier checks, of processes and credit performance assessment models in view of ensuring their ongoing improvement over time;
> advance opinions regarding credit risk in Transactions of Greater Importance.

Loans to banks and financial investments
In addition to the Lending and Operations Departments, first-tier control is also conducted by the Finance Department of Banca Generali S.p.A., which is responsible for lending operations involving institutional borrowers (loans to banks) and securities investment operations, which are considered when defining the Group's overall credit exposure.

The Finance Rules and the Regulation of Limits and Escalation Process of Banca Generali S.p.A. set out and formally define the guidelines concerning transactions in financial instruments with institutional counterparties that may generate credit risk and state that a credit limit must be established for such transactions incorporating a specific analysis of the counterparty's creditworthiness. This creditworthiness assessment is based on the ratings provided by the major external ratings agencies (Moody's, S&P and Fitch), which are periodically verified, with at least annual frequency, to evaluate their consistency with internally generated management ratings.

The current loan granting process for borrowers without external ratings involves the Risk and Capital Adequacy Department, which expresses an opinion of the potential borrower's creditworthiness with binding effect in the review conducted by the Finance Department.

Approved credit limits are reviewed with a frequency of no more than one year.
All transactions are periodically monitored on the basis of a system of credit limits approved by the Parent Company's Board of Directors and the organisational control measures adopted and must be compliant with the target levels of the Risk Appetite Framework (RAF) approved by the Board of Directors.

The Risk and Capital Adequacy Department is responsible for second-tier controls and conducts specific independent control and monitoring of credit risk.

With reference to the main instruments used for monitoring, the Risk and Capital Adequacy Department has adopt-

ed appropriate IT solutions allowing for *ex-ante* and *ex-post* review of the capacity of credit lines with institutional counterparties and/or the presence of any overdrafts, and a detailed inquiry into the deals and technical instruments that contribute to the amount drawn down.

The Risk and Capital Adequacy Department, which operates for both Banca Generali S.p.A. and its Subsidiaries, is responsible for:

> in collaboration with relevant corporate functions, identifying and monitoring credit risk exposure of the Banking Group Companies by developing analytical risk-assessment models, as well as overseeing the implementation of appropriate risk-containment procedures by all the operating units involved;
> verifying that the performance of individual exposures is properly monitored, particularly for non-performing exposures, and assessing the adequacy of the recovery process;
> assessing the appropriateness of the procedures for establishing and validating operating limits, whilst ensuring that any and all breaches of the said limits, as well as increases in risk exposure levels are promptly reported to Top Management, as well as the heads of the individual operating units in question;
> verifying the integrity of the information flows underlying timely risk monitoring and the immediate flagging of any and all anomalous transactions;
> validating the algorithms and calculation methods that support the credit counterparty classification process and conducting spot checks of the proper classification of credit counterparties;
> submitting periodic reports to company bodies on the overall status of the risk management system and its capacity, in particular, to respond to the development of risks, as well as the existence of breaches of the operating limits set and the corrective action taken accordingly;
> verifying the consistency of risk measurement models with the operating processes in force at the Banking Group, ensuring they are adjusted as the business and operations develop;
> carrying out stress tests;
> ensuring the consistency of the credit risk management systems implemented by Group Companies;
> preparing an annual Risk Management Plan for the identification and monitoring of credit risk internally to the Banking Group.

The Risk and Capital Adequacy Department is also responsible for verifying the efficacy of the credit risk mitigation (CRM) techniques employed.
Third-tier controls are conducted by the Internal Audit Department, in accordance with the Internal Rules and Procedures of Banca Generali S.p.A. and the Group.
The Group has decided to adopt the standard method for measuring credit risk, using Moody's as the ECAI, as well as S&P and Fitch (solely for Moody's securitisations).

1.2.2 Counterparty risk

The counterparty risk management and monitoring procedures and systems prepared by the Group take account of the transactions concerning derivative instruments, both proprietary and on behalf of clients, and SFTs (Securities Financing Transactions, i.e., repurchase agreements and securities lending).

The Finance Rules and the Regulation of Limits and Escalation Process of Banca Generali S.p.A. set out and formalise the guidelines concerning transactions in financial instruments that may generate counterparty risk and state that a credit limit must be established for such transactions incorporating a specific analysis of the counterparty's creditworthiness. This creditworthiness assessment is based on the ratings provided by the major external ratings agencies (Moody's, S&P and Fitch), which are periodically verified, with at least annual frequency, to evaluate their consistency with internally generated management ratings.

The current loan granting process for borrowers without external ratings involves the Risk and Capital Adequacy Department, which expresses an opinion of the potential borrower's creditworthiness with binding effect in the review conducted by the Finance Department.

For management purposes, the use of lines of credit for transactions in OTC derivatives and SFTs, in the presence of collateral agreements, is measured at the greater of zero and the algebraic sum of the mark-to-market less the differential between the collateral collected and paid.

In order to mitigate the exposure to counterparty risk, with regard to derivatives, the Bank enters into netting agreements such as ISDA/CSA (International Swaps and Derivatives Association / Credit Support Annex) contracts with institutional counterparties in accordance with applicable legislation and concludes GMRA (Global Master Repurchase Agreement) netting agreements in respect of repurchase agreements and derivatives.

In addition, in application of Regulation (EU) No. 648/2012 ("EMIR"), in 2020 participation in Eurex Clearing AG was activated through indirect access to the clearing system: transactions in derivatives through the clearing broker Banca IMI.

As a further element of counterparty risk mitigation, repurchase agreement business is settled within the MTS Repo platform under bilateral agreements or through Cassa Compensazione e Garanzia, which acts as central counterparty (CCP) to ensure the execution of trades on the market and perform settlement netting.
All transactions are periodically monitored on the basis of a system of credit limits approved by the Parent Company's Board of Directors and the organisational control measures adopted and must be compliant with the target levels of the Risk Appetite Framework (RAF) approved by the Board of Directors.

The Finance Department of Banca Generali S.p.A. performs first-tier controls of counterparty risk, ensuring compliance with the credit limits for institutional counterparties established by the Board of Directors.
The Lending Department participates in the definition of operating policies governing transactions that may generate counterparty risk for the Group.

Second-tier control activities are the responsibility of the Risk and Capital Adequacy Department, which is tasked with specific activities relating to the identifica-

tion, measurement, control and reporting of the counterparty risk.
With reference to the main instruments used for monitoring, the Risk and Capital Adequacy Department has adopted appropriate IT solutions allowing for *ex-ante* and *ex-post* review of the capacity of credit lines with institutional counterparties and/or the presence of any overdrafts, and a detailed inquiry into the deals and technical instruments that contribute to the amount drawn down.

The third-tier controls of operations performed are conducted by the Internal Audit Department, in accordance with the Internal Rules and Procedures of Banca Generali S.p.A. and the Group.

To determine the capital requirement to be held for counterparty risk, the Group uses the methodological approach based on the Current Value Method, in the interest of arriving at an accurate assessment of the level of risk inherent in transactions with long-term settlement and transactions involving over-the-counter (OTC) derivatives.

1.2.3 Risk of credit valuation adjustment (CVA)

With respect to the CVA **management process**, since the scope of transactions subject to credit valuation adjustment risk coincides with that for counterparty risk, the same guidelines and procedures as laid down for counterparty risk apply.
The requirement is measured by applying the standard method.

1.2.4 Market risk

The Finance Rules of Banca Generali S.p.A. establish formal guidelines for transactions in financial instruments that may give rise to market risk, requiring that such transactions (i) be subject to a system of operating limits, as defined in the Regulation of Limits and Escalation Process, and (ii) be conducted in accordance with the objectives of the Risk Appetite Framework (RAF) approved by the Board of Directors.
In particular, the following types of operating limits have been defined: limits by book, allocation limits by type of instrument (structured bonds, certificates, derivatives and complex instruments), open position limits for exposures in foreign currencies and alerts by asset class and individual financial instrument, in terms of both mark-to-market and change in creditworthiness.

With regard to market risk management, the Bank has formally defined a financial portfolio risk management policy, which specifies the general principles, the roles of the corporate bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

The Finance Department conducts first-tier management and monitoring of exposure to market risk, in addition to general trading activities on the financial markets.

The Risk and Capital Adequacy Department is responsible for second-tier controls. Said Department is charged with identifying, measuring, controlling and managing the risks associated with the Banking Group's activities, processes and systems in accordance with the strategies and risk profile defined by the Top Management.

In connection with market risk, the Department is responsible for:

> in collaboration with relevant corporate functions, identifying and monitoring market risks which the Banking Group is exposed to by means of developing suitable methods for measuring these risks and the verification of the implementation of actions to hedge the identified risks by the operating units involved;
> assessing the appropriateness of the procedures for establishing and checking the limits, whilst ensuring that any and all breaches of said limits, as well as increases in risk exposure levels, are promptly reported to Top Management, as well as the heads of the individual operating units in question;
> verifying the integrity of the information flows underlying timely risk monitoring and the immediate flagging of any and all anomalous transactions;
> submitting periodic reports to company bodies on the overall status of the market risk management system and its capacity, in particular, to respond to the development of such risks, as well as the existence of breaches of established limits and the corrective action taken accordingly;
> verifying the consistency of market risk measurement models with the operating processes in force at the Banking Group, ensuring they are adjusted as the business and operations develop;
> carrying out stress tests.

The Department adopts appropriate IT solutions to monitor all market limits set in the Rules.

In further detail:

> the Department monitors the exposure to market risks, contributing to the maintenance and development of the existing system of operating limits for the Bank's proprietary portfolio, ensuring the observance and adequacy thereof over time and managing any overruns produced by the operating functions;
> the Bank implemented a specific market risk monitoring framework contained in the Regulation of Limits and Escalation Process. This framework calls for the development of measurement metrics based on sensitivity in accordance with the new regulatory guidelines with the aim of rendering monitoring more reactive to the change in the various risk factors. Specifically, the framework provides for the risk-based market monitoring, fundamentally linked to *ex-post* risk metrics derived directly from security price performance, and the forward-looking monitoring, which includes the calculation of *ex-ante* risk monitored through scenario analyses;
> with reference to the activities carried out, the Department draws up all necessary reports to be submitted to the Risk Committee. It provides the functions involved with access to a reporting package shared via the network with operating areas and the Top Management and the monitoring dashboard.

In connection with market risks, in addition to a shared vision of the global performance of the risk management and control system of such risks, decisions may be reached as to what actions are to be taken in response to any critical situations, deficiencies and/or anomalies that emerge from analyses and/or assessments carried out by the Risk and Capital Adequacy Department.

The Internal Audit Department conducts independent controls (third-tier controls) on transactions undertaken by the Departments/Functions involved in the management of market risk, in accordance with the Bank's and the Group's Internal Rules and Procedures.

The Internal Audit Department performs said controls not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.

To determine the capital requirement to be held for market risks, the Group uses the standard method, whereas it uses the delta-plus method for regulatory prudential requirements in respect of options.

1.2.5 Operating risk

The Group's operating risk management process defines the bodies and functions involved in the management of operating risk and describes the activities associated with identifying, measuring, controlling the same. In further detail:

> the Project Governance, Outsourcing and Data Management Department and the Systems, Technology and IT Security Management Department — each for its remit — are responsible for coordinating and monitoring the implementation of the actions planned for any problems detected during the Operational Risk Assessment performed by the Risk and Capital Adequacy Department;
> the Legal Affairs Department contributes to managing operating risks by handling disputes and complaints;
> the Compliance Service defines the second-tier control measures for the Distribution Network, focusing not only on the risk of regulatory violations, but also on the risk of potential fraud as a result of the financial advisory activities performed.

Particular attention is in fact devoted to the control and monitoring of the risk of fraud — a risk of particular importance to the Group, given its business model and organisational configuration.

The Internal Audit Department periodically confirms the proper application of the approved operating risk management system.

To reinforce the efficacy of the control safeguards identified, the Parent Company's Board of Directors has approved a Business Continuity Plan (BCP).

In particular, the Group companies provided with a BCP are:

> Banca Generali S.p.A;
> BGFML S.A.;
> Generfid S.p.A.;
> BG Valeur S.A.

Moreover, the Banca Generali Group entered insurance coverage for operating risks deriving from acts of third parties or caused to third parties and adequate clauses covering damages caused by providers of infrastructure and services.
The Group's operating risk appetite is periodically monitored **(i)** on the basis of the objective levels, attention thresholds and operating limits, as laid down in the Risk Appetite Framework approved by the Parent Company's Board of Directors, and **(ii)**, operationally, on the basis of the organisational measures adopted.

The Risk and Capital Adequacy Department is responsible for second-tier controls of operating risk and is consequently tasked with identifying, measuring, controlling and managing operating risk.

In further detail, said Department has the following primary responsibilities in connection with operating risks:

> defining the risk-assessment model;
> developing, maintaining and validating the risk assessment methods;
> assessing the risk exposure through, among others:
  – identifying key risk indicators (KRIs) in collaboration with the company functions involved;
  – using the qualitative assessments gathered during the Operational Risk Assessment conducted primarily through interviews with the relevant process owners, with assistance, if appropriate, from any other function involved;
> promptly notifying the Regulations and Organisational Analysis Service of any changes to processes resulting from the Operational Risk Assessment;
> determining any corrective measures to cover the operational risks determined and evaluating their proper implementation by the relevant process owners, with assistance from the Organisation and IT Coordination Department;
> collaborating with the other control functions by sharing information on the Bank's risk areas identified within its assessment activities.

The Group has also defined and formalised a Loss Data Collection process with the aim of determining the monetary quantification of the operating risks identified.

The Risk and Capital Adequacy Department also collaborates with the functions involved in various capacities **(i)** in the annual update of the Business Continuity Plan (BCP) of Banca Generali and the Banking Group, and **(ii)** the definition of emergency plans, with the aim of ensuring the continuity of fundamental operations, and in particular of processes classified as critical to business continuity.

The Internal Audit Department is responsible for third-tier controls of operating risk, in accordance with the Internal Rules and Procedures of Banca Generali S.p.A. and the Group.

In order to determine the capital requirements to be held for Operating Risk, the Group adopted the standardised (TSA) method.

1.2.6 Interest rate risk on the banking book

With regard to the management of the interest rate risk on the banking book, the Bank has formally defined a risk management policy, which specifies the general principles, the roles of the company bodies and functions involved in the risk management, the Group's risk management guidelines on its business model, the risk appetite, the system of delegated powers established by the Board of Directors, the internal control system in force, and the instructions of the Supervisory Authority.

With reference to the **management process** of this risk, the Lending Department and the Finance Department are responsible for first-tier controls.
In particular, the Finance Department is responsible for proprietary trading of financial instruments, trading of financial instruments on behalf of customers and the Group's treasury management.[2]
The Lending Department is responsible for loan approval activities and the management of the loans issued by the Banking Group.

In a manner instrumental to the control of operations in which it engages, the Group has implemented the appropriate IT solutions and developed an analysis of on-demand positions.

The Risk and Capital Adequacy Department is responsible for second-tier controls, namely for the following activities (including the implementation of stress tests):
> identifying the Group's interest rate risk;
> measuring exposure to interest rate risk;
> verifying compliance with limits;
> generating and transmitting reports in the area within its remit;
> preparing and verifying methods of measuring interest rate risk and implementation and maintenance of said methods within calculation applications.

The Department conducts a series of management analyses aimed at monitoring the risk of incurring losses over time as a consequence of potential changes in interest rates. The impact of fluctuations in interest rates is quantified both in terms of the change in interest income, with impact on current profits over a time horizon of twelve months, and in terms of a change in the market value of assets and liabilities, and thus of the economic value of net equity.

The Internal Audit Department is responsible for third-tier controls of interest rate risk and performs said controls not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.
In order to measure the internal regulatory capital covering interest rate risk on the banking book, the Group has adopted the method set out in Schedule C to Circular No. 285/2013[3] of the Bank of Italy and the recent guidelines on the subject from the European Banking Authority (EBA) [4].
In particular, Banca Generali adopted the changes included in the 32nd update of 21 April 2020 to the said Circular, placing particular emphasis on removing the restriction of non-negative rates for instruments that do not present minimum legal or contractual interest rates. On the other hand, with regard to the change in net interest income, the Group adopted the simplified method proposed in Annex C-*bis* (Part One, Title III, Chapter 1), following the repricing gap model.

1.2.7 Concentration risk

From the standpoint of the concentration of the loan portfolio, the Bank aims at a sound level of diversification consistent with its business model, with credit activity mainly focusing on Italian private-banking clients evenly distributed in geographical terms, in accordance with regulatory limits on exposures to connected parties and large risks.
Banca Generali's Lending Rules identify the segments of reference for lending business and risk is distributed in accordance with the concentration limits set out in the RAF.
In addition, considering that most of the loans granted to ordinary customers are secured by pledges on financial instruments, the problem of the concentration of the residual risk, net of the value of guarantees, appears marginal and of modest significance.
Furthermore, the Lending Rules of Banca Generali S.p.A. set additional operating limits relating to the total exposure to each customer, including linked positions.[5]

The Group's concentration risk is periodically monitored **(i)** on the basis of the objective levels, attention thresholds and operating limits, as laid down in the Risk Appetite Framework approved by the Parent Company's Board of Directors, and **(ii)**, operationally, on the basis of the operating limits system approved by the Parent Company's Board of Directors and the organisational measures adopted.

The Finance Department and Lending Department are responsible for first-tier controls of concentration risk.
The Finance Department is responsible for lending to institutional counterparties (loans to banks) and investment in securities considered in determining the Group's overall credit exposure.
The Lending Department is responsible for loans to customers, primarily retail and corporate customers.

[2] Cf.: "Internal Rules and Procedures" of Banca Generali S.p.A.
[3] Cf. Part I, Title III, Chapter I.
[4] EBA/GL/2015/08: "Guidelines on the management of interest rate risk arising from non-trading activities"; EBA/GL/2018/02: "Final report on guidelines on the management of interest rate risk arising from non-trading activities"
[5] Regarding associated positions, the legislation defines a "group of related customers" as two or more entities that constitute a single unit in terms of risk profile inasmuch as: a) one has the power to control the other or others ("legal" connection); b) regardless of the existence of the relationships of control set out in a) above, there exist links between the entities in question such that, in all probability, if one of them were in financial difficulties, the other or all the others could also encounter difficulties in repaying the debt ("financial" connection).

The Risk and Capital Adequacy Department is responsible for second-tier controls, including the following activities:

- identifying concentration risk;
- measuring exposure to concentration risk;
- implementing stress tests;
- verifying compliance with the established limits regarding concentration risk;
- generating and transmitting reports in its area within its remit;
- preparing and verifying methods of measuring concentration risk, as well as implementing and maintaining said methods within calculation applications.

Third-tier controls are conducted by the Internal Audit Department, in accordance with the Internal Rules and Procedures. The Internal Audit Department performs said controls not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.

With reference to the concentration risk, the Group takes into account both the risk per individual borrower (per "name") and the geo-sectoral risk: for the former, the Group uses the "Granularity Adjustment" (GA) method defined and regulated in the new prudential supervisory provisions, whereas for the latter it uses the Italian Banking Association method, defined in the context of the "Laboratorio Rischio di Concentrazione" (Concentration Risk Workshop) in collaboration with a qualified independent consulting firm, and then presented to and shared with the Bank of Italy.

1.2.8 Liquidity risk

The liquidity risk management and monitoring policy implemented by the Group at the consolidated level is aimed at:

- managing operating liquidity risk, i.e., events that affect the Group's liquidity position on the short-term time horizon, with the primary objective of maintaining the Group's capacity to meet its ordinary and extraordinary payment obligations, while minimising the related costs;
- managing structural liquidity risk, i.e., all events that affect the Group's liquidity position, including in the medium/long term, with the primary objective of maintaining an adequate dynamic relationship between liabilities and assets on the various time horizons. In particular, the management of structural liquidity allows:
  - pressure on current and prospective sources of liquidity to be avoided;
  - the cost of funding to be optimised.

In keeping with the content of the Risk Appetite Framework approved by the Parent Company's Board of Directors, the liquidity risk appetite is periodically monitored on the basis of:

- the additional indicators for the Group and legal entities relating to the Parent Company, which contribute to the determination of the primary indicators and are also considered when determining the objective risk profile for liquidity risk;
- the operational indicators for the Parent Company and, where relevant, the Group in the exercise of the proportionality criterion for legal entities and business units, which identify the operating limits for liquidity risk.

First-tier controls on operations are the responsibility of the Finance Department.

The Risk and Capital Adequacy Department carries out second-tier controls and has the following specific duties:

- identifying the Group's liquidity risk;
- supporting the definition of policies and processes for liquidity risk management;
- measuring and assessing exposure to liquidity risk both on a going concern basis and in stress scenarios;
- verifying compliance with the limits defined;
- working with the involved functions to prepare and formally draft a Contingency Funding Plan;
- generating and transmitting reports in its area within its remit;
- preparing and verifying methods of measuring/assessing liquidity risk, as well as implementing and maintaining said methods within calculation applications.

The Internal Audit Department is responsible for third-tier controls of liquidity risk and performs said controls not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.

The Group has also formally defined a Contingency Funding Plan. The main purpose of this plan is to protect the Group's assets in liquidity crisis situations through the preparation of crisis management strategies and procedures for procuring sources of funding in the event of an emergency.

The Plan identifies two types of liquidity crises:

- systemic crises, which affect the entire financial system;
- specific (or idiosyncratic) crises, which only affect the Group.

The Plan formally defines the roles and responsibilities of all the bodies and functions involved.
In addition, the Plan formally defines several indicators intended to detect/anticipate liquidity tensions/acute crises and the process of identifying, measuring, monitoring and reporting said indicators.
Finally, depending on the scenario of reference identified by the positioning of the various indicators, in the Contingency Funding Plan the mitigation actions that may be implemented by the Bank in the event of activation of the Plan are identified.

In terms of regulatory metrics, the Group adopts the liquidity coverage ratio (LCR) as its short-term indicator and the NSFR as its structural capital balance indicator, while also adopting additional liquidity monitoring metrics (ALMMs).

Below is the value of the LCR calculated according to EBA/GL/2017/01 "Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No. 575/2013".

EURO	LIQUIDITY COVERAGE RATIO
Liquidity Buffer	7,703,395,878
Total Net Cash Outflows	1,781,715,232
Liquidity Coverage Ratio (%)	432%

Note: The LCR is calculated as the simple average of the month-end measurements for the twelve months prior to the reference period.

1.2.9 Risk of excessive leverage

The propensity to the risk of excessive leverage is periodically monitored based on target levels, which are defined with reference to normal conditions and stress conditions, as well as for the purposes of compliance with the legal constraints, adopted within the Risk Appetite Framework approved by the Parent Company's Board of Directors.

The Risk and Capital Adequacy Department carries out second-tier controls and has the following specific duties:

> quarterly assessing the Leverage Ratio, calculated by the Administration Department both at individual and consolidated level, as part of its activities to prepare and transmit Supervisory Warnings;
> conducting stress tests to better assess the exposure to excessive leverage risk and identify relevant mitigation and control measures;
> ensuring compliance with the established limits and, in the event of divergence, initiating the recovery/adjustment process, informing the responsible functions thereof, or verifying that specific authorisation has been granted to maintain the risk position;
> generating and transmitting reports in its area within its remit.

Third-tier controls on the risk of excessive leverage are carried out by the Internal Audit Department.

The Group measures the risk of excessive leverage with the indicator established by supervisory provisions and the leverage ratio, consisting of the ratio of regulatory capital (Tier 1) to total adjusted balance sheet assets.

1.2.10 Residual risk

In a specific "Credit Risk Mitigation (CRM) Technique Management Policy" the Bank has established guidelines for the entire process of acquiring, assessing, monitoring and realising the credit risk mitigation ("CRM") tools used, together with the roles and responsibilities of the various units of Banca Generali.

The process of obtaining, finalising and managing guarantees is fundamental to preventing and monitoring residual risk.
The portfolio of Loans to Customers is primarily secured by guarantees in the form of collaterals, financial guarantees and mortgages.

First- and second-tier control systems are implemented for these types of guarantees.

The Lending Department shall:

> during the approval and disbursement of loans, it supervises the process of acquiring and finalising guarantees, as laid down in the Lending Rules and the Credit Risk Mitigation (CMR) Technique Management Policy;
> during first-tier controls:
  – requests on an annual basis a massive update of the properties that represent the collateral for outstanding mortgage loans;
  – establishes mid-monthly controls to monitor changes in the value of guarantees with respect to the value at their approval, in consideration of the volatility typical of financial instruments.

  In accordance with the Credit Risk Mitigation (CRM) Technique Management Policy, the Risk and Capital Adequacy Department:
  – collaborates with the departments involved in the process, the Lending Department, the Legal Affairs Department and the Administration Department in *ex-ante* verification in the event of new forms of collateral and to ensure the consistency of the process (and the policy) with the updates to the legislation;
  – is responsible for defining and monitoring credit risk mitigation techniques in collaboration with the other functions involved;
  – performs monthly monitoring of the composition of the guarantees portfolio by individual position and observance of the RAF rules.

1.2.11 Reputational risk

Considering the different impacts of reputational risk throughout the Group's organisational structure, there are various internal Departments/Functions that engage in the control and monitoring of such risks. More specifically:

> the Marketing and External Relations and Communications Department is in charge of the dissemination and protection of the image of the Parent Company and its Subsidiaries in respect of the financial community and the general public. This Department is also in charge of disseminating the Company's strategy and culture through appropriate outreach plans and tools;
> the Legal Affairs Department contributes to addressing reputational risks by managing litigation and pre-litigation and handling complaints filed by customers with the Parent Company and Banking Group Companies. In this regard, it defines the conditions, methods and tools of control and standard forms for reporting on results, and in particular on customer resolutions;
> the Product Department designs and develops new products and services targeted at various customer segments in light of market trends and the Parent Company's positioning, with a view to optimising the use of the Company's resources and attaining commercial targets.

The Group's appetite for reputational risk, in accordance with the risk management policy approved by the Parent

Company's Board of Directors, underlies the organisational control systems adopted.
The Risk and Capital Adequacy Department and the Compliance and Anti-Money Laundering functions (to the extent of their remittance) are responsible for second-tier controls. To achieve this, the Risk and Capital Adequacy Department has implemented specific indicators for identifying, monitoring and mitigating a possible increase in risk exposure with respect to the Group's appetite. Particular attention is devoted to the complaints, conduct and recruitment of Financial Advisors, in addition to complex, illiquid products and reputational aspects relating to partners.

The Internal Audit Department conducts independent controls (third-tier controls) of the operations performed by the Departments/Functions involved in the management of reputational risk. The Internal Audit Department performs said activity not only for the Parent Company, but also for Banking Group Companies, both under specific outsourcing agreements that govern the provision of audit service, and in an institutional capacity as a function of the Parent Company of the Banking Group.

In light of its business model and the external context in which it operates, the Group pays particular attention to the following reputational risk assessment areas:
> products and services offered to customers through the commercial network;
> partnerships/outsourcing;
> cybercrimes.

These risk areas are monitored through:
> a prior assessment conducted by the competent functions of the conformity of a new product, associated risks and the adequacy of IT procedures;
> monitoring of the commercial network's risk of fraud conducted directly by the Internal Audit and Compliance functions, which — each for their remit — are asked to carry out this coordination function with the task of overseeing the overall investigation process as provided for by the Bank's Internal Fraud Policy;
> definition of a dedicated business process for introducing new partners or expanding and monitoring services delivered by Partners who are already operating;
> implementation of a customised framework for defining and covering risks connected with cybercrime, managed by the Systems and Technologies (IT) Governance Department in collaboration with the Audit

In this context, the Group has also adopted specific codes of conduct and codes of ethics that govern the Group's operations and its dealings with its main stakeholders. In detail, the Group has adopted the following main codes:
> Internal Code of Conduct;
> Code on Inside information;
> Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance;
> Internal Dealing Code;
> Code of Ethics for the Generali Group's suppliers.

The Risk and Capital Adequacy Department put in place a process for proactively managing reputational risk based on a method aimed at identifying and qualitatively assessing exposure to this risk, in view of *ex-ante* identification of potential reputational risks relevant to its scenario, while also improving the ability to prevent and mitigate such risks.
In particular, the approach calls for the Risk and Capital Adequacy Department — with the active contribution of the different departments and based on events that had affected other companies in the sector, to identify the possible reputational risk scenarios — adding them to the Repository of Reputational Risks. It shall also assess such risks by directly involving the company "Assessor" functions[6].
In detail, in the matters falling within their remit, Assessors are tasked with formulating qualitative estimates of frequencies and impacts of potential future reputational risk events on the basis of their own judgement and experience of any prior events. The functions concerned are also responsible for contributing to the identification of possible additional measures for reinforcing the safeguards mitigating specific reputational risks where they deem it possible and necessary to do so by virtue of the Bank's potential exposure to the various risk scenarios.
The findings of the process of analysis conducted with the involvement of the internal stakeholders are used to identify the main reputational risks, which are brought to the attention of the Bank's top management through a dedicated reporting system managed by the Risk and Capital Adequacy Department.

1.2.12 Strategic risk

The first pillar of the framework for strategic risk management is Governance, which ensures constant monitoring for the traceability of decisions. The strategic risk is tackled by policies and procedures in which the most important decisions are reported to the Board of Directors and supported by specific preventive impact analyses in terms of capital adequacy and liquidity, consistency with the Risk Appetite Framework and sustainability of the business model. The Board of Directors has approved specific strategic planning guidelines, which regulate the CRO/CFO interaction, for the purpose of defining and updating the strategic plan and the Risk Appetite Framework and the ensuing approval of the budget for first year of the plan.

Internal capital for strategic risk is estimated using the Earnings at Risk (EaR) method based on the historical variability of the main risk factors to which the Group is exposed.
The Group's main areas of activity for the purposes of assessing strategic risk are distribution, asset management and the Group's traditional banking activity.

The following sources of strategic risk may be identified with respect to the above areas:
> unfavourable development of the competitive scenario in which it operates, resulting in a potential adverse effect on net inflows,
> a potential decrease in performance fees,

[6] The Bank's main operating and business functions responsible for monitoring the consequences of the possible occurrence of reputational risk.

> the asset quality of the Bank's investment portfolios, and in particular the choice of asset allocation of the securities portfolio, which has an impact on HTCS reserves in equity.

1.2.13 Compliance risk

The following are considered when assessing compliance risk resulting from non-compliance with laws, regulations and internal policies: the **Group's operations**[7] and the risk **management process**.

With regard to the compliance risk **management process**, the Group has adopted a Risk Management Policy, duly approved by the Board of Directors. The Policy defines the bodies, functions and guidelines for the management of said risk.
Compliance rules and procedures, which identify all of the entities involved in the management of such risk, with a focus on the Compliance Function's activities, have also been drafted.

The Compliance and Anti-Money Laundering Department[8] is tasked with verifying the observance of obligations relating to the provision of services for the Group (directly or through similar functions of its subsidiaries, as part of the management and coordination activity performed by the Parent Company) and preventing and managing the risk of non-compliance with applicable legislation, including tax-related legislation, according to a risk-based approach. Chief among the activities assigned to the Compliance Function is thus the definition of control functions aimed at managing the risk of non-compliance. Specifically, such functions take the form of:

> (prior) verification of the suitability of internal procedures to ensure compliance with applicable legislation (*ex-ante* verification);
> (ongoing) verification of the compliance of company processes (*ex-post* verification);
> input for defining and implementing any corrective measures and evaluating such measures.

In order to perform these activities, the Group has drawn up a Compliance Risk Matrix, which thus represents the main tool used in compliance risk assessment, adopted for ex-ante mapping of exposure to non-compliance risks for all significant processes of Banking Group Companies.
Compliance risk management is supported by the Multicompliance Evolution application, an IT tool that aids the compliance function in monitoring, assessing and thus containing compliance risk. In this same area, on 20 September 2019 a new release of the application in question was adopted to ensure independent measurement of the ex-ante residual risk score of compliance of processes attributed by the Compliance Function from that provided by the Anti-money Laundering Function (previously integrated).

During the year, the Compliance Function also monitors the 21 risk indicators (key risk indicators or "KRIs") relating to specific regulatory areas, identified in order to permit anomalous trends and potential deviations to be identified.
The scope of the Compliance Function's control activity also extends to evaluating the suitability and efficacy of compliance procedures. It follows that the Compliance Function is tasked with playing a propositional role with regard to the updating of the compliance policy and compliance regulations.

1.2.14 Other risks

The Group has also identified and monitors other types of risks such as:

> equity investment risks: risk of overly illiquid assets as a result of equity investments in financial and non-financial companies;
> risks related to risk assets and conflicts of interest with connected parties: the risk that the closeness of certain persons to the Bank's decision-making centres could compromise the objectivity and impartiality of decisions pertaining to the approval of loans and other transactions involving the said persons, and potentially give rise to distortions in the resource-allocation process, expose the Bank to risks that are not adequately measured or controlled, and/or result in harm and losses to depositors and shareholders;
> risk of money-laundering and financing of terrorism: the risk that the Bank may become involved, possibly without its knowledge, in phenomena of money-laundering and financing of terrorism;
> information technology risk: the risk of sustaining financial losses or reputational damage, or losing market share, in connection with the use of information and communication technology (ICT);
> systemic threat risk: risk tied to the Covid-19 emergency.

Equity investment risk

With regard to the equity investment risk management process, the Group has implemented a policy for managing this type of risk, duly approved by the Parent Company's Board of Directors. That policy:

> lays down the control activities for managing the limits prescribed by the Bank of Italy both at a general level and specifically to each investment;
> lays down the criteria and methods whereby Banca Generali decides upon and then manages its equity investments in other companies.

With reference to first-tier controls of equity investment risk, the Administration Department is charged with managing and updating the list of the Bank's equity investments by obtaining periodic information from the Finance Department concerning the presence, if any, in proprietary portfolios of shares and other equity instruments issued by the Bank's investees.

[7] The Group's operations are diversified in that the legal entities within the Group's scope of consolidation each have their own specialisations: traditional banking (net inflows and lending), integrated investment services and products and asset management. The Group's organisational structure appears complex both in terms of the Group's composition and the presence of the network of Financial Advisors on which the Group relies for the distribution of its financial products. These elements give rise to the Group's adoption of stringent rules of various kinds in order to prevent compliance risk resulting from non-compliance with laws, regulations and internal policies.
[8] Directly reporting to the body with managing functions, in line with industry regulations (Cf. Circular No. 285 dated 17 December 2013 "Supervisory Provisions for Banks").

In respect to second-tier controls, the Compliance function constantly verifies the existence and reliability of procedures and systems suited to ensuring compliance with all legal obligations and requirements of the Equity Investment Management Policy concerning investments in non-financial companies.

Third-level controls are the responsibility of the Internal Audit Department, which verifies compliance with the Equity Investment Management Policy with respect to investments in non-financial companies and reports any anomalies in a timely manner.

Risk arising on related party transactions

With reference to the management process of the risk arising on related party transactions, the Banca Generali Group adopted a specific risk management policy, duly approved by the Board of Directors of Banca Generali S.p.A., with the goal of:

- defining risk appetite levels in terms of a maximum amount of risk assets in relation to Connected Parties deemed acceptable with respect to Own Funds, in reference to total exposures to all Connected Parties;
- identifying, in regard to transactions with Connected Parties, the sectors of activity and types of dealings of an economic nature, in relation to which conflicts of interest may arise;
- governing organisational processes made for thoroughly identifying and cataloguing Connected Parties, and identifying and quantifying the pertinent transactions throughout all phases of the relationship;
- governing control processes meant for ensuring that the risks assumed in relation to Connected Parties are properly measured and managed and verifying that internal policies have been properly designed and effectively applied.

With reference to second-tier controls:

- the Risk and Capital Adequacy Department is responsible for monitoring exposures to Connected Parties, verifies observance of the limits assigned to the various departments and operating units and checks the transactions undertaken by each of them for consistency with the various risk appetite levels set out in the Policies;
- the Compliance function verifies the existence and reliability, on an ongoing basis, of procedures and systems suited to ensuring observance of all regulatory obligations, as well as those established by internal rules and procedures.

The Internal Audit Department is responsible for third-tier controls, verifies compliance with the Policies and reports any anomalies in a timely manner.
The Bank's Independent Directors play a role of evaluation, support and proposition in the area of the organisation and performance of internal controls on the overall activity of assuming and managing risks in relation to Connected Parties, as well as a general review of the consistency of activity with strategic and managerial guidelines.

Risk of money-laundering and financing of terrorism

The Group has adopted specific internal rules, procedures, training programmes, monitoring activities and checks aimed at ensuring compliance with laws and regulations and mitigating the risk that an activity or transaction may be linked to phenomena of money-laundering or financing of terrorism, as defined in Legislative Decree No. 231/2007, as amended.
Strategic decisions regarding the risk of money-laundering and financing of terrorism fall within the remit of the Parent Company's Board of Directors, whereas the governing bodies of individual Group Companies are responsible for implementing such decisions within the framework of their specific company situations.
To this end, the Banking Group has adopted a specific "Policy for Managing the Risk of Money-Laundering and Financing of Terrorism", the most recent update to which was approved by the Parent Company's Board of Directors on 17 December 2020 and then implemented by all Banking Group Companies.
This Policy lays down the principles and guidelines that the entire Banking Group must follow when preventing and managing the risk in question.
The Parent Company's Anti-Money Laundering Service is responsible for preventing and combating the transactions involving money laundering and financing of terrorism with respect to Companies based in Italy[9].
It collaborates with the Compliance Service on matters within its purview and on ex-ante assessment of the residual risk associated with company processes — through the adoption of a method aligned with compliance-related method, where the assessment is closely focused on the specific risk monitored —, while availing itself of the same information technology tools used in support of efficacy assessment, reporting, and monitoring of remedial measures.

Information technology risk

In an integrated view of company risks for prudential purposes (ICAAP), this type of risk is considered, according to the specific aspects, among operational risks (Pillar 1), as well as among reputational and strategic risks (Pillar 2). In light of the close correlation with the operating risk, the Group assesses the information technology risk and the related losses within its framework for managing operating risks. One element of similarity between operational risk and IT risk is represented by the risk factors connected to the technological components that must be relatable to the Event Types defined for the operational risk (e.g.: malfunction, incompleteness, system non-integration, attacks on IT system components, thefts and fraud against critical assets, catastrophic events, etc.).

Within this framework, Banca Generali has prepared a Business Continuity Plan (BCP), subject to annual revision and updating, to ensure the continuity of the critical processes for each Group Company and thus maintain an adequate level of customer service. The pandemic scenario and remote working methods were included in the most recent update to the Business Continuity Plan.

[9] Nextam Partners is an exception: with regard to the corporate transactions currently being finalised, it has retained its Anti-money Laundering Function, operating in coordination with that of the Parent Company, Banca Generali. However, Nextam has adopted the Policy for managing money-laundering and terrorist financing risks approved by the Parent Company and takes part in the annual risk self-assessment process.

In addition, cybersecurity procedures and guidelines continue to be prepared, with updates to the subjects of cloud computing, use of remote work, company devices and classification of assets.

In the area of IT security, the Bank has begun a project involving a revision of anti-fraud infrastructure and services through the acquisition of a new artificial intelligence engine capable of analysing customers' specific transactions across all device channels (home banking, mobile app, corporate banking platform WebContoC, etc.).

The **management process** is a tool to ensure the efficacy and efficiency of the measures for protecting ICT resources, allowing the mitigation measures to be graduated in the various areas according to the risk profile.

The management process involves:

> the responsible user, i.e., an individual within the company identified for each system or application who formally assumes responsibility for that system or application, as a representative of users, and in dealings with functions charged with development and technical management;
> the Systems, Technology and IT Security Management Department, that ensures the efficient operation of application procedures and IT systems, in support of organisational processes and cyber-risk monitoring for the entire Banking Group;
> the Risk and Capital Adequacy Department, whose second-tier control activities include qualitative assessment of information technology risk, conducted in the context of the operating risk management framework;
> the Internal Audit Department, responsible for third-tier controls and tasked with verifying the adequacy of the Banking Group's information technology systems and procedures, including where provided by outsourcers, and with periodically certifying that information technology risk is properly managed.

In the information technology risk management process, the Group has adopted an **"Information Technology Security Policy"**, which has also been approved by the Board of Directors and contains:

> the objectives of the information technology security management process, in accordance with the information technology risk appetite set at the company level;
> general security principles on the use and management of the information technology system;
> roles and responsibilities related to the information technology security function;
> the organisational and methodological framework of reference for ICT management processes charged with ensuring the appropriate level of protection;
> guidelines for communication, training and awareness-raising activities.

Systemic threat risk

Since news of the Covid-19 outbreak first began to spread, Banca Generali has implemented procedures designed to protect the health of all its workers, employees and Financial Advisors, while also ensuring the full operation of all company activities.
International travel was immediately frozen, whereas domestic trips were subject to approval by the top levels of senior management; in addition, all activities involving gatherings in offices and elsewhere were suspended and physical-presence meetings were replaced by video-conferencing. Health and hygiene measures in company offices were enhanced, floors were segregated and the spaces available for use within them were reorganised and limited to ensure that safe distances are maintained.
Moreover, since the end of February remote working has been activated for all compatible business activities and flexible arrangements have been made for categories of persons at greater risk in an increasingly extensive manner. Remote working has also been activated for the Group's foreign companies' employees.
All workers completed a mandatory online training module entitled "Our commitment to a safe return" developed in collaboration with the Prevention and Protection Service and designed to provide them with better knowledge of the rules adopted by the Company to manage the risk of Covid-19 infection and the related behaviour and precautions to be adopted to protect their health and that of their colleagues.
From an operational standpoint, the Group's technological infrastructure and digital banking operating procedures have made it possible to implement several processes aimed at keeping up with the increased remote workload and to ensure the full operation of all company activities, without significant interruptions or service outages, in line with the government measures that have deemed banking to be essential services.

2. SCOPE OF APPLICATION

The public disclosure obligations apply to the Banca Generali Group. Banca Generali S.p.A. is the Parent Company. The following table shows the Subsidiaries and scope of consolidation relevant for prudential and financial reporting purposes.

COMPANIES IN CONSOLIDATED ACCOUNTS	REGISTERED OFFICE	CONSOLIDATING COMPANY	% HELD	% OF VOTES IN GSM	TREATMENT FOR SUPERVISORY PURPOSES	TREATMENT FOR FINANCIAL STATEMENTS PURPOSES
BG Fund Management Luxembourg S.A.	Luxembourg	Banca Generali S.p.A.	100%	100%	Line-by-line	Line-by-line
Generfid S.p.A.	Milan	Banca Generali S.p.A.	100%	100%	Line-by-line	Line-by-line
Nextam Partners SIM S.p.A.	Milan	Banca Generali S.p.A.	100%	100%	Line-by-line	Line-by-line
Nextam Partners Ltd.	London	Banca Generali S.p.A.	100%	100%	Line-by-line	Line-by-line
BG Valeur S.A.	Lugano	Banca Generali S.p.A.	90.10%	90.10%	Line-by-line	Line-by-line

The consolidation scope changed compared to the previous year due to the merger into the parent company, Banca Generali S.p.A., of the subsidiaries Nextam Partners S.p.A. and Nextam Partners SGR S.p.A, which took place with effect from 1 July 2020, and with accounting and tax effect retroactive from 1 January 2020.

On 12 September 2020, the UK Financial Conduct Authority (FCA) deregistered Nextam Partners LTD from the register of regulated investment service providers and the company ceased to operate; on 16 December 2020, the company then formally undertook the Member's Voluntary Liquidation procedure, which in the absence of obstacles is expected to be concluded in early 2021. The company had also previously shortened its financial year from 31 December to 30 September 2020 (nine months).

The consolidated accounts include the separate financial statements of the Parent Company and the Subsidiaries at 31 December 2020, reclassified and adjusted where necessary, to take account of consolidation requirements.

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

The carrying amount of equity investments in subsidiaries consolidated line by line is derecognised against the corresponding shares of equity in the said subsidiaries.
The resulting differences are allocated to the assets or liabilities of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Negative differences are charged to the profit and loss account.

The most significant intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

Dividends distributed by subsidiaries are eliminated from the consolidated profit and loss account and a corresponding adjustment is made to prior years' income reserves.

The following is a description of the Banca Generali Group's organisational structure at 31 December 2020:
> **Banca Generali S.P.A.**, the Parent Company, engages primarily in the offering of traditional banking products, and the offering and placing of asset management and insurance products;
> **Generfid S.p.A.** is a company specialised in setting up and managing trusts;
> **BG Fund Management Luxembourg S.A.** is a Luxembourg company specialised in the management of Sicavs;
> **Nextam Partners SIM S.p.A.**, which primarily provides advice and order receipt, transmission and execution services;
> **Nextam Partners LTD**, based in London, in voluntary liquidation;
> **BG Valeur S.A.**, a Lugano-based company under Swiss law, specialising in wealth management.

There are no current or foreseeable legal restrictions on the rapid transfer of financial resources or funds within the Group.

3. OWN FUNDS

Own funds are the central element of Pillar 1 and are calculated according to the Basel 3 rules adopted in the European Union through a set of regulations including European Regulation No. 575/2013 (CRR - Capital Requirements Regulation), Directive 2013/36/EU (CRD IV - Capital Requirements Directive), Regulatory Technical Standards (RTSs) and the Implementing Technical Standards (ITSs) drafted by the EBA and issued by the European Commission.

The regulations cited above have been transposed into the Italian system by the following circular letters:
> Bank of Italy's Circular No. 285: Supervisory Provisions for Banks;
> Bank of Italy's Circular No. 286: Instructions for the Preparation of Prudential Reports for Banks and Securities Brokerage Companies;
> Update to Bank of Italy's Circular No. 154: Supervisory Reporting by Credit and Financial Institutions. Reporting Templates and Instructions for Submitting Data Streams.

Own funds differ from net book equity in accordance with IASs/IFRSs because prudential regulations aim to safeguard asset quality, while reducing the potential volatility caused by the application of IASs/IFRSs. The constituent components of Own funds thus must be fully available to the Group, so that they may be used without limitation to cover company risks and losses. Institutions must demonstrate that they possess Own funds of a quality and quantity compliant with the requirements imposed by current European legislation.

Qualitative information

As in the previous regulations, Own funds are calculated as the sum of positive components, included with some limitations, and negative items, based on their capital quality. They consist of the following aggregates:
> Common Equity Tier 1 capital (CET1);
> Additional Tier 1 capital (AT1);
> Tier 2 capital (T2).

The current regulatory framework is being phased in gradually, with full application of Basel 3 rules being achieved in 2019 (2022 for the phase-in period of several equity instruments) and the new rules being applied at an increasing rate.
Since 2019, Banca Generali has fully applied said rules.

The complete terms and conditions of Tier 1 and Additional Tier 1 equity instruments are presented in Annex 1 to this document. Annex 2 includes the phase-in Own funds disclosure template provided for in the EBA's instructions.

3.1 Common Equity Tier 1 – CET1

3.1.1 Common Equity Tier 1 capital (CET 1)

CET1 includes paid-in capital, additional paid-in capital, earnings reserves, valuation reserves (OCI valuation reserve, IAS 19 actuarial losses reserve), with the exception of the cash flow hedge reserve.
CET1 own instruments (treasury shares) and loss for the period are deducted from this aggregate.
Net profit for the period may be calculated, net of the provision for dividends (retained earnings) in compliance with Article 26 of the CRR and national discretionary measures provided for by the Bank of Italy.

3.1.2 Elements to be deducted from CET1

CET1 is then subject to the following deductions:
a) intangible assets, including goodwill;
b) deferred tax assets (DTAs) that are based on future profitability and do not arise on temporary differences, or differences involving tax losses;
c) deferred tax assets that rely on future profitability and arise on temporary differences (net of the corresponding deferred tax liabilities); deferred tax assets convertible to credits pursuant to Law No. 214/2011 are however not deducted, but calculated in risk weighted assets (RWAs) with a 100% weighting;
d) deferred tax assets relating to multiple redemptions on the same goodwill for the portion that has not yet been reflected in the current tax position;
e) direct, indirect and synthetic non-significant investments (<10%) in CET 1 instruments issued by financial institutions;
f) direct, indirect and synthetic significant investments (>10%) in CET1 instruments issued by financial institutions;
g) any deductions exceeding AT1 capital instruments.

Deductions relating to equity investments in financial institutions and deferred tax assets apply only to amounts exceeding given CET1 thresholds, known as **allowances**, according to a particular mechanism described below:
1. **non-significant investments** in CET1, AT1 and T2 instruments issued by financial institutions are deducted for the portion exceeding 10% of the amount of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets, that rely on future profitability and derive from temporary differences, to direct, indirect and synthetic investments in CET1 instruments issued by financial institutions, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
2. **net deferred tax assets** that rely on future profitability and arise on temporary differences are deducted for the portion exceeding 10% of CET1 obtained after

applying prudential filters and all the deductions other than those relating to deferred tax assets, that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
3. **significant investments in CET1 instruments** issued by financial institutions are deducted for the portion exceeding 10% of CET1 obtained after applying prudential filters and all the deductions other than those relating to deferred tax assets, that rely on future profitability and arise on temporary differences, any deductions exceeding AT1 capital instruments and deductions of qualified investments in financial institutions;
4. amounts not deducted due to the 10% allowance relating to significant investments in CET1 instruments issued by financial institutions and net deferred tax assets that rely on future profitability and derive from temporary differences, added together, are deducted only **for the amount exceeding 17.65%** of CET1 obtained after applying prudential filters and all the deductions, including investments in financial institutions and deferred tax assets calculated in their entirety without taking account of the aforementioned thresholds, except for any deductions exceeding AT1 capital instruments;
5. amounts not deducted due to the allowances are included in risk-weighted assets and subject to a 250% weighting.

3.1.3 Phase-in – impact on CET1

With reference to the adoption of IFRS 9, the Banking Group did not opt to apply the phase-in regime set forth in the Regulation (EU) No. 217/2395 which allows banks, whose opening balance sheet at the date of IFRS 9 first-time adoption reports a decline in CET1 due to the increase in expected credit loss provisions (net of tax effects), to include in their CET1 a portion of the said increased provisions for a phase-in period of five years.

3.1.4 CET1 prudential filters

In addition, "prudential filters" are also applied to CET1, with the purpose of safeguarding the quality of the regulatory capital and reducing its potential volatility caused by application of the new IASs/IFRSs. These filters consist of corrections to accounting data before they are used for regulatory purposes and are governed directly by the CRR or provided for by national discretionary measures.

With reference to the prudential filters introduced directly by the CRR, the prudent valuation filter is applied to Banca Generali for the portfolio of financial assets and liabilities valued at fair value in the financial statements.

This filter is determined as 0.1% of total net exposures shown in the balance sheet at fair value in order to take account of the uncertainty of the parameters used for the valuation (risk model, costs of closure, etc.).

On the other hand, with reference to national discretionary measures, only the prudential filter relating to **multiple goodwill** is applied to Banca Generali.

This filter is instead aimed at neutralising the benefits at the level of capital for regulatory purposes due to the DTAs recognised in connection with the multiple redemption on the same goodwill within a single group or intermediary.
In further detail, the procedures of tax redemption in question were carried out in accordance with Article 10 of Legislative Decree No. 185/2010 or ordinary rules governing successive business combinations within a single group that have also entailed the transfer of portions of goodwill.

To this end, it has been specified that the share of DTAs recognised at the level of the intermediary or group is to be deducted from core Tier 1 capital, as limited to the portion associated with the DTAs recognised after the initial one.

In addition, for years ending on or before 31 December 2012, intermediaries may distribute the neutralisation over a period of five years, including one-fifth of the value of those DTAs at 31 December 2012, net of the amount that, each year, is to be reversed to the profit and loss account or transformed into a tax credit, among the negative items of Tier 1 capital.
In the Banking Group's case, the above filter only affects the share of goodwill associated with the acquisition of Banca del Gottardo Italia S.p.A., originally subject to the redemption of taxes on goodwill by Banca BSI Italia and subsequently once more by BG SGR S.p.A. following the contribution by the former of its portfolio management business unit. Both companies were then merged into the Parent Company, Banca Generali.

The tax value of the goodwill subject to tax redemption amounted to 4,932 thousand euros, of which deferred tax assets for Italian corporate income tax (IRES) and regional production taxes (IRAP) of 1,410 thousand euros had been allocated at 31 December 2012. The amount of the filter as at 31 December 2020 thus amounted to 705 thousand euros.

3.2 Additional Tier 1 capital (AT1)

Additional Tier 1 capital includes capital instruments regulated under Articles 51 *et seqq.* of CRR.
This aggregate amounted to 50 million euros at 31 December 2020 and referred to the IT0005395436 instrument, with a calculated value of 50 million euros.

3.3 Tier 2 capital (T2)

3.3.1 Tier 2 capital (T2)

Tier 2 capital includes Tier 2 capital instruments and subordinated liabilities, regulated by Articles 63 *et seqq.* of the CRR and having the following characteristics:
> the original term is not less than 5 years and no incentives are envisaged for early repayment;
> call options, where applicable, may be exercised at the issuer's sole discretion and in any event no earlier than 5 years, subject to the authorisation of the Supervisory Authority granted in special circumstances;

- early repayment is also allowed before 5 years only in the event of significant changes to the tax or regulatory regime and always with the prior authorisation of the Supervisory Authority;
- subscription and purchase must not be financed by the Parent Company or its subsidiaries;
- they are not subject to guarantees issued by the Parent Company, its subsidiaries or other companies that have close links with them, which increase their seniority;
- interest does not change based on the Parent Company's credit rating;
- these instruments are amortised pro-rata over the past 5 years for T2 calculation purposes.

Year-end Tier 2 capital of the parent company Banca Generali does not include any Tier 2 subordinated liability.

3.3.2 Elements to be deducted from T2

T2 is subject to the following main deductions:

- direct, indirect and synthetic investments in T2 own instruments;
- direct, indirect and synthetic investments in T2 instruments of financial entities.

These cases do not appear in Banca Generali's financial statements particularly since there are no investments in T2 instruments of financial entities exceeding the relevance thresholds for purposes of the deduction from Own funds.

Quantitative information

Consolidated own funds, calculated in accordance with the Basel 3 rules in effect since 1 January 2014 and, net of the expected dividends to be paid, amounted to 676.1 million euros, up by 105 million euros compared to the end of the previous year.

ITEMS/VALUES (€ THOUSAND)	31.12.2020	31.12.2019	CHANGE	
			AMOUNT	%
Common Equity Tier 1 capital (CET1)	626,103	520,939	105,164	20.19%
Additional Tier 1 (AT1) capital	50,000	50,000	-	n.a.
Own funds	**676,103**	**570,939**	**105,164**	**18.42%**
Consolidated net equity	**1,184,504**	**917,668**	**266,836**	**29.08%**

Reconciliation statement between consolidated book net equity and Tier 1 capital

(€ THOUSAND)	31.12.2020
Consolidated net equity	**1,184,504**
Dividend for shareholders	-385,610
Adjustments for instruments that may be included in AT1 or T2	-50,000
Profit for the year, not to be calculated	-
Treasury shares included in regulatory adjustments	-246
Other items that may not be included upon full application	-
Tier 1 capital before regulatory adjustments	**748,648**
Regulatory adjustments	-122,545
Tier 1 capital net of regulatory adjustments	**626,103**

A full reconciliation of items of Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, as well as filters and deductions applied to Own funds and consolidated balance sheet is provided in Annex 3 hereto.

Composition of Own funds

The composition of Own funds is shown synthetically below, illustrating the effects of the prudential filters and the changes linked to the phase-in provisions.

	31.12.2020
A. Tier 1 capital before application of prudential filters	748,648
B. CET1 prudential filters (+-/-)	-2,780
C. CET1 gross of elements to be deducted	745,868
D. Elements to be deducted from CET1	-119,765
F. Total Common Equity Tier 1 capital - CET1 (C - D+/- E)	626,103
G. Additional Tier 1 capital (AT1) gross of elements to be deducted	50,000
H. Elements to be deducted from AT1	-
L. Total additional Tier 1 capital (AT1)	50,000
M. Tier 2 capital (T2) gross of elements to be deducted	-
N. Elements to be deducted from T2	-
P. Total Tier 2 capital (T2)	-
Q. Total own funds	**676,103**

More in detail, Own funds are composed as follows.

OWN FUNDS	31.12.2020
TIER 1 CAPITAL (T1)	
Share capital	116,852
Share premium reserve	57,062
Treasury shares	-45,185
CET1 instruments which the entity has the real or potential obligation to purchase	-
CET1 instruments	**128,729**
Reserves	726,471
Net profit (loss) for the period	274,919
Share of net profit for the year, not included in CET1	-385,610
Earnings reserves	**615,780**
OCI reserves – equity securities and UCITS	-510
OCI reserves – EU government securities	4,998
OCI reserves – debt securities	2,033
Reserve for exchange rate differences	-130
Actuarial reserves IAS 19	-2,252
Other components of other comprehensive income (OCI)	**4,139**
Prudent valuation	-2,780
Negative prudential filters	**-2,780**
Goodwill	-86,973
Goodwill DTLs	7,262
Intangible assets	-48,949
Regulatory reversal on software expenses deducted	9,905
DTAs to P&L not arising from temporary differences (tax losses)	-305
Other negative items (neutralisation of DTAs arising on multiple goodwill tax redemption)	-705
Total negative items	**-119,765**
Adjustments of DTAs/DTLs through P&L arising on temporary differences	**-**
Portion exceeding non-significant investments (<10%) in CET1 instruments	**-**
Portion exceeding significant investments (>10%) in CET1 instruments	**-**
General deduction - portion exceeding DTAs	-
General deduction - portion exceeding significant investments	-
General deduction with threshold 17.65%-15%	**-**
Phase-in – DTAs – impact on CET1	-
Significant investments: 50% of items to be deducted from CET1	-
Phase-in provisions	**-**
Total Common Equity Tier 1 capital (CET1)	**626,103**
Eligible AT1 equity instruments	50,000
Significant investments: excess of items to be deducted from AT1	-
Total Additional Tier 1 (AT1) Capital	**50,000**
TOTAL TIER 1 CAPITAL	**676,103**
Total Tier 2 capital (T2)	**-**
Total own Funds	**676,103**

During the year, CET1 performance was influenced by the contribution of the dividend for financial year 2019 approved by the General Shareholders' Meeting on 23 April 2020 and not distributed to the Shareholders (216.2 million euros), but rather reallocated to an equity reserve in accordance with the ECB's recommendations regarding the Covid-19 pandemic and extended by the Bank of Italy to less significant institutions directly supervised[10].

[10] Recommendation ECB/2020/19 "On dividend distributions during the Covid-19 pandemic", of 27 March 2020 (ECB/2020/19), subsequently repealed by Recommendation ECB/2020/35 of 27 July 2020 and Recommendation ECB/2020/62 of 15 December 2020, extended by the Bank of Italy to less significant institutions supervised by the same (Bank of Italy's Notices of 27 March 2020, 28 July 2020 and 16 December 2020).

In addition, the positive effects of the previous and new stock-option plans and the change in intangible assets also contributed to the performance, partially offset by the buy-back of treasury shares.

Own funds at 31.12.2019	**570,939**
Change in Tier 1 capital	
Purchase and sale of treasury shares	-12,688
Change in reserves for share-based payments (IFRS 2)	5,823
Prior year's dividend not paid out	216,176
Estimated regulatory provisions for retained earnings	-110,691
Change in OCI reserves on HTCS	649
Change in IAS 19 OCI reserves	-322
Change in goodwill and intangible assets (net of related DTLs)	8,221
Negative prudential filters (prudent valuation - simplified method)	65
DTAs through P&L not arising on temporary differences (tax losses)	-305
Changes and dividends on AT1 equity instruments	-1,631
Other effects (other reserves)	-133
Total changes in TIER 1 capital	**105,164**
Total changes in TIER 2 capital	**-**
Own funds at 31.12.2020	**676,103**
Change	**105,164**

In order to mitigate the significant economic impact of Covid-19 and to promote newly originated loans for businesses and households, the European Commission has promoted a package of banking measures, also including amendments to the CRR, which were adopted by Commission Delegated Regulation (EU) No. 2020/873, published in the OJEU on 26 June 2020.

The package includes, *inter alia*,

- new IFRS 9 phase-in rules on own funds that allow the greater collective adjustments to performing positions (stage 1 and stage 2) recognised compared to 1 January 2020 to be sterilised during the 2020-2024 period;
- the introduction of a new phase-in filter until 31 December 2022, to exclude from the calculation of CET1 the amount of unrealised profits and losses on exposures towards administrations and public entities recognised since 31 December 2019;
- the acceleration to 30 June 2020 of the timetable for adopting the new SME supporting factor, intended to support exposures to small and medium-sized enterprises by reducing the applicable capital requirements;
- the elimination of the deduction from own funds of IT investments in software implemented in accordance with Commission Delegated Regulation (EU) No. 2020/2176 of 12 November 2020.

In this regard, it should be noted that Banca Generali has not adopted the aforementioned optional phase-in rules. On the other hand, the implementation of the SME supporting factor had a 1.5-million-euro positive impact in terms of the capital requirements for credit risk, whereas the recognition of IT investments in software increased own funds by approximately 10 million euros.

4. CAPITAL REQUIREMENTS

Qualitative information

The adequacy of internal capital is constantly monitored by the Parent Company for the purposes of both current assessments and prospective planning.
Assessment and planning are closely related inasmuch as the forecasting phase must be based on knowledge of the current situation, especially as regards the measurement of risk-weighted assets (RWAs), market risk, operating risk and balance sheet items.

The management of the Group's capital, at both the current and prospective level, aims to ensure that Banca Generali's capital and ratios, as well as those of its subsidiaries, are consistent with the risk profile assumed and comply with regulatory requirements.
Banca Generali Group and the banks and financial companies belonging to it are subject to the capital adequacy requirements established by the Basel Committee in accordance with the rules defined by the EU (CRR/CRD IV) and applied by the Bank of Italy.

Compliance with these requirements is verified by the Bank of Italy on a quarterly basis.

At 31 December 2020, the Banca Generali Group had a Total Capital Ratio[11] of **18.4%** compared to a minimum requirement of 11.84%[12] indicated by the Supervisory Authority following the SREP, including a 2.5% capital conservation buffer.
Ongoing compliance with minimum capital requirements is monitored by the Risk and Capital Adequacy Department, whereas the Administration Department is tasked with drafting all of the reports to be submitted to the Supervisory Authorities required under applicable legislation, ensuring their accuracy and compliance with deadlines, requesting support from the organisational units directly involved, where necessary. It is also responsible for the related databases (historical regulatory archive).

Within the Risk Appetite Framework, the Risk and Capital Adequacy Department performs, throughout the year and on a quarterly basis, second-tier controls on compliance with capital adequacy ratios and the necessary measures are taken to ensure control over the balance sheet items. Additional analyses and advance control of the Group's capital adequacy is also carried out any time extraordinary transactions are carried out (e.g., acquisitions, transfers, etc.). In these cases, information concerning the transaction is used to estimate its impact on the capital ratios, and any actions that may be necessary to comply with the requirements of the Supervisory Authorities are planned.

Compliance with capital adequacy is also guaranteed by the adoption of a payout policy defined in accordance with the ECB's recommendations issued on 28 January 2015, aimed at observing minimum capital requirements in the medium-/long-term and detecting the potential effects of any adverse market situation.

[11] Ratio of total Own funds to risk-weighted assets.
[12] Moreover, it should be noted that on 12 March 2020 the ECB introduced various prudential mitigation measures aimed at reducing the impact of the Covid-19 emergency on the banking system, such as an option to operate temporarily beneath the capital conservation buffer and Pillar 2 guidance (P2G) and to comply with the binding Pillar 2 requirement (P2R) partially by using equity instruments not classified as CET1. On the basis of these measures, the total binding requirement for the Banking Group would temporarily amount to 9.34%, exceeding own funds by over 330 million euros.

Quantitative information

The following table shows the details of the Group's capital adequacy at 31 December 2020 in thousands of euros.

	31.12.2020	
	NON-WEIGHTED AMOUNTS	WEIGHTED AMOUNTS
A. Risk assets	**14,142,763**	**2,728,597**
A.1 Credit and counterparty risk		
1. Standardised method	14,034,172	2,717,406
2. Internal rating method		
2.1 basic	-	-
2.2 advanced	-	-
3. Securitisations	108,591	11,191
B. Regulatory capital requirements		
B.1 Credit risk	**X**	**218,288**
B.2 Risk of credit valuation adjustment	**X**	**389**
B.3 Regulation risk	**X**	**-**
B.4 Market risks	**X**	**38**
1. Standard methodology	X	38
2. Internal models	X	-
3. Concentration risk	-	-
B.5 Operating risk	**X**	**74,507**
1. Basic method	X	74,507
2. Standardised method	X	-
3. Advanced method	X	-
B.6 Other variables	**X**	**-**
B.7 Total prudential requirements	**X**	**293,222**
C. Risk-weighted assets and regulatory capital ratios		
C.1 Risk-weighted assets	X	3,665,275
C.2 CET1 capital/Risk-weighted assets (CET1 Capital Ratio)	X	17.1%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 Capital Ratio)	X	18.4%
C.4 Total own funds/Risk-weighted assets (Total Capital Ratio)	X	18.4%

The following table shows capital requirements in thousands of euros for each of the regulatory classes of assets possessed by the Banca Generali Group.

CREDIT RISK

REGULATORY PORTFOLIO	RISK-WEIGHTED ASSETS	REQUIREMENT
Central governments and central banks	99,069	7,926
Public sector entities	224	18
Supervised intermediaries	391,048	31,284
Companies	1,238,269	99,062
Detail	413,023	33,042
Exposures secured by immovable	125,475	10,038
Past-due exposures	7,838	627
Positions associated with particularly high risk	2,069	166
UCITS	9,352	748
Covered bonds	3,476	278
Equity instrument exposures	42,476	3,398
Other	385,047	30,804
Risk for contributions to the default fund of a CCP	40	3
Securitisations	11,191	895
Total requirements	**2,728,597**	**218,288**

The risk of credit valuation adjustment, identified by the Banking Group based on the standard method, has also been included in the credit risk.

RISK OF CREDIT VALUATION ADJUSTMENT

STANDARD METHODOLOGY	RISK-WEIGHTED ASSETS	REQUIREMENT
SFTs transactions and OTC derivatives	4,871	389

The capital requirement for **counterparty risk alone** amounted to 553 thousand euros at 31 December 2020.

At 31 December 2020, the capital requirement for credit risk amounted to **218,288** thousand euros, consisting of the sum of all requirements for the Group's regulatory asset classes.
For measurement purposes, the Group used Moody's as its ECAI, and Moody's, S&P and Fitch as its ECAIs for securitisation positions only.
The following table shows capital requirements (in thousands of euros) for market risk, by type of risk.

MARKET RISK – STANDARDISED METHOD

POSITION RISK – REGULATORY PORTFOLIO	RISK-WEIGHTED ASSETS	REQUIREMENT
Generic risk on debt securities	38	3
Generic risk on equity securities	12	1
Specific risk on debt securities	414	33
Specific risk on equity securities	12	1
Specific securitisations risk	-	-
UCITS position risk	-	-
Additional risk options	-	-
Total	**476**	**38**

The capital requirement for market risk amounted to approximately **38** thousand euros.

At 31 December 2020, the capital requirement for operating risk was **74,507** thousand euros, as shown in the previous table, calculated by the Group using the basic model (TSA – Traditional Standardised Approach) proposed by the Bank of Italy for determining the capital requirement for Operating Risk.

At 31 December 2020, consolidated Tier 1 capital ratio and consolidated Total Capital Ratio were both **18.4%**, as shown in the previous table.

5. CREDIT RISK: GENERAL INFORMATION

Qualitative information

Credit risk is managed through the implementation of credit management processes (as provided for in the Lending Rules and the Finance Rules), which provide for the monitoring of the performing portfolio and the non-performing portfolio (NPLs) among the various phases.
Accordingly, each quarter the Bank updates the impairment losses recognised on on-balance sheet loans to take account of the development of the situation, the guarantees covering the risk and the time horizon for recovering its loans.

Non-performing exposures are classified into the following categories according to the instructions provided by the Supervisory Authority (Bank of Italy Circular No. 272):

1) bad loans: formally non-performing loans, consisting of cash and off-balance sheet exposures to customers who are in a state of insolvency, regardless of whether confirmed by a court, or in similar situations, and regardless of the Bank loss projections;
2) unlikely to pay (UTP): cash and off-balance sheet exposures for which the Bank deems it unlikely that the borrower will be capable of fulfilling all of its debt obligations (in terms of principal and/or interest) in the absence of actions such as the enforcement of guarantees. This assessment is made regardless of the presence of any past-due and unpaid amounts or instalments.
   Classification as unlikely to pay is not necessarily tied to the explicit presence of anomalies (non-payment), but rather is linked to the existence of elements indicative of a situation of risk of default of the borrower and concerns the overall cash/on- and off-balance sheet exposures toward the same borrower;
3) non performing past-due exposures: these are cash exposures other than those classified as bad debts or unlikely to pay loans that are past due, on an ongoing basis, by more than 90 days at the reporting date. Non performing past-due exposures may be identified in reference to either the individual borrower or individual transaction. Banca Generali adopts an approach by individual borrower, and thus assigns positions to this category when the amount past due has exceeded 5% of the total exposure to the borrower concerned for more than 90 days.

Forborne positions are assigned the "forbearance" attribute.

In individual measurement of UTP and bad debt positions, the amount of the impairment loss on each loan is calculated as the sum of two components, the first of which is the outcome of a professional assessment by the unit responsible for managing the position, resulting in an expected loss, and the other of the assessment of the amount to be recovered and the estimated recovery time. The expected loss depends on the presumed realisable value of any guarantees and the costs that it is believed will be incurred in the recovery process. The second component is calculated as the difference between the value of the loan at the time of measurement (less expected losses) and the present value of the loan based on future cash flows discounted at the original effective interest rate.
In the case of past-due positions, a provision is set aside on the basis of the value of the exposure, the expected recoverable amount and the existing guarantees.

Cash flows relating to loans expected to be recovered in the near term are not discounted.

The original effective interest rate of each loan remains unchanged over time, even if a renegotiation of the terms results in a change of the contractual rate, including if the loan becomes non-interest-bearing.
Adjustments are recognised in profit or loss.

The original value of loans is reinstated in subsequent periods, if the circumstances that gave rise to the value adjustment cease to exist and such adjustment is objectively related to an event that occurred after the adjustment was made. The reversal is recognised in profit or loss and should not exceed what the amortised cost would have been, had the impairment not been recognised.
In view of the method used to determine the presumed realisable value of non-performing exposures, the mere passage of time, with the ensuing approach of the recovery deadlines, entails an automatic reduction in the implicit financial expenses previously recognised as a reduction in the value of the loans.
Write-backs due to the passage of time are taken among reversals.

At 31 December 2020, net non-performing exposures on loans to customers amounted to 24.6 million euros, or 1.04% of total loans to customers.
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.[13] 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 7.0 million euros and consisted for almost 92% of credit facilities secured by financial collaterals mainly in the form of pledges of financial instruments and/or similar products, such as mandate to policy redemption.

[13] As of 7 April 2017, the Swiss operations of BSI S.A. were totally transferred to EFG Bank AG - Lugano Branch, as per the Swiss law on mergers.

Unsecured exposures to customers, for which risk is effectively borne by the Bank, amounted to only 0.5 million euros, or around 0.02% of total loans to customers.

By contrast, loans to banks do not include any non-performing positions.

The process of identifying doubtful loans requires constant monitoring of positions. When limits are exceeded, various debt procedures are triggered. In general, considering that the vast majority of positions are secured by pledges of financial instruments, there are no residual debt exposures once the enforcement procedure has been concluded. If the exposure is unsecured or there is a residual unsecured exposure, the Bank can avail itself of the services of major debt collection agencies.
A position is classified as bad loan when it is no longer possible to recover the exposure from the borrower within a period of time deemed reasonable.

Moreover, with regard to the credit risk associated with financial instruments, an assessment of possible cases of impairment of debt securities measured at amortised cost is performed periodically.
Loss events include default on interest or principal payments or other situations defined a cause of default in the prospectuses for each of the issues.
Impairment indicators include a significant decline in fair value, significant reductions in creditworthiness and other available information regarding financial difficulties experienced by the issuer.
The consolidated financial statements as at 31 December 2020 include only one non-performing security, the Alitalia "Dolce Vita" bond, which has been fully written down, for the details of which please refer to the subsequent chapter "Quantitative information".

Performing loans for which there is no objective evidence of loss are tested collectively for impairment.

In accordance with IFRS 9, the Bank has adopted an impairment model based on the concept of expected loss, which determines adjustments to performing loans on the basis of the parameters of PD (probability of default) and LGD (loss given default) in forward-looking and point-in-time terms. Such value adjustments are determined over a time horizon of one year in the event of positions classified to Stage 1, or on a lifetime horizon, in the event of positions classified to Stage 2.

The stage assignment criteria for the portfolio of loans to customers which include current account overdraft facilities, Lombard loans, personal loans and mortgage loans take account of the counterparty's status, any forbearance measures, decline in creditworthiness compared with origination and limits exceeded for more than 30 days.
When calculating impairment, the probability of default is determined on the basis of the counterparty's rating class (the Bank adopts a management rating model, developed with the CSE consortium) and the residual term of the loan. LGD is instead largely determined on the basis of loan type and counterparty type, and considering whether certain guarantees are present. Finally, the parameter EAD (Exposure At Default) is equal to the accounting balance for demand positions, individual contractual cash flows discounted according to the internal rate of return (IRR) for term positions and the accounting balance adjusted by the regulatory Credit Conversion Factor (CCF) for off-balance sheet exposures.

Within the debt securities portfolio, securities classified to the HTC and HTCS portfolios that have passed the SPPI test are instead tested for impairment.
When calculating impairment, it is fundamental to classify the staging of individual positions in order to identify any decline in creditworthiness (credit quality) between the purchase of the security and the reporting date. This process (stage assignment) determines the residual quantities and the date with which to associate the credit quality/rating upon purchase, to be compared with the credit quality/rating observed at the reporting date for the purposes of identifying any "significant decline" in credit quality.

The impairment of securities subject to the IFRS 9 rules is calculated according to the following variables:
> PD: the model adopted for calculating the probability of default (PD) to be applied to the proprietary portfolio within the impairment scope is based on an estimate of a term structure default probability for each security. The component generating the return for an operator's risk appetite is eliminated from default probability measures so as to isolate the credit component (this is known as the "real world approach");
> LGD: the estimate of the loss given default (LGD) to be applied to the portfolio is calculated according to a deterministic approach in which the LGD parameter is assumed to be constant over the financial asset's entire time horizon as a function of the ranking of the instrument and the classification of the issuer's country;
> EAD: in the case of the proprietary finance portfolio, reference is made to the nominal value, inclusive of the coupon accrued at the measurement date, discounting both values at the security's rate of return.

Adjustments resulting from collective evaluation are recognised in profit or loss.

At annual or interim reporting dates, impairment losses or reversals are recalculated on a differential basis with reference to the entire portfolio of performing loans at that date.

Financial assets subject to commercial renegotiations and forborne exposures

A forbearance measure is an amendment of the original contractual conditions or refinancing granted to a customer in a situation of financial distress in respect of a credit position, which would not have been granted if the customer had not been in such a situation and/or that, conversely, would have resulted in default by the customer had they not been granted.

The Bank takes an individual measurement approach to each exposure. The Bank considers an exposure forborne when one of the following conditions has been met:

a) the amended contract has been fully or partially past due by more than 30 days at least once in the three months prior to the contractual amendment or would have been fully or partially past due by more than 30 days without the amendment;
b) at or around the same time as an additional loan is granted, the customer repays the principal or pays the interest on another contract fully or partially past due by 30 days at least once in the three months prior to the refinancing;
c) the Bank approves the use of contractual clauses ("embedded clauses") in which the customer is past due by 30 days or the debtor would have been past due by 30 days without the exercise of such clauses.

This assessment is performed by a specific specialised unit of the Lending Department as regards the portfolio portion of loans to customers.
In this regard, at 31 December 2020, outstanding forborne exposures in the portfolio of loans to customers were mostly classified as performing (90%), with the remainder classified as non-performing (10%). Nearly all were secured by collateral (primarily pledges) or similar security interest.
Exposures subject to forbearance measures at 31 December 2020 mostly consisted (approximately 73%) of exposures in amortisation and, to a lesser extent, unrestricted cash exposures.

Quantitative information

The following table shows the distribution of financial assets by portfolio and credit quality (in thousands of euros, at book values) and the value of average credit exposures for the reporting period.

PORTFOLIOS/QUALITY	BAD LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Financial assets at amortised cost	18,905	2,867	2,825	8,891	9,074,912	9,108,400
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,711,931	2,711,931
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	22,714	22,714
5. HFS financial assets	-	-	-	-	-	-
Total at 31.12.2020	**18,905**	**2,867**	**2,825**	**8,891**	**11,809,557**	**11,843,045**
Average exposures	**23,608**	**3,244**	**2,272**	**8,202**	**11,129,167**	**11,166,492**
Total at 31.12.2019	**28,311**	**3,621**	**1,718**	**7,512**	**10,448,776**	**10,489,938**

The following table shows the distribution of financial assets by portfolio and credit quality (gross and net values) in thousands of euros.

PORTFOLIOS/QUALITY	NON-PERFORMING			PERFORMING			
	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	TOTAL ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets at amortised cost	39,318	14,721	24,597	9,089,958	6,155	9,083,803	9,108,400
2. Financial assets measured at fair value through other comprehensive income	-	-	-	2,712,409	478	2,711,931	2,711,931
3. Financial assets designated at fair value	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	X	X	22,714	22,714
5. HFS financial assets	-	-	-	-	-	-	-
Total at 31.12.2020	**39,318**	**14,721**	**24,597**	**11,802,367**	**6,633**	**11,818,448**	**11,843,045**
Average exposures	**48,185**	**19,062**	**29,124**	**11,127,566**	**11,745**	**11,137,368**	**11,166,492**
Total at 31.12.2019	**57,052**	**23,402**	**33,650**	**10,452,765**	**16,856**	**10,456,288**	**10,489,938**

PORTFOLIOS/QUALITY	ASSETS WITH OBVIOUSLY POOR CREDIT QUALITY		OTHER ASSETS
	CUMULATIVE CAPITAL LOSSES	NET EXPOSURE	NET EXPOSURE
1. HFT financial assets	-	-	3,611
2. Hedging derivatives	-	-	2,486
Total at 31.12.2020	**-**	**-**	**6,097**
Average exposures	**-**	**-**	**14,561**
Total at 31.12.2019	**-**	**-**	**23,025**

An illustration of exposures broken down by geographical area is given hereunder.

The following tables show the geographical distribution of cash and off-balance sheet exposures to **customers** and **banks**, respectively, in thousands of euros.

EXPOSURES/GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	18,905	12,090	-	681	-	-	-	-	-	-
A.2 Unlikely to pay	2,867	1,211	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	2,824	733	1	5	-	-	-	-	-	-
A.4 Other performing exposures	8,469,329	5,661	2,388,951	360	46,071	37	14,143	12	13,774	4
Total A	**8,493,925**	**19,695**	**2,388,952**	**1,046**	**46,071**	**37**	**14,143**	**12**	**13,774**	**4**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	31	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	73,506	124	381	-	-	-	-	-	-	-
Total B	**73,537**	**124**	**381**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**8,567,462**	**19,819**	**2,389,333**	**1,046**	**46,071**	**37**	**14,143**	**12**	**13,774**	**4**
Average exposures	**8,294,797**	**20,444**	**1,999,229**	**5,502**	**47,234**	**36**	**13,246**	**11**	**9,108**	**4**
Total at 31.12.2019	**8,022,131**	**21,069**	**1,609,124**	**9,957**	**48,397**	**35**	**12,349**	**9**	**4,442**	**3**

EXPOSURES/GEOGRAPHICAL AREAS	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS	NET EXPOSURE	TOTAL VALUE ADJUST-MENTS
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	538,199	439	302,330	102	35,110	14	7,555	3	5,036	1
Total A	**538,199**	**439**	**302,330**	**102**	**35,110**	**14**	**7,555**	**3**	**5,036**	**1**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,335	-	1,346	-	-	-	-	-	-	-
Total B	**1,335**	**-**	**1,346**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2020	**539,534**	**439**	**303,676**	**102**	**35,110**	**14**	**7,555**	**3**	**5,036**	**1**
Average exposures	**622,404**	**536**	**256,559**	**97**	**19,757**	**14**	**12,560**	**4**	**5,030**	**2**
Total at 31.12.2019	**705,273**	**632**	**209,441**	**92**	**4,404**	**13**	**17,565**	**5**	**5,024**	**2**

The following tables illustrate the Banking Group's exposure by business segment (governments, central banks, financial companies, of which insurance companies, non-financial companies, households) in thousands of euros.

A breakdown of net exposures and value adjustments (specific and portfolio-related) in thousands of euros is also provided for each individual business segment.

Lastly, a breakdown of bad loans, unlikely to pay, non-performing past-due exposures, performing exposures in thousands of euros is also provided.

EXPOSURE/COUNTERPARTY	NET EXPOSURE	TOTAL VALUE ADJUSTMENTS
A. Cash exposures		
1. Governments	**7,660,365**	**1,626**
A.1 Bad loans	-	-
- *of which: with forbearance measures*	-	-
A.2 Unlikely to pay	-	-
- *of which: with forbearance measures*	-	-
A.3 Non-performing past-due exposures	-	2
- *of which: with forbearance measures*	-	-
A.4 Performing exposures	7,660,365	1,624
- *of which: with forbearance measures*	-	-
2. Financial companies	**882,833**	**1,262**
A.1 Bad loans	5,433	80
- *of which: with forbearance measures*	-	-
A.2 Unlikely to pay	149	31
- *of which: with forbearance measures*	-	-
A.3 Non-performing past-due exposures	71	82
- *of which: with forbearance measures*	-	-
A.4 Performing exposures	877,180	1,069
- *of which: with forbearance measures*	-	-
3. Financial companies (of which insurance companies)	**52,928**	**-**
A.1 Bad loans	-	-
- *of which: with forbearance measures*	-	-
A.2 Unlikely to pay	-	-
- *of which: with forbearance measures*	-	-
A.3 Non-performing past-due exposures	-	-
- *of which: with forbearance measures*	-	-
A.4 Performing exposures	52,928	-
- *of which: with forbearance measures*	-	-
4. Non-financial companies	**557,604**	**13,674**
A.1 Bad loans	11,463	11,858
- *of which: with forbearance measures*	-	-
A.2 Unlikely to pay	2	26
- *of which: with forbearance measures*	-	-
A.3 Non-performing past-due exposures	30	42
- *of which: with forbearance measures*	-	-
A.4 Performing exposures	546,109	1,748
- *of which: with forbearance measures*	*8,434*	*93*
5. Households	**1,803,136**	**4,232**
A.1 Bad loans	2,010	833
- *of which: with forbearance measures*	-	-
A.2 Unlikely to pay	2,715	1,155
- *of which: with forbearance measures*	*1,944*	*391*
A.3 Non-performing past-due exposures	2,725	612
- *of which: with forbearance measures*	-	-
A.4 Performing exposures	1,795,686	1,632
- *of which: with forbearance measures*	*12,570*	*42*
Total A - cash exposures	**10,956,866**	**20,794**

EXPOSURE/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
B. Off-balance sheet exposures		
1. Public administration bodies	**-**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	-	-
2. Financial companies	**1,669**	**6**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	1,669	6
3. Financial companies (of which insurance companies)	**2,345**	**-**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	2,345	-
4. Non-financial companies	**27,989**	**91**
B.1 Non-performing exposures	31	-
B.2 Performing exposures	27,958	91
5. Households	**41,915**	**28**
B.1 Non-performing exposures	-	-
B.2 Performing exposures	41,915	28
Total B - Off-balance sheet exposures	**73,918**	**125**

EXPOSURE/COUNTERPARTY	NET EXPOSURE	TOTAL ADJUSTMENTS
Governments	7,660,365	1,626
Financial companies	884,502	1,268
Financial companies (of which insurance companies)	55,273	-
Non-financial companies	585,593	13,765
Households	1,845,051	4,260
Overall total (A + B) at 31.12.2020	**11,030,784**	**20,919**
Average exposures	**10,363,612**	**25,996**
Overall total (A + B) at 31.12.2019	**9,696,439**	**31,072**

The following table shows a breakdown of the entire portfolio by remaining contractual maturity, split by type of exposure in thousands of euros.

TYPES/TIME-TO-MATURITY	REPAYABLE ON DEMAND	UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 5 YEARS	OVER 5 YEARS, UP TO 10 YEARS	OVER 10 YEARS	UNSPECIFIED MATURITY	TOTAL
1. Cash assets	**2,517,975**	**2,905,566**	**2,913,653**	**750,780**	**1,650,077**	**1,001,205**	**103,789**	**-**	**11,843,045**
1.1 Debt securities									
- with early repayment option	-	52,794	10,067	22,541	80,626	61,107	15,492	-	242,627
- other	-	2,501,111	2,900,762	727,705	1,564,030	936,911	87,980	-	8,718,499
1.2 Loans to banks	150,401	132,639	-	-	-	-	-	-	283,040
1.3 Loans to customers									
- current accounts	1,299,431	11	203	28	9	-	-	-	1,299,682
- other loans	1,068,143	219,011	2,621	506	5,412	3,187	317	-	1,299,197
- with early repayment option	881,563	324	130	148	1,722	3,187	317	-	887,391
- other	186,580	218,687	2,491	358	3,690	-	-	-	411,806
2. Cash liabilities	**10,812,055**	**164,835**	**-**	**-**	**497,361**	**-**	**-**	**-**	**11,474,251**
2.1 Due to customers									
- current accounts	10,440,898	-	-	-	-	-	-	-	10,440,898
- other payables	276,403	158,821	-	-	-	-	-	-	435,224
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	276,403	158,821	-	-	-	-	-	-	435,224
2.2 Due to banks									
- current accounts	72,891	-	-	-	-	-	-	-	72,891
- other payables	21,863	6,014	-	-	497,361	-	-	-	525,238
2.3 Debt securities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
2.4 Other liabilities									
- with early repayment option	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**210,000**	**2,361,000**	**271,000**	**302,000**	**434,000**	**90,000**	**-**	**3,668,000**
3.1 With underlying securities									
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
3.2 Without underlying securities									
- Options									
+ long positions	-	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-	-
- Other derivatives									
+ long positions	-	160,000	1,336,000	176,000	162,000	-	-	-	1,834,000
+ short positions	-	50,000	1,025,000	95,000	140,000	434,000	90,000	-	1,834,000
4. Other off-balance sheet transactions	**-**	**138**	**-**	**-**	**-**	**-**	**-**	**-**	**138**
+ long positions	-	69	-	-	-	-	-	-	69
+ short positions	-	69	-	-	-	-	-	-	69

The following table shows total non-performing and performing exposures, total value adjustments and total provisions for exposures to customers and banks, respectively, in thousands of euros.

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE: NON-PERFORMING LOANS	GROSS EXPOSURE: PERFORMING LOANS	TOTAL ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures					
a) Bad loans	31,676	X	12,771	18,905	-
- *of which: with forbearance measures*	-	*X*	-	-	-
b) Unlikely to pay	4,078	X	1,211	2,867	-
- *of which: with forbearance measures*	*2,333*	*X*	*390*	*1,943*	-
c) Non-performing past-due exposures	3,563	X	738	2,825	-
- *of which: with forbearance measures*	-	*X*	-	-	-
d) Performing past-due exposures	X	9,032	141	8,891	-
- *of which: with forbearance measures*	*X*	-	-	-	-
e) Other performing exposures	X	10,929,311	5,933	10,923,378	-
- *of which: with forbearance measures*	*X*	*21,139*	*135*	*21,004*	-
Total A	**39,317**	**10,938,343**	**20,794**	**10,956,866**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	31	X	-	31	X
b) Performing	X	74,011	124	73,887	-
Total B	**31**	**74,011**	**124**	**73,918**	**-**
Total (A + B)	**39,348**	**11,012,354**	**20,918**	**11,030,784**	**-**

TYPES OF EXPOSURES/VALUES	GROSS EXPOSURE: NON-PERFORMING LOANS	GROSS EXPOSURE: PERFORMING LOANS	TOTAL VALUE ADJUSTMENTS AND TOTAL PROVISIONS	NET EXPOSURE	OVERALL PARTIAL WRITE-OFFS
A. Cash credit exposures					
a) Bad loans	-	X	-	-	-
- *of which: with forbearance measures*	-	*X*	-	-	-
b) Unlikely to pay	-	X	-	-	-
- *of which: with forbearance measures*	-	*X*	-	-	-
c) Non-performing past-due exposures	-	X	-	-	-
- *of which: with forbearance measures*	-	*X*	-	-	-
d) Performing past-due exposures	X	-	-	-	-
- *of which: with forbearance measures*	*X*	-	-	-	-
e) Other performing exposures	X	888,789	559	888,230	-
- *of which: with forbearance measures*	*X*	-	-	-	-
Total A	**-**	**888,789**	**559**	**888,230**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	2,681	-	2,681	-
Total B	**-**	**2,681**	**-**	**2,681**	**-**
Total (A + B)	**-**	**891,470**	**559**	**890,911**	**-**

The following table shows the trend in total value adjustments for cash exposures to customers, in thousands of euros.

At 31 December 2020, there were no non-performing exposures to banks.

CAUSES/CATEGORIES	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST-DUE EXPOSURES	
	TOTAL	OF WHICH: WITH FORBEARANCE MEASURES	TOTAL	OF WHICH: WITH FORBEARANCE MEASURES	TOTAL	OF WHICH: WITH FORBEARANCE MEASURES
A. Total adjustments at year-start	**22,032**	**-**	**945**	**156**	**424**	**-**
- *of which: exposures transferred but non written off*	-	-	-	-	-	-
B. Increases	**244**	**-**	**472**	**292**	**487**	**-**
B.1 Value adjustments to acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 Other value adjustments	149	-	460	292	457	-
B.3 Losses on disposals	4	-	2	-	30	-
B.4 Transfers from other categories of non-performing exposures	91	-	10	-	-	-
B.5 Contractual changes without cancellations	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**9,504**	**-**	**206**	**58**	**173**	**-**
C.1 Reversal of adjustments	16	-	46	38	12	-
C.2 Reversal of collections	56	-	58	20	101	-
C.3 Gains on disposals	-	-	-	-	-	-
C.4 Write-offs	877	-	11	-	50	-
C.5 Transfer to other categories of non-performing exposures	-	-	91	-	10	-
C.6 Contractual changes without cancellations	-	X	-	X	-	X
C.7 Other decreases	8,555	-	-	-	-	-
D. Total adjustment at year-end	**12,772**	**-**	**1,211**	**390**	**738**	**-**

At 31 December 2020, net adjustments for non-performing loans recognised through profit or loss amounted to 0.7 million euros, down sharply compared to the previous year (-4.7 million euros)[14].
Provisions for expected credit losses (ECLs) on the portfolio of debt securities and on performing loans to customers and banks (Stage 1 and Stage 2) showed net reversals for 0.6 million euros.
The portfolio of performing loans to customers reported higher adjustments for 0.9 million euros, mainly attributable to the recalibration of loss parameters (PD and LGD) with the new macroeconomic scenario variables (Forward-Looking Information - FLI), reflecting the changed economic prospects resulting from the deep crisis triggered by the Covid-19 pandemic.
The debt securities portfolio showed net reversals for 1.5 million euros, mainly due to the lower risk level of the government bond portfolio resulting from the initiatives taken by the ECB, partially offset by the greater adjustments necessary in light of the expansion of investment volumes.
Specific adjustments totalled 1.3 million euros and referred to non-performing positions, chiefly unlikely-to-pay and past-due (0.7 million euros) and the impairment or write-off of past advances to Financial Advisors and operating loans for services rendered to customers (0.6 million euros).

Forborne exposures

At 31 December 2020, forborne exposures to customers consisted mostly of performing positions, for a gross amount of 21,139 thousand, almost entirely secured by collateral or similar security interests, whose decline compared to 2019 (41,468 thousand euros) was due to the reclassification of some significant position following the lapse of the probation period or the closure of the forborne lines of credit. A residual share consisted of non-performing forborne exposures of 2,333 thousand euros gross (accounting for 11% of total performing and non-performing forborne exposures), almost all of which were fully secured by pledges.

The non-performing cash forborne positions aggregate declined by 712 thousand euros overall (in gross terms), as a result of:

> an increase arising from new positions reclassified from performing categories (890 thousand euros) and higher draw-downs from positions already classified as non-performing forborne for 34 thousand euros;
> a decline due to collection amounting to 1,145 thousand euros referring to positions eliminated from the non-performing forborne category due to repayment in full of the exposure and closure of the relationships, in addition to derecognition of positions reclassified to forborne performing exposures for 491 thousand euros.

The main component of performing forborne positions is collections of 18,653 thousand euros, attributed to positions repaid in full with the closure of the forborne lines of credit, positions eliminated from forborne status due to the lapse of the probation period for 5,436 thousand euros and derecognition of positions reclassified to non-performing status for 775 thousand euros. New entries of 2,902 thousand euros all refer to performing positions to which a new line of credit was granted (new finance or restructuring of the existing debt position) as a forbearance measure, whereas 478 thousand euros refer to forborne positions reclassified as performing from the non-performing category due to the end of the cure period. The remaining 1,190 thousand euros refers to greater draw-downs on already forborne positions.

Performing and non-performing forborne exposures are entirely attributable to households and non-financial companies, as shown in the following table.

[14] It should be noted that 2019 benefited from a significant release to the Profit and Loss Account of collective provisions for performing debt securities in the HTC and HTCS portfolios, recognised in the previous year (3.9 million euros), offset by the 8.5 million euros analytical impairment of the 14 million euro subordinated loan issued by Tyndaris Services Ltd and set to expire at the end of 2021.

At 31 December 2020, no forborne positions were recognised among loans to banks.

PORTFOLIOS/QUALITY	GROSS BOOK VALUE/NOMINAL AMOUNT OF FORBORNE EXPOSURES				ACCUMULATED ADJUSTMENTS, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS		COLLATERALS AND FINANCIAL GUARANTEES RECEIVED ON FORBORNE EXPOSURES	
		NON-PERFORMING FORBORNE EXPOSURES						
	PERFORMING FORBORNE EXPOSURES		OF WHICH DEFAULTED	OF WHICH IMPAIRED	ON PERFORMING FORBORNE EXPOSURES	ON NON-PERFORMING FORBORNE EXPOSURES		OF WHICH: COLLATERALS AND FINANCIAL GUARANTEES RECEIVED ON NON-PERFORMING FORBORNE EXPOSURES
1. Loans and advances	**21,139**	**2,333**	**2,333**	**2,333**	**135**	**390**	**21,620**	**-**
2. Central Banks	-	-	-	-	-	-	-	-
3. Public administration bodies	-	-	-	-	-	-	-	-
4. Credit institutions	-	-	-	-	-	-	-	-
5. Other financial companies	-	-	-	-	-	-	-	-
6. Non-financial companies	8,527	-	-	-	93	-	8,434	-
7. Households	12,612	2,333	2,333	2,333	42	390	13,186	-
8. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Loan commitments	**646**	**9**	**9**	**9**	**-**	**-**	**627**	**-**
10. Total	**21,785**	**2,342**	**2,342**	**2,342**	**135**	**390**	**22,247**	**-**

The following table shows the changes in gross forborne exposures, broken down by credit quality

CAUSES/QUALITY	NON-PERFORMING FORBORNE EXPOSURES	PERFORMING FORBORNE EXPOSURES
A. Gross exposure at year-start	**3,045**	**41,468**
of which:	-	-
- *exposures transferred but non written off*	-	-
B. Increases	**924**	**4,570**
B.1 Inflows from performing non-forborne exposures	115	2,902
B.2 Inflows from performing forborne exposures	775	X
B.3 Inflows from non-performing forborne exposures	X	478
B.4 Other increases	34	1,190
C. Decreases	**1,636**	**24,899**
C.1 Outflows to performing non-forborne exposures	X	5,436
C.2 Outflows to forborne performing exposures	491	X
C.3 Outflows to non-performing forborne exposures	X	775
C.4 Write-offs	-	-
C.5 Repayments received	1,145	18,653
C.6 Gains on disposals	-	-
C.7 Losses on disposals	-	-
C.8 Other decreases	-	35
D. Gross exposure at year-end	**2,333**	**21,139**
of which:		
- *exposures transferred but non written off*	-	-

The following breaks down non-performing and performing financial assets by maturity brackets:

PORTFOLIOS/RISK STAGES	STAGE 1			STAGE 2			STAGE 3		
	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS	OVER 1 DAY, UP TO 30 DAYS	OVER 30 DAYS, UP TO 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	6,591	-	2	669	490	1,139	-	-	24,597
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total at 31.12.2020	**6,591**	**-**	**2**	**669**	**490**	**1,139**	**-**	**-**	**24,597**
Total at 31.12.2019	**3,684**	**-**	**-**	**1,032**	**1,800**	**995**	**-**	**-**	**33,650**

The following table show the non-performing and performing exposures and the related value adjustments by creditworthiness brackets:

	GRO SS BOOK VALUE/NOMINAL VALUE						ACCUMULATED ADJUSTMENTS, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS						ACCUMU-LATED PARTIAL WRITE-OFFS
	PERFORMING EXPOSURES			NON-PERFORMING EXPOSURES			PERFORMING EXPOSURES – ACCUMULATED ADJUSTMENTS AND PROVISIONS			NON-PERFORMING EXPOSURES – ACCUMULATED ADJUSTMENTS, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUES DUE TO CREDIT RISK AND PROVISIONS			
		OF WHICH: STAGE 1	OF WHICH: STAGE 2		OF WHICH: STAGE 1	OF WHICH: STAGE 2		OF WHICH: STAGE 1	OF WHICH: STAGE 2		OF WHICH: STAGE 1	OF WHICH: STAGE 2	
1. Loans and advances	**2,860,803**	**2,763,757**	**97,046**	**36,675**	**-**	**36,675**	**3,480**	**3,000**	**480**	**12,079**	**-**	**12,079**	**-**
2. Central Banks	107,772	107,772	-	-	-	-	-	-	-	-	-	-	-
3. Public administration bodies	-	-	-	2	-	2	-	-	-	2	-	2	-
4. Credit institutions	175,383	175,365	18	-	-	-	116	116	-	-	-	-	-
5. Other financial companies	434,434	406,913	27,521	5,844	-	5,844	271	232	39	193	-	193	-
6. Non-financial companies	345,899	330,754	15,145	20,777	-	20,777	1,461	1,285	176	9,284	-	9,284	-
8. Households	1,797,315	1,742,953	54,362	10,052	-	10,052	1,632	1,367	265	2,600	-	2,600	-
9. Debt securities	**8,962,634**	**8,927,692**	**34,942**	**2,642**	**-**	**2,642**	**3,153**	**2,863**	**290**	**2,642**	**-**	**2,642**	**-**
10. Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Public administration bodies	7,661,942	7,661,942	-	-	-	-	1,628	1,628	-	-	-	-	-
12. Credit institutions	603,632	603,632	-	-	-	-	445	445	-	-	-	-	-
13. Other financial companies	496,748	484,101	12,647	-	-	-	797	716	81	-	-	-	-
14. Non-financial companies	200,312	178,017	22,295	2,642	-	2,642	283	74	209	2,642	-	2,642	-
15. Off-balance-sheet exposures	**76,693**	**74,251**	**2,442**	**32**	**-**	**32**	**125**	**109**	**16**	**-**	**-**	**-**	**-**
16. Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
17. Public administration bodies	-	-	-	-	-	-	-	-	-	-	-	-	-
18. Credit institutions	2,681	2,681	-	-	-	-	-	-	-	-	-	-	-
19. Other financial companies	4,020	4,013	7	1	-	1	6	6	-	-	-	-	-
20. Non-financial companies	28,049	27,614	435	31	-	31	91	79	12	-	-	-	-
21. Households	41,943	39,943	2,000	-	-	-	28	24	4	-	-	-	-
22. Total	**11,900,130**	**11,765,700**	**134,430**	**39,349**	**-**	**39,349**	**6,758**	**5,972**	**786**	**14,721**	**-**	**14,721**	**-**

At 31 December 2020, there was no collateral obtained by taking possession or via enforcement proceedings to report in the Banking Group's financial statements.

Information on exposures subject to Covid-19-related measures

The year 2020 was marked by the Covid-19 crisis, which broke out early in the year and which led the governments of many countries to decide upon lockdown periods due to the pandemic's deleterious consequences for human health.
The lockdowns were a means of fighting the health emergency, not only at the beginning of 2020, but throughout the year, in response to the various waves of the coronavirus pandemic. In Italy, the first lockdown was certainly the most severe in terms of closures. Accordingly, in response to this lockdown and its impacts on the economy the Italian government enacted measures in support of the real economy, made available through the banking system (see the Cure Italy Decree and Liquidity Decree).
The banking system then implemented the instruments provided for by law through both internal and industry-wide initiatives.
Simultaneously, Banking supervisory authorities — in this case, the EBA — intervened to provide guidelines for managing the processes during emergency periods.
In particular, in light of the economic crisis and the legislative and non-legislative measures taken by the system to tackle it, in March 2020 the EBA began to take positions by providing guidelines on issues relating to the flexibility of the framework for calculating regulatory capital, management of classification processes (default and forbearance), moratoria (legislative and non-legislative), calculation of impairment (IFRS 9) and the reporting treatment of certain indicators provided for in the prudential framework (leverage, capital requirements and own funds).
This section is subject to provisions of the guidelines provided for in the measures published on 2 June 2020 relating to the EBA/GL/2020/07 — Final Report — Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis.
In the Communication of 30 June 2020, the Bank of Italy extended the reporting obligation to less significant credit institutions (LSIs) subject to direct supervision, according to simplified methods.
The reporting frequency is six-monthly, starting on 30 June 2020, and it has been integrated into the Pillar III document for the annual deadline.

Scope

As indicated by the EBA, the document must include a description of the measures implemented by banks in the light of the Covid-19 emergency. More specifically:

> loans subject to "moratoria" falling within the scope of application of the EBA guidelines on legislative and non-legislative moratoria on loan payments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
> loans subject to Covid-19-related forbearance measures;
> newly originated loans guaranteed by the central government or other public entity.

In order to support the real economy of Italy during a time of such severe difficulty, at BoD's meetings held in April 2020 Banca Generali (hereinafter the "Bank") resolved upon, with regard to the above-mentioned first two measures:

> the possibility for customers to apply for the suspension of loan payments in application of either Articles 54 and 56 of the Cure Italy Decree (legislative moratoria) or an internal initiative extended to borrowers and loans not contemplated in the Cure Italy Decree (non-legislative moratoria). The latter, as opposed to the former, do not meet all the criteria set out in the EBA guidelines (EBA/GL/2020/02 as subsequently amended by EBA/GL/2020/15), as communicated by the Bank to the Bank of Italy itself. In particular, they are not included in industry agreements and/or those promoted by specific entities. Rather, they are more specifically addressed to customers in the Bank's core loan portfolio, for which lending activity is secondary to the core business, essentially represented by private-banking customers or other customers holding deposit accounts with the Bank.
> the application of the process of classification in forbearance to the moratoria at the Banks initiative, in particular by assessing the individual positions in relation to the pandemic emergency and the time horizon of their difficulty, thus avoiding the introduction of automated mechanisms;
> the commencement of operations with the Mediocredito Centrale SME Guarantee Fund to obtain the guarantees provided for in the Liquidity Decree for loans to Italian companies according to the definition provided in the Decree (companies with fewer than 500 employees, including microenterprises and independent contractors, tradesmen and self-employment professionals) until 31 December 2020.

On the basis of the dates on which the Board of Directors held the above sessions, the Bank adopted the application of the legislative moratoria with effect from 1 April 2020 and commenced operation with the Medio Credito Centrale SME Fund for the granting of loans under the Liquidity Decree with effect from 23 April 2020 and until 31 December 2020.
Accordingly, and in compliance with what the Bank of Italy has implemented in its Communication of 30 June 2020, the Bank sent the first reporting stream using the template set out in the Annex 1 of the EBA Guidelines (EBA/GL/2020/07 Annex 1) relating to the legislative moratoria in portfolio as at 30 June 2020.

Data and findings

Loans subject to moratoria

The following paragraph illustrates the data, expressed in euros, set forth by the Annex 3 to the EBA Guidelines (EBA/GL/2020/07 Annex 3) describing summary statistics concerning credit quality of loans subject to moratoria based on the different economic sectors and segments.
The moratoria included in the template may be either legislative or non-legislative and must meet the requirements provided for by the EBA Guidelines (EBA/GL/2020/02).
In the Bank's specific case, after having carried out an in-depth internal analysis, it was established that the requirements set out by the aforementioned guidelines are met as limited to the legislative moratoria applied by the Bank. Accordingly, reports show exclusively data relating to the latter.

1. INFORMATION ON LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA

	GROSS CARRYING AMOUNT					
	PERFORMING			NON-PERFORMING		
(€ THOUSAND)		OF WHICH: EXPOSURES WITH FORBEARANCE MEASURES	OF WHICH: INSTRUMENTS WITH SIGNIFICANT INCREASE IN CREDIT RISK SINCE INITIAL RECOGNITION BUT NOT CREDIT-IMPAIRED (STAGE 2)		OF WHICH: EXPOSURES WITH FORBEARANCE MEASURES	OF WHICH: UNLIKELY TO PAY THAT ARE NOT PAST-DUE OR PAST-DUE <= 90 DAYS
1. Loans and advances subject to moratorium	**15,161**	**15,161**	**-**	**-**	**-**	**-**
of which:						
2 – households	1,062	1,062	-	-	-	-
of which:						
3 – collateralised by residential immovable property	*475*	*475*	-	-	-	-
4 – of which: Non-financial corporations	14,002	14,002	-	-	-	-
of which:						
5 – small and Medium-sized Enterprises	*13,695*	*13,695*	-	-	-	-
6 – collateralised by commercial immovable property	-	-	-	-	-	-

In application of Articles 54 and 56 of the Cure Italy Decree, the Bank has granted its customers the possibility of applying for the suspension and rescheduling of payment of instalments, including the final balloon payments for loans including them.
Decree Law No. 104 of 14 August 2020, the "August Decree", extended the end date of moratoria from 30 September 2020 to 31 January 2021 for companies and Article 1, paragraph 249, of Law 178/2020 then established that for companies already admitted, at 1 January 2021 (the date of entry into force of Law 178/2020), to the support measures provided for in Article 56 of the Cure Italy Decree, the extension of the moratorium applies automatically until 30 June 2021 without any formalities, unless expressly waived by the beneficiary company, by notice to be given to the bank by 31 January 2021, or 31 March 2021 for companies in the tourism sector.
The suspension of loan payments, including both principal and interest amounts, resulted 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.

Loan payments are suspended exclusively at customer's request. Admitted with effect from 1 April 2020, initially for instalments due until 30 June 2020 and then extended until 30 June 2021 (in line with the 2021 Budget Law), the suspension of payments does not apply to contracts entered into after the date on which it was announced.
For these positions, the EBA Guidelines (EBA/GL/2020/02 as updated by EBA/GL/2020/15 of 2 December 2020) apply upon restatement.

At 31 December 2020, there were 27 customers for which moratorium applications had been granted (three individuals who fall within the parameters of admission to the benefits of the Gasparrini Fund and 24 non-financial corporations), with a residual debt of 15.2 million euros (Table 1).

The breakdown of applications by economic sectors of the companies beneficiaries of the suspension pursuant to Article 56 of the Cure Italy Decree-Law, at 31 December 2021, was 29% coming from the real-estate sector, 21% from commerce and 25% from other manufacturing and service sectors (equally divided). The distribution by sector of residual debt is 49% manufacturing, followed by real estate at 42%. These percentages reflect the composition of the Bank's Business Loan Portfolio.

		ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK						GROSS CARRYING AMOUNT
		PERFORMING			NON-PERFORMING			
			OF WHICH: EXPOSURES WITH FORBEARANCE MEASURES	OF WHICH: INSTRUMENTS WITH SIGNIFICANT INCREASE IN CREDIT RISK SINCE INITIAL RECOGNITION BUT NOT CREDIT-IMPAIRED (STAGE 2)		OF WHICH: EXPOSURES WITH FORBEARANCE MEASURES	OF WHICH: UNLIKELY TO PAY THAT ARE NOT PAST-DUE OR PAST-DUE <= 90 DAYS	INFLOWS TO NON-PERFORMING EXPOSURES
	-57	**-57**	**-**	**-**	**-**	**-**	**-**	**-**
	-2	-2	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-55	-55	-	-	-	-	-	-
	-55	*-55*	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

2. BREAKDOWN OF LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA BY RESIDUAL MATURITY OF MORATORIA

		GROSS CARRYING AMOUNT							
					RESIDUAL MATURITY OF MORATORIA				
(€ THOUSAND)	NUMBER OF OBLIGORS		OF WHICH: LEGISLATIVE MORATORIA	OF WHICH: EXPIRED	< = 3 MONTHS	> 3 MONTHS <= 6 MONTHS	> 6 MONTHS < = 9 MONTHS	> 9 MONTHS < = 12 MONTHS	> 1 YEAR
1. Loans and advances for which moratorium was offered	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Loans and advances subject to moratorium (granted)	**27**	**15,161**	**15,161**	**-**	**14,686**	**-**	**186**	**289**	**-**
of which:									
3 – households	-	-	1,062	-	587	-	186	289	-
of which:									
4 – collateralised by residential immovable property	-	-	*475*	-	-	-	*186*	*289*	-
5 – Non-financial corporations	-	-	14,002	-	14,002	-	-	-	-
of which:									
6. – small and Medium-sized Enterprises	-	-	*13,695*	-	*13,695*	-	-	-	-
7. – collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-

The breakdown of moratoria by residual duration (Table 2) shows that:

> 14.7 million euros refer to positions the suspension of which has a residual duration of up to three months. In all cases these refer to instalments of unsecured loans;

> 475 thousand euros refer to positions the suspension of which has a residual duration of more than six months and less than one year. These are three mortgages that meet the parameters for admission to the benefits of the Gasparrini Fund (suspension with a maximum duration of 18 months).

Lastly, internal moratoria (non-legislative and non EBA-compliant moratoria) thus not included in the previous tables amounted to 152,796 thousand euros at 31 December 2020 and referred to 541 positions.

Forborne loans

The Bank adopted the possibility not to introduce automatic classification as forborne of positions subject to moratoria (also confirmed by the Board of Directors' resolution), while maintaining unchanged the internal assessment process, which already provided for individual assessment of positions for their classification as forborne. Following the outbreak of the pandemic, the Bank continued to monitor the presence of signs of financial difficulty, assessing events and elements that could result, in accordance with internal policies, in the granting of forbearance measures on a case-by-case basis. However, at 31 December 2020 no position was reported relating to which the moratorium applied was considered as a forbearance measure.

Newly originated loans guaranteed by the central government or other public entity

To ensure complete application of the anti-crisis measures designed to combat the effects of the Covid-19 emergency, the Bank expanded its range of medium-to-long-term credit offerings with the launch of accreditation and operation with the Mediocredito Centrale SME Guarantee Fund to obtain government guarantees for long-term loans pursuant to Article 48 of the Cure Italy Decree-Law and Article 13 of the Liquidity Decree-Law.

The Bank decided to circumscribe operation with the SME Guarantee Fund, formulating policies that facilitate the granting of loans of more than 25,000 euros (with 90% guarantee).

Loans granted with guarantees from the SME Guarantee Fund to Italian companies, according to the new definition, which includes all companies with fewer than 500 employees (including micro-enterprises and self-employed workers, artisans and freelance professionals), may have a maximum amount of 5 million euros, as provided for in the above Decrees, and may not exceed 25% of the company's revenues. To ensure adequate coverage of credit risk, a supplementary personal surety is to be acquired for loans over 250,000 euros covering the 10% not guaranteed by the Guarantee Fund.

The lending activity in question is a new development for the Bank, which therefore expanded its internal processes by establishing a dedicated task force for the period from April to December 2020, and is contingent on approval by the SME Fund.

At 31 December 2020, 162 positions were guaranteed by the SME Fund, for an overall exposure of approximately 104.4 million euros, as indicated in the table 3 below.

3. INFORMATION ON NEWLY ORIGINATED LOANS AND ADVANCES PROVIDED UNDER NEWLY APPLICABLE PUBLIC GUARANTEE SCHEMES INTRODUCED IN RESPONSE TO COVID-19 CRISIS

	GROSS CARRYING AMOUNT		MAXIMUM AMOUNT OF THE GUARANTEE THAT CAN BE CONSIDERED	GROSS CARRYING AMOUNT
(€ THOUSAND)		OF WHICH: FORBORNE	PUBLIC GUARANTEES RECEIVED	INFLOWS TO NON-PERFORMING EXPOSURES
1. Newly originated loans and advances subject to public guarantee schemes	**104,374**	**-**	**93,991**	**-**
of which:				
2 – households	1,590	-	-	-
of which:				
3 – collateralised by residential immovable property	-	-	-	-
4 – non-financial corporations	102,784	-	92,562	-
of which:				
5 – small and Medium-sized Enterprises	*96,575*	-	-	-
6 – collateralised by commercial immovable property	-	-	-	-

6. CREDIT RISK: USE OF ECAIS

Qualitative information

The Banca Generali Group adopts the ratings provided by the following external rating agencies in determining the credit risk weightings under the standardised method:
> Moody's Investors Service for all regulatory portfolios;
> other available ECAIS (e.g., Fitch) for the portfolio "securitisation positions", where applicable.

The following table shows the regulatory asset classes for which each external rating agency or agency for export credits is used, along with the respective ratings characteristics.

PORTFOLIO	ECA/ECAI	TYPES OF RATING
Exposures to central governments and central banks	Moody's Investors Service	Solicited/unsolicited
Long-term exposures to supervised intermediaries, public entities and local entities	Moody's Investors Service	Solicited
Short-term exposures to supervised intermediaries and companies	Moody's Investors Service	Solicited
Exposures to international organisations	Moody's Investors Service	Solicited
Exposures to multilateral development banks	Moody's Investors Service	Solicited
Long-term exposures to companies and other entities	Moody's Investors Service	Solicited
Exposures to Undertakings for Collective Investment in Transferable Securities (UCITS)	Moody's Investors Service	Solicited
Positions with securitisations with short-time rating	Moody's Investors Service Standard & Poor's Rating Service Fitch Ratings	Solicited
Positions with securitisations other than securitisations with short-time rating	Moody's Investors Service Standard & Poor's Rating Service Fitch Ratings	Solicited

Quantitative information

The following table shows, in thousands of euros, the values of exposures, with and without credit risk mitigation, along with the respective weightings and the values of the exposures deducted from regulatory capital, for each regulatory asset class.

STANDARDISED METHOD REGULATORY PORTFOLIO	EXPOSURE NET OF VALUE ADJUSTMENTS AND PROVISIONS	BREAKDOWN OF EXPOSURE BY RISK WEIGHT					
		0	2	4	10	15	20
Central governments and central banks	8,410,842	8,359,526	-	-	-	-	-
Public sector entities	1,122	-	-	-	-	-	1,122
Multilateral development banks	11,312	11,312	-	-	-	-	-
Supervised intermediaries	1,157,837	-	305,553	16,695	-	-	303,247
Companies and other entities	1,894,894	57	-	-	-	-	17,800
Detail	1,539,281	-	-	-	-	-	-
Secured by property	358,071	-	-	-	-	-	-
Past due	24,825	-	-	-	-	-	-
Exposures associated with particularly high risk	1,379	-	-	-	-	-	-
Covered bonds	34,762	-	-	-	34,762	-	-
Equity instruments	35,369	-	-	-	-	-	-
UCITS	9,352	-	-	-	-	-	-
Other	555,126	25,128	-	-	-	-	181,189
Securitisations	108,591	36,521	-	-	-	64,464	7,606
Total	**14,142,763**	**8,432,544**	**305,553**	**16,695**	**34,762**	**64,464**	**510,964**

BREAKDOWN OF EXPOSURE BY RISK WEIGHT							ORIGINAL EXPOSURE PRECONVERSION FACTORS	ORIGINAL EXPOSURE PRECONVERSION FACTORS	EXPOSURES DEDUCTED FROM REGULATORY CAPITAL
35	50	70	75	100	150	250			
-	8,935	-	-	7,568	-	34,813	1,371	8,412,213	-
-	-	-	-	-	-	-	-	1,122	-
-	-	-	-	-	-	-	-	11,312	-
-	408,547	-	-	118,761	5,034	-	479	1,158,316	-
-	81,132	-	-	1,795,905	-	-	2,238	1,897,132	-
-	-	-	1,539,281	-	-	-	1,241	1,540,522	-
344,890	13,181	-	-	-	-	-	276	358,347	-
-	-	-	-	8,069	16,756	-	12,010	36,835	-
-	-	-	-		1,379	-	-	1,379	-
-	-	-	-	-	-	-	1	34,763	-
-	-	-	-	30,631	-	4,738	1	35,370	-
-	-	-	-	9,352	-	-	-	9,352	-
-	-	-	-	348,809	-	-	36	555,162	-
-	-	-	-	-	-	-	614	109,205	-
344,890	**511,795**	**-**	**1,539,281**	**2,319,095**	**23,169**	**39,551**	**18,267**	**14,161,030**	**-**

7. CREDIT RISK MITIGATION TECHNIQUES

Qualitative information

The Banca Generali Group does not use on- or off-balance sheet netting techniques.

Within the framework of the various credit risk mitigation techniques envisaged in applicable supervisory regulations, the Banca Generali Group favours the adoption of the following credit protection instruments:

> collateral consisting of instruments such as shares, government and other bonds, and UCITS units, including those held within the framework of portfolio management schemes;
> mortgages;
> personal guarantees.

These are in addition to:

> the personal credit protections of the Central Guarantee Fund for loans to SMEs that fall within the measures in support of the economy impacted by the Covid-19 (see the paragraph “Information on exposures subject to Covid-19-related measures”);
> the SACE guarantee provided for trade finance credit facilities (without-recourse sale of export loans).

The credit risk mitigation instruments used by the Banking Group refer solely to loans to customers.

The Group uses the instruments shown in the following table as secured guarantees.

Secured guarantees used by the Group

GUARANTEE DESCRIPTION	CATEGORY CIRCULAR NO. 285/2013
First lien on property	Mortgages on property - secured guarantee
Second or inferior lien on real property	Mortgages on property - secured guarantee
Legal mortgages on property	Mortgages on property - secured guarantee
Pledge on listed shares	Financial collateral
Pledge on cash	Financial collateral
Pledge on government securities and third-party bonds	Financial collateral
Pledge on securities	Financial collateral
Pledge on funds/Sicav units	Financial collateral
Revolving pledge on securities account under administration	Financial collateral
Pledge on assets under management	Financial collateral
Pledge on Genertellife LOB 1 policies	Financial collateral
Surety	Unsecured guarantee
Risk Participation - Parent Company	Unsecured guarantee
Indemnity	Unsecured guarantee
Guarantee Fund Surety	Central Government Personal Guarantee
SACE Surety	Central Government Personal Guarantee

The pledged instruments indicated above, in order to be eligible for credit risk mitigation techniques, must meet the requirements established by existing regulations (CRR – Regulation EU 2013/575). The eligibility rules are defined and implemented in the Bank’s IT systems responsible for calculating capital requirements.

In addition to collateral, the Bank uses personal guarantees in the form of sureties to a minor extent.

When a new mitigation instrument is proposed, the following checks are performed to determine whether the instrument is admissible in accordance with legislative requirements:

> where necessary, the Legal Affairs Department examines the contractual documentation to assess whether the requirements of legal certainty and promptness of liquidation have been satisfied and updates or drafts the said documentation;
> the Lending Department:
  – supports the Legal Affairs Department with drafting non-standard contracts associated with the collateral type;
  – verifies that the general and specific requirements imposed by law have been met;
  – ensures that existing credit processes involving the acquisition, management and enforcement of the collateral types being analysed are consistent and effective.

The Risk and Capital Adequacy Department, with support from the Compliance Function, as second-tier control function, examines the checks performed by the above departments in order to validate satisfaction of the general and specific legislative requirements.

Each year the Lending Department verifies the types of collateral included in the system and, following consultation with the Risk and Capital Adequacy Department, as well as with the Compliance Function, where appropriate, requests that the Processes and Systems Coordination Department update the collateral types included in the procedure.

Each department involved in the process is generally responsible for reporting changes in applicable legislation that require verification of the types of collateral admitted and their eligibility for CRM purposes.

The Group attaches extreme importance to reviewing the proper acquisition and management of collateral and personal guarantees owing to their role in safeguarding credit and reducing the associated risk, which is reflected in the mitigation of the capital requirements imposed by banking supervisory regulations.

The process of acquiring and managing guarantees, which is reported to the Lending Department, ensures:

> proper, thorough and prompt recognition/recording in the dedicated applications of the review of individual

collateral contracts and the associated set of necessary information;
- the proper acquisition and filing of documentation regarding specific collateral;
- the consistency with current market values of the values indicated upon approval on the basis of the guarantee; this review is conducted on a monthly basis and, for some technical types, on a weekly basis;
- measures where there are discrepancies between the initial value of the guarantee and its market value (net of allowed disparities) in excess of the pre-determined threshold, with the twofold goal of requesting and obtaining from the pledgor the replenishment of the guarantee and proportionally reducing the credit granted.

In the case of mortgages of property, it particularly bears considering that the Bank normally grants loans intended solely for the purchase of first homes; all other cases are marginal. To determine the precautionary prudential value of the property to be mortgaged, Banca Generali draws on support from CRIF S.p.A., a leading Italian provider of credit information, business information and decision-making support systems. By means of a formal process, channelled through the information technology procedures made available by the information technology outsourcer CSE, the Bank requests evaluations of the properties to be mortgaged in each case. Through its network of independent experts[15], CRIF provides the Bank with a full, thorough appraisal, accompanied by complete checks of the property's urban planning and administrative compliance, culminating in an indication of the property's value on a prudent and conservative basis. The maximum amount of mortgage loans is 80% of the value of the property as appraised through the above process, in accordance with the instalment/income ratios consistent with best practice.

The appraisal is part of a guarantee management process that also includes the acquisition, control and enforcement of guarantees.
In the case of a mortgage, once the loan is approved a preliminary notary's report is requested to verify the degree of mortgage registered and establish the actual extent and ownership of the property to be mortgaged. This report — issued by a Notary — certifies whether the property to be mortgaged is encumbered (by mortgages, foreclosures, etc.) and/or subject to detrimental transactions.

Following the actual deed of sale and the subsequent mortgage financing, the Notary issues an executive copy of the deed and registers the mortgage, delivering the mortgage registration note to the Bank.
The executive copy of the mortgage deed is the document that, if it becomes necessary to enforce the mortgage, allows the Bank to exercise its rights by initiating the foreclosure procedure. The registration note represents confirmation that the mortgage has been registered with the property register archive.

The Bank draws on the support of CRIF, which verifies the value of mortgaged properties. In particular, the value of properties is verified annually.
The organisational units within the Lending Department select the properties to be appraised; CRIF then proceeds to the appraisal using statistical methods or drawing on a network of independent experts.

Forms of collateral other than mortgages used by the Group as credit risk mitigation techniques are managed similarly, albeit with slight differences related to the diversity of the underlying financial instrument.
Once the documentation is approved, the Lending Department's organisational units prepare the deed of pledge to be signed by the customer. The deed specifies the guarantee to be acquired.
The customer signs the deed of pledge. The Lending Department's organisational units then verify that the customer has placed his signatures on the deed and establish the certified date of execution of the deed.

The type of collateral determines the statutes that govern the legal consummation of the pledge. For example, when a static pledge on securities is used, a specific securities account is created within the Securities Procedure.
The creation of a collateral securities account automatically prevents the client from trading the pledged financial instruments, since it is no longer possible to perform trades directly involving such accounts, with the exception of revolving collateral, in which the client may replace the pledged assets in view of optimal asset allocation, but may not under any circumstances release collateral or transfer financial instruments (in such cases, the value of the entire securities account is posted as collateral). Except for revolving pledges, any requests to unfreeze the pledged securities portfolio must be authorised by the Lending Department's organisational units.
Said organisational units then enter the date on which the deed of pledge was signed and the certified date into the Credit Limits and Guarantees Procedure.
Financial instruments in the Securities Procedure securities account are assigned values on a daily basis (by an overnight batch) using figures automatically downloaded from Ced Borsa (Italian securities) and/or Telekurs (foreign securities for listed securities).
The market value of the guarantee may be viewed in a management table.
The value of each financial instrument provided as collateral is subject to a prudential haircut, at a percentage that varies according to the underlying risk level, in most cases ranging from 10% to 40%; in some cases, this percentage may even be higher, in consideration of particular circumstances. Monitoring is performed monthly or more frequently for certain categories of credit products.

The control performed by the organisational units under the Lending Department's responsibility consists of verifying that the amount of the pledged securities is sufficient to cover the total amount borrowed by each individual debtor.

[15] "Independent expert" is defined as a person with the necessary qualifications, skills and experience to conduct an appraisal, not having taken part in the loan approval process and not being involved in the monitoring thereof.

Where the guarantees present are not sufficient, it is requested that they be replenished.
When a guarantee decreases, the pledge agreement explicitly states that “should the value of the pledged securities decrease from the initially established level for any reason whatsoever and the guarantee fail to be integrated with other rights of enjoyment by the Bank, the Bank may either reduce the credit limit proportionally, effective immediately, informing the debtor thereof, including solely in verbal form, or revoke the line of credit granted, effective immediately.”

Any increases in the value of the pledged securities exceeding the value of the pledge, without prejudice to the efficacy of the pledge as limited to said value, do not entitle the pledgor to dispose of the securities presenting value in excess.
In terms of enforcement, if the debtor defaults, the Bank may enforce the guarantee with advance written notice of five days, or fifteen days if the pledgor is an entity separate from the debtor.
Enforcement results in the sale on the market of the pledged financial instruments, and the Bank uses the proceeds to satisfy its credit claims.

At 31 December 2020, the Banca Generali Group had not made any use of credit derivatives.

Quantitative information

The tables hereunder contain the following information for each regulatory asset class, in thousands of euro:

> the value of the total exposure covered by financial collateral and other admitted collateral, after applying adjustments to account for volatility;
> the value of the total exposure covered by personal guarantees.

Value of the total exposure covered by financial collateral and other admitted collateral

STANDARDISED METHOD: CREDIT RISK MITIGATION TECHNIQUES – AMOUNT PROTECTED

	VALUE OF THE GUARANTEE		LOAN RECIPIENT
Guaranteed exposures: cash assets at risk			
Value of collateral	265,246	S.A. portfolio (1)	Companies and other entities
Value of collateral	250,834	S.A. portfolio (1)	Retail exposures
Value of collateral	17,709	S.A. portfolio (1)	Past-due exposures
Value of collateral	909	S.A. portfolio (1)	Exposures secured by property
Total guaranteed exposures: cash assets at risk	**534,698**		
Guarantees issued and commitments to disburse funds			
Value of collateral	35,587	S.A. portfolio (1)	Companies and other entities
Value of collateral	108,212	S.A. portfolio (1)	Retail exposures
Value of collateral	31	S.A. portfolio (1)	Past-due exposures
Total guarantees issued and commitments to disburse funds	**143,830**		
SFT transactions and transactions with long-term settlement			
Value of collateral	305,743	S.A. portfolio (1)	Supervised intermediaries
Total SFT transactions and transactions with long-term settlement	**305,743**		
Total	**984,271**		

(1) S.A.: Standard Approach.

Value of the total exposure covered by personal guarantees

STANDARDISED METHOD: CREDIT RISK MITIGATION TECHNIQUES – AMOUNT PROTECTED

	VALUE OF THE GUARANTEE		LOAN RECIPIENT
Guaranteed exposures: cash assets at risk			
Value of collateral covered by personal guarantee	158,282	S.A. portfolio (1)	Central governments
Value of collateral covered by personal guarantee	23	S.A. portfolio (1)	Supervised intermediaries
Value of collateral covered by personal guarantee	74,187	S.A. portfolio (1)	Companies and other entities
Total guaranteed exposures: cash assets at risk	**232,492**		
Guarantees issued and commitments to disburse funds			
Value of collateral covered by personal guarantee	53,690	S.A. portfolio (1)	Companies and other entities
Total guarantees issued and commitments to disburse funds	**53,690**		
Total	**286,182**		

(1) S.A.: Standard Approach.

8. COUNTERPARTY RISK

Qualitative information

In accordance with applicable legislation, counterparty risk is calculated for the following categories of transactions:

- derivative financial and credit instruments traded over the counter (OTC);
- securities financing transactions (“SFTs”, i.e., repurchase agreements and securities lending);
- transactions with medium-to-long term settlement.

Each counterparty is assigned an operating limit set at the level of the credit facility, identified based on a specific assessment, authorisation and approval process carried out by the competent bodies.

The Risk and Capital Adequacy Department is responsible for ensuring second-tier checks on the proper use of the credit facilities approved, as well as for monitoring changes in the ratings of borrowers in order to take action where a change results in a credit rating that is no longer consistent with the amount of the existing credit facility.
Any breaches detected are promptly reported to the liaisons identified by the process (according to a specific escalation sequence) for timely remedial action.

With regard to repurchase agreement transactions, the Bank has global market purchase agreements (GMRAs) in place, in addition to MTS Repo transactions with central counterparties, and with reference to derivatives the Bank enters into netting agreements such as ISDA/CSA (International Swaps and Derivatives Association/Credit Support Annex) contracts. With regard to the impact in terms of the collateral that the Group would need to provide in the event of a downgrading of its credit rating, the agreements do not require the Bank to increase the amount of collateral to be provided in the event of a downgrading of Assicurazioni Generali.

Quantitative information

The following table contains a breakdown of over-the-counter financial derivatives and hedging derivatives having a positive and negative fair value, and which therefore generate counterparty risk, in thousands of euros.
At 31 December 2020, the Group had not undertaken any credit derivatives transactions.

OTC HFT financial derivatives

UNDERLYING ASSETS	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
3) Currencies and gold				
- notional value	X	15,838	-	15,838
- positive fair value	X	159	-	1,402
- negative fair value	X	1,396	-	155

Hedging financial derivatives

	CENTRAL COUNTERPARTIES	BANKS	OTHER FINANCIAL COMPANIES	OTHER ENTITIES
Contracts other than netting arrangements				
1) Debt securities and interest rates	-	-	-	-
- notional value	-	-	125,000	-
- positive fair value	-	-	-	-
- negative fair value	-	-	6,330	-
Contracts within the scope of netting arrangements				
1) Debt securities and interest rates	-	-	-	-
- notional value	-	1,589,000	120,000	-
- positive fair value	-	2,140	346	-
- negative fair value	-	60,575	948	-

The following table illustrates the values of the exposures, calculated according to the methods illustrated above, in thousands of euros.

DERIVATIVE CONTRACTS	AMOUNT
Weighted amount	6,513
Appropriate value of the exposure	27,625
Credit equivalent of guarantees and commitments	27,625
Capital requirement	521

SFTS AND TRANSACTIONS WITH LONG-TERM SETTLEMENT	AMOUNT
Weighted amount	397
Value of the exposure	311,829
Appropriate value of the exposure	11,369
Capital requirement	32
Capital requirement for counterparty risk	553

The capital requirement for counterparty risk alone amounted to 553 thousand euros at 31 December 2020.

9. SECURITISATION

Qualitative information

The Group does not hold proprietary securitisations but exclusively invest in third-party securitisations. The Bank has formulated a framework for monitoring complex instruments (securitisations and harmonised investment funds other than UCITS) aimed at governing the Bank's process of investing in this type of products, in accordance with the applicable internal rules and procedures and external regulations, in addition to setting out the rules and responsibilities within the company bodies and organisational units involved in the process in various capacities.

Quantitative information

In light of the increasing importance of its assets and the current market context of interest rates that remain negative, in 2020 Banca Generali deemed it appropriate to diversify the investments in its banking portfolio by allocating a minimal portion of it (1.4% of the total banking book) to the purchase of complex products represented by securitised instruments. All investments were directed towards the most senior tranches of the securitised structures.

At 31 December 2020, securitisations recognised amounted to 128,736[16] thousand euros and consisted of:

	CASH EXPOSURES					
	SENIOR		MEZZANINE		JUNIOR	
TYPE OF UNDERLYING ASSETS/EXPOSURES	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS	BOOK VALUE	ADJUSTMENTS OF REVERSALS
Prisma Spv S.r.l.	20,965	-139	-	-	-	-
GIM NL LUX 12/06/18	20,135	-	-	-	-	-
Credimi Italianonsiferma Floater 20.07.2026	64,473	-403	-	-	-	-
GERMAN21 REG-S 3.75%	15,557	-	-	-	-	-
Eridano II Spv FRN 28.05.2035	7,606	-72	-	-	-	-

[16] The prudential value of the securitisations, equal to 108,591 thousand euros, differs from the balance sheet value for the security GIM NL LUX 12/06/2018, registered as a securitisation, but from a prudential standpoint, since it does not meet the definition of securitisation set out in Regulation (EU) No 2017/2402 as it is untranched, it was treated as an unrated bond and weighted at 100%.

10. OPERATING RISK

Qualitative information

The Group ensures prudent management of operating risk in accordance with the established limits through its own system for measuring, monitoring and reporting such risk (known as the Operational Risk Framework).

The Risk and Capital Adequacy Department is responsible for applying the Operational Risk Framework adopted by the Banking Group, primarily consisting of the following activities:
> identification of operating risks according to the legal classification;
> risk assessment based on the expected loss criterion;
> identifying significant risks;
> monitoring of action plans to mitigate significant risks;
> application of the LDC (Loss Data Collection) process;
> monitoring of KRIs (Key Risk Indicators).

Quantitative information

Pursuant to Article 312 of Regulation (EU) No 575/2013 (hereinafter “CRR”), in 2020 Banca Generali opted to transition from the BIA (Basic Indicator Approach) to the TSA (Traditional Standardised Approach) for calculating the capital requirement for operational risk at both the separate and consolidated level.

Under the TSA method, the capital requirement is commensurate to an economic indicator, the so-called “Relevant indicator, calculated in accordance with Article 316 of Regulation (EU) No. 575/2015 (CRR), as the sum of the following components:
> interest and similar expenses/income;
> fee and commission expense/income;
> income from shares, units and other variable/fixed-yield securities;
> profit (loss) from financial transactions[17];
> other operating income[18].

Pursuant to Article 317 of the CRR, the Bank calculated the own funds requirement for operational risk as the average over three years of the sum of the annual own funds requirements across all regulated business lines. The annual own funds requirement for each business line is equal to the product of the part of the relevant indicator mapped to the respective business line by the pertinent regulatory weighting coefficient (beta factor), as shown below:
1) Corporate Finance 18%;
2) Trading and Sales 18%;
3) Retail Brokerage 12%;
4) Commercial Banking 15%;
5) Retail Banking 12%;
6) Payment and Settlement 18%;
7) Agency Services 15%;
8) Asset Management 12%.

[17] The following components are excluded from the calculation of the indicator:
> profits and losses realised through the sale of “items” not included in the trading book;
> income from extraordinary or irregular items;
> income from insurance products

[18] Fees paid for outsourced services may not be deducted from the Relevant Indicator if they are awarded to “third” parties other than:
> the Parent company, subsidiaries and other companies belonging to the same banking group.
> third parties subjected to oversight pursuant to EU Regulation No. 575/2013 or equivalent provisions.

The figure below shows an exact breakdown of the Relevant indicator of the Banca Generali Group and the Group's capital requirement at 31 December 2020, in line with the information provided in the reporting templates (Corep 16).

OPERATIONAL RISK (TSA BUSINESS LINE) (€ THOUSAND)	RELEVANT INDICATOR		
	2018	2019	2020
Corporate Finance (CF)	-	-	-
Trading and Sales (TS)	72,408	84,235	102,033
Retail Brokerage (RB)	22,243	21,588	17,196
Commercial Banking (CB)	53,754	71,880	82,640
Retail Banking (RB)	7,754	11,698	11,839
Payment and Settlement (PS)	-	-	-
Agency Services (AS)	-	1,265	1,285
Asset Management (AM)	303,478	402,810	412,516
Capital requirement	**74,507**		

Source: Administration Department analysis

The impact of operating losses in 2020 is broken down below by business line and regulatory event type, including: internal fraud: losses due to unauthorised activity, fraud, embezzlement or violations of laws, regulations or company directives involving at least one person internal to the bank;

> external fraud: losses due to fraud, embezzlement or violations of laws by persons external to the bank;
> employment practices and workplace safety: losses due to actions not conforming to employment and workplace health and safety laws or agreements, payment of compensation for personal injury or episodes of discrimination or failure to apply equal opportunity conditions;
> clients, products and business practices: losses due to non-fulfilment relating to professional obligations to customers or the nature or characteristics of the product or service rendered;
> damage due to external events: losses due to external events, such as natural catastrophes, terrorism and acts of vandalism;
> business disruptions and system failures: losses due to disruptions of operations or to dysfunctions or unavailability of systems;
> execution, delivery and process management: losses due to shortcomings in the performance of transactions or the management of processes, as well as losses due to relations with commercial counterparties, sales personnel and suppliers.

BUSINESS LINE (€ THOUSAND)	ET 01 – INTERNAL FRAUD	ET 02 – EXTERNAL FRAUD	ET 03 – EMPLOYMENT PRACTICES AND WORKPLACE SAFETY	ET 04 – CLIENTS, PRODUCTS AND BUSINESS PRACTICES	ET 05 – DAMAGE DUE TO EXTERNAL EVENTS	ET 06 – BUSINESS INTERRUPTION AND SYSTEM FAILURES	ET 07 – EXECUTION, DELIVERY AND PROCESS MANAGEMENT	TOTAL
Asset Management	-	-	-	-	-	-	78	**78**
Commercial Banking	-	-	-	-	-	-	-	**-**
Corporate Finance	-	-	-	322	-	-	-	**322**
Corporate Items	-	35	80	349	-	47	217	**728**
Payment and Settlement	-	71	-	10	-	-	7	**88**
Retail Banking	914	36	-	108	-	-	381	**1,438**
Retail Brokerage	1,130	-	-	51	-	-	438	**1,618**
Trading and Sales	-	-	-	-	-	-	-	**-**
Overall total	**2,044**	**142**	**80**	**839**	**-**	**47**	**1,121**	

In 2020, operational risks mainly manifested through the Internal Fraud category, which includes losses due to fraud, misappropriation or evasion of laws, regulations or company directives by internal staff, including Financial Advisors, in the performance of their duties. The second category from the standpoint of the occurrence of losses referred to Process Execution.

During the year, there were no operating discontinuities relating to the health emergency since the Bank succeeded in guaranteeing all services. In confirmation of this, there were no operating losses directly attributable to the impact of Covid-19. Further details on operating risks are illustrated in the Consolidated Annual Financial Report for the year ended 31 December 2020.

11. CAPITAL INSTRUMENT EXPOSURES NOT INCLUDED IN THE TRADING BOOK

Qualitative information

The Group's equity investments are held for strategic and institutional purposes and are instrumental to its operations.

Exposures in equity securities are included in the portfolios reported here below.

11.1 Other financial assets mandatorily measured at fair value through profit or loss

This item includes equity instruments, not classifiable as control, associate and joint control for which the option was not taken, at the initial recognition stage, to designate them at fair value through other comprehensive income.

Recognition
Equity securities are initially recognised on the settlement date.
At the initial recognition stage, financial assets recognised at fair value through profit and loss are measured at fair value without considering the transaction costs or income directly attributable to the instrument itself.

Measurement
After initial recognition, financial assets are measured at fair value. The effects of the application of this measurement criterion are recognised in profit and loss.

The fair value of financial instruments traded in active markets is determined by referring to the relevant quoted market price of such instruments.
A financial instrument is regarded as listed in an active market if quoted prices represent actual and regularly occurring market transactions on an arm's length basis over a normal reference period and those prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service or authorised entity.

In the absence of an active market, alternative valuation methods based on market data are used, such as quotes drawn from inactive markets, or on markets where similar instruments are traded, the notional value of financial instruments, quotas from brokers or placing agents involved in the issue of financial instruments, quotes from info providers specialised in specific sectors, and values drawn from recent comparable transactions.

In the case of equity instruments not listed on an active market, the cost criterion is only used to estimate fair value on a residual basis, limited to a few circumstances, i.e., where all previously discussed measurement methods do not apply, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.

Derecognition
Financial assets are derecognised when the contractual rights on the cash flows resulting from the assets expire or when the financial asset is disposed of, essentially transferring all the related risks/rewards.
By contrast, if a significant part of the risks and rewards relating to the financial assets disposed of has been maintained, these continue to be stated in the financial statements, even if legal ownership of the assets has actually been transferred.

11.2 Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification
FVOCI include equity instruments not held for trading electively designated at fair value through other comprehensive income upon initial recognition.
In particular, this item includes equity interests, equity shares and various kinds of capital contributions, not classifiable as control, associate and joint control.

Recognition
Equity instruments are initially recognised on the settlement date. Assets are initially recognised at fair value including transaction costs or income directly related to the instrument.

Measurement
Equity instruments that have been classified to this category on an elective basis are measured at fair value through other comprehensive income (net equity) and cannot be transferred to profit and loss thereafter, even in the event of disposal. The only component attributable to the equity instruments in question that may be recognised in profit or loss is the related dividends.

Fair value is determined on the basis of the criteria set out above for Other financial assets mandatorily measured at fair value through profit or loss.

In the case of equity instruments included in this category not listed on an active market, the cost criterion is only used to estimate fair value on a residual basis, limited to a few circumstances, i.e., where all previously discussed measurement methods do not apply, or where there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within the range.

Derecognition

Financial assets are derecognised from the financial statements only if the transfer results in the transfer of substantially all risks and rewards connected to such assets. By contrast, if a significant part of the risks and rewards relating to the financial assets disposed of has been maintained, these continue to be stated in the financial statements, even if legal ownership of the assets has actually been transferred.

Quantitative information

The following table shows the Group's equity exposures in thousands of euros:

ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	FAIR VALUE	OCI RESERVE	REALISED AND UNREALISED GAINS/LOSSES
OCI and FVOCI portfolios - Equity securities							
- valued at fair value	883	-	161	1,044	1,044	-54	-258
- valued at cost	-	-	18,006	18,006	n.a.	-463	-
Investments in associates							
- valued at equity	-	-	1,717	1,717	n.a.	n.a.	-341
Total	**883**	**-**	**19,884**	**20,767**	**1,044**	**-517**	**-599**

ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	FAIR VALUE	OCI RESERVE	REALISED AND UNREALISED GAINS/LOSSES
Equity investments	**-**	**-**	**17,356**	**17,356**	**-**	**-54**	**-**
- CSE - 10.00%	-	-	9,030	9,030	-	-	-
- Generali Business Solutions Scpa (GBS)	-	-	246	246	-	-	-
- Tosetti Value - 9.9%	-	-	2,109	2,109	-	-	-
- Equity investment 8a+ (Nextam ptf)	-	-	912	912	-	-	-
- Conio Inc	-	-	4,961	4,961	-	-54	-
- Other minor equity investments (Caricese, Swift, Eura etc)	-	-	98	98	-	-	-
Private-equity investments	**-**	**-**	**6**	**6**	**6**	**-**	**-**
- Athena Private Equity S.A. - 4.66%	-	-	6	6	6	-	-
Other equity securities measured at fair value	**883**	**-**	**155**	**1,038**	**1,038**	**-58**	**-258**
- Assicurazioni Generali	883	-	-	883	883	-	-258
- Equity security Capital for progress (Nextam)	-	-	155	155	155	-58	-
Capital contribution in joint ventures	**-**	**-**	**650**	**650**	**-**	**-405**	**-**
- Tico Film	-	-	145	145	-	-100	-
- Fabula Pictures	-	-	110	110	-	-100	-
- Palomar	-	-	70	70	-	-105	-
- Zocotoco	-	-	175	175	-	-	-
- Eskimo S.r.l.	-	-	150	150	-	-100	-
Investments in associates	**-**	**-**	**1,717**	**1,717**	**-**	**-**	**-341**
- IOCA Entertainment Ltd.	-	-	-	-	-	-	-125
- BG SAXO Sim S.p.A.	-	-	1,717	1,717	-	-	-216
Total equity securities	**883**	**-**	**19,884**	**20,767**	**1,044**	**-517**	**-599**

Overall unrealised gains on the FVOCI portfolio, relating to financial assets mandatorily measured at fair value through profit and loss, amounted to 258 thousand euros.

The equity securities portfolio also includes the capital contributions relating to film partnership contracts, with no expiry date, for a total amount of 650 thousand euros. The contributions are covered by a film tax credit and fully secured by collateral.

At 31 December 2020, the Group held two equity investments: IOCA Entertainment Limited, a company subject to significant influence, and BG Saxo SIM S.p.A., a subsidiary under common control:

> IOCA Entertainment Ltd. is a company under the UK law, in which on 19 October 2015 Banca Generali acquired a 35% interest, in the form of 3,500 shares with a nominal value of 1.00 pound sterling each, for a total of 1,616,125 pounds sterling, equivalent to an initial value of approximately 2.2 million euros. The company, an e-commerce/social networking start-up engaged in the commercial development of an app for smartphones and tablets, named "dringle", was already subject to impairment in the previous year as it did not attain its commercial targets.
The equity investment was fully written off at the end of 2020 due to further losses incurred, and in light of the absence of tangible future economic prospects.

- BG Saxo SIM S.p.A., an investment firm formed as part of the joint venture with SAXO Bank, in which Banca Generali acquired a 19.9% equity interest on 31 October 2019 for 1,995 thousand euros, plus additional charges. Banca Generali and Saxo Bank signed an agreement to form an exclusive partnership in online trading and digital services. The deal aims to offer Italian customers exclusive access to an innovative advanced trading platform based on Saxo Bank's technology, and managed by BG SAXO SIM. The new platform will allow for an expansion of the range available to Banca Generali's Financial Advisors, granting access to tailor-made transactions and innovative dynamic hedging solutions that can be offered to both private-banking and corporate customers.
  At 31 December 2020, the portion of loss for the period recognised by Banca Generali amounted to approximately 216 thousand euros.

12. EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

Qualitative information

The interest rate risk to which the banking book is exposed consists of the risk of incurring losses due to potential fluctuations in interest rates.
This risk is generated by the gaps between the maturities and time required to re-set the interest rate on the Group's assets and liabilities. Where such gaps are present, fluctuations in interest rates result in variations of net profit, and therefore projected net profit, as well as variations in the market value of the assets and liabilities and, in turn, net equity.

To measure interest rate risk and determine the corresponding internal capital requirement in terms of economic value, the Group applies the standardised method identified in supervisory regulations[19]which provides for all assets and liabilities to be classified into time bands by residual time to maturity, from demand positions to positions maturing beyond 20 years.

The net exposure for each time band is calculated by netting assets against liabilities. The net exposures for each band are then multiplied by the weighting factors, which are obtained by multiplying the hypothetical change in the rates used by the modified duration indicator for each band.

In accordance with Bank of Italy Circular No. 285/2013, the Group has assessed the potential impact of the change in interest rates also with regard to net interest income. The approach to quantifying this impact on income due to interest rate risk is the repricing gap model, which involves:

> the choice of time horizon, for a period of reference T of no less than 12 months and no more than 3 years;
> classification of assets and liabilities into time bands;
> calculation of weighted net exposures by band, obtained by multiplying the net position per band by the relevant weighting factor. The weighting factor is calculated as the product of a hypothetical change in rates and the difference between the time horizon T of reference and the average maturity for each band;

Determining the total exposure as the sum of the exposures for each maturity band for the time between the repricing date, the chosen time horizon and the subsequent application of the assessment scenarios adopted, makes it possible to identify the impact on net interest income due to changes in rates.

In addition to monitoring regulatory risk according to the foregoing method, the Bank also performs management analysis through sensitivity analyses that estimate the impact of the present value of the items and the expected net interest resulting from various yield curve shift scenarios, with a focus on the own securities portfolio.

Quantitative information

In operating terms, a shift of +100/-100 basis points in the rate curve would have an effect on the fair value of the securities in the banking book (HTCS and HTC) amounting to -135.3/+124.7 million euros. The same shift in the rate curve (+100/-100 basis points) would generate an effect of net interest income on the financial statements, gross of the tax effect, of +55.9 million euros in case rates increase by 1% and -38.5 million euros in case rates decrease by the same percentage.

The Bank currently uses fair value hedging strategies to contain interest rate risk on the banking book.

The following tables show the gap between Banca Generali Group's assets and liabilities in terms of regulatory interest rate risk on assets other than those held for trading at 31 December 2020, considering respectively relevant currencies (euro and non-euro) in thousands classified based on Prudential Supervisory Provisions[20] for ICAAP purposes.

(€ THOUSAND)	ASSETS	LIABILITIES	GAP
Euro	13,576,012	13,198,921	377,092
Non-Euro	103,347	110,786	7,439
Total	**13,679,360**	**13,309,708**	**369,652**

[19] Cf.: Circular No. 285 "Supervisory Provisions for Banks" issued by the Bank of Italy on 17 December 2013, as subsequently amended.
[20] Cf.: Circular No. 285 "Supervisory Provisions for Banks" issued by the Bank of Italy on 17 December 2013, as subsequently amended.

13. ENCUMBERED AND UNENCUMBERED ASSETS

Qualitative information

In the course of its operations, the Banca Generali Group undertakes certain types of transactions that entail encumbrances of its assets.

The types of transactions that may entail the formation of this type of encumbrance are:
> repurchase agreements;
> collateral deposited with netting systems, central counterparty clearing houses (CCP) and other infrastructure institutions as a condition for access to the service, including initial margins and incremental margins;
> instruments provided as collateral in various capacities for funding from central banks;
> collateralised financial guarantees;
> collateralisation agreements, formed, for example, by collateral provided on the basis of the market value of derivatives transactions.

Activities of this nature are performed either to allow the Group to access forms of funding regarded as advantageous at the time of the transaction or because providing collateral is a standard condition for access to certain markets or types of activity (for example, transactions with central counterparties).

Assets sold but not written off, recognised in the financial statements in connection with repurchase agreements with clients and banks, amounted to approximately 150 million euros.

The Bank does not engage in transactions involving the use of collateral received from third parties.

Quantitative information

Based on EBA provisions, institutions have to recognise the amount of encumbered and unencumbered assets by type of asset[21].

Encumbered assets are balance sheet assets that have been pledged as guarantee or sold without being written off, or are otherwise encumbered, as well as guarantees received that meet the requirements for recognition in the transferee's balance sheet.

The information presented below refers to figures at 31 December 2020:

A. Encumbered and unencumbered assets at 31 December 2020

	PLEDGED		NOT PLEDGED		
TECHNICAL TYPES	BV	FV	BV	FV	31.12.2020
1. Cash and deposits					574,108
2. Debt securities	1,090,693	1,119,250	7,872,484	8,101,019	8,963,177
3. Equity securities	-	-	19,052	19,052	19,052
4. Loans	83,241	X	2,798,677	X	2,881,918
5. Other financial assets	-	X	27,009	X	27,009
6. Non-financial assets	-	X	711,725	X	711,725
Total (T)	**1,173,934**	**1,119,250**	**12,003,055**	**8,120,071**	**13,176,989**

B. Guarantees received at 31 December 2020

	FV - COLLATERAL OR ENCUMBERED OWN SECURITIES ISSUED	FV - COLLATERAL OR UNENCUMBERED OWN SECURITIES ISSUED	31.12.2020
Guarantees received	**-**	**2,456,033**	**2,456,033**
1. Equity securities	-	1,380,287	1,380,287
2. Debt securities	-	359,967	359,967
3. Other guarantees received	-	715,779	715,779
Debt securities issued	**-**	**-**	**-**
Total	**-**	**2,456,033**	**2,456,033**

C. Liabilities associated to encumbered assets, guarantees received or own securities at 31 December 2020

	ASSOCIATED LIABILITIES	ENCUMBERED ASSETS, COLLATERAL OR OWN SECURITIES
Liabilities associated to encumbered assets, guarantees received or own securities issued	150,951	1,087,387

Financial assets pledged as collateral for own liabilities and commitments refer mainly to repurchase agreement transactions with a commitment to repurchase with customers and banks and collateral for refinancing transactions with ECB. This amount also includes financial instruments pledged with Cassa di Compensazione e Garanzia for transactions on the MTS Repo market and for ordinary settlement operations. At 31 December 2020, it was 25 million euros.

[21] Provisions regarding encumbered and unencumbered assets (Article 443 CRR) were adopted by the Bank of Italy through the eight update to Circular No. 285 dated 10 March 2015, including total reference to the EBA guidelines of June 2014 (ABE/GL/2014/03).

14. LEVERAGE

Qualitative information

The risk of excessive leverage is the risk that a particularly high level of debt to equity may render the Bank vulnerable, requiring corrections to its business plan, including the sale of assets, and the recognition of a loss, potentially necessitating impairment of the remaining assets.

The Group's business (lending transactions financed using inflows from clients and the interbank market) exposes it to the risk that an impairment of its assets may result in a decrease in its net equity.

Quantitative information

The Group uses the Basel 3 leverage ratio as indicator of the risk of excessive leverage. The indicator consists of the ratio of regulatory capital (Tier 1) to total adjusted balance sheet assets.

Entities report the leverage ratio with quarterly frequency. The value "at the reporting date" for each quarter is the value on the final calendar day of the third month of the quarter of reference.
The regulatory leverage limit, as a Pillar 1 requirement on a mandatory basis with effect from 1 January 2018, must exceed a threshold level currently set at 3%.

As part of this process, Banca Generali calculated its leverage ratio as at 31 December 2020, resulting in a level of 5.127%.

This value was estimated comparing Tier 1 capital with total consolidated adjusted assets. This latter figure includes cash exposures, net of the other items already deducted from capital (such as intangible assets) and off-balance sheet exposures (guarantees and commitments, derivatives, securities financing transactions and transactions with long-term settlement, etc.).

In determining the leverage indicator, reference was also taken of Article 500-*ter* CRR), introduced by Commission Delegated Regulation (EU) No 2020/873 (the CRR "Quick Fix"), which makes it possible for banks to exclude, until 27 June 2021, exposures to the Central Bank represented by the following from the overall amount of the exposure: a) coins and bank notes representing constituting legal currency in the jurisdiction of the central bank; and b) assets representing claims on the central bank, including reserves held at the Central Bank, where the competent authority has determined, after consultation with the relevant Central Bank, and publicly declared that exceptional circumstances exist that warrant the exclusion in order to facilitate the implementation of monetary policies.

On 17 September 2020, the European Central Bank, in its role as Central Bank, declared that the impacts of the Covid-19 pandemic on the Euro Area economy required significant monetary-policy accommodations, which in turn necessitate the proper functioning of the monetary policy transmission channel represented by the banking system. The ECB's Governing Council then confirmed, for the Euro Area, the existence of exceptional circumstances for the exclusion of the exposures to the Central Bank from the calculation of the leverage indicator.

In its communication of 10 November 2020, the Bank of Italy, taking account of the ECB's statements, established and publicly declared the existence of exceptional circumstances justifying the exclusion, until 27 June 2021, of the exposures to the central bank set out in letters of Article 500b(1)(a) and (b) from the measure of the total exposure for calculating the leverage indicator, in order to facilitate implementation of monetary policies.
For Banca Generali the amount excluded from the leverage calculation amounted to 132.9 million euros and determined a slight improvement of the indicator (approximately 0.05%).

	31.12.2020	31.12.2019
Tier 1 capital when fully implemented	676,103	570,939
Value of the exposure when fully implemented	13,186,209	11,783,297
Leverage indicator when fully implemented	**5.127**	**4.845**

The following tables provide the details of the elements considered when calculating the leverage ratio at 31 December 2020, in accordance with EBA/ITS/2014/04, drawn up pursuant to Article 451(2) of CRR and subsequently adopted by the European Commission[22].

TABLE LRSUM — SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

TABLE LRSUM	SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES	
1	Total assets as per the published financial statements	13,176,989
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013)	-
4	Adjustment for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	1,307
6	Adjustment for off-balance sheet elements (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	141,184
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No. 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No. 575/2013)	-132,927
7	Other adjustments	-344
8	**Leverage ratio total exposure measure**	**13,186,209**

[22] Cf. Commission Implementing Regulation (EU) No. 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

TABLE LRCOM — LEVERAGE RATIO COMMON DISCLOSURE

On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and trust assets, but including collateral)	12,858,987
2	(Asset amounts deducted in determining Tier 1 capital)	-3,484
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and trust assets) (sum of lines 1 and 2)**	**12,855,503**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	25,747
UE-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposure)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**25,747**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	163,775
UE-14a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429-ter(4) and 222 of Regulation (EU) No. 575/2013	-
15	Agent transaction exposures	-
UE-15a	(Exempted CCP leg of client-cleared trade exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**163,775**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	141,184
18	(Adjustments for conversion to credit equivalent amounts)	-
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**141,184**
(Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)		
UE-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on and off balance sheet)	-
UE-19b	(Intragroup exposures (solo basis) exempted in accordance with Article 429(14) of Regulation (EU) No. 575/2013 (on and off balance sheet)	-
Capital and total exposure measure		
20	**Tier 1 capital**	676,103
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**13,186,209**
Leverage ratio		
22	**Leverage ratio**	**5.127%**
Choice on phase-in arrangements and amount of derecognised trust items		
UE-23	Choice on phase-in arrangements for the definition of the capital measure	"phase-in arrangements"
UE-24	Amount of derecognised trust items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	

TABLE LRSPL SPLIT-UP OF ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:**	**12,858,987**
EU-2	– Trading book exposures	2,055
EU-3	– Banking book exposures, of which:	12,856,932
EU-4	- *covered bonds*	*34,762*
EU-5	- *exposures treated as sovereigns*	*8,313,487*
EU-6	- *exposures to regional governments, MDBs, international organisations and PSEs not treated as sovereigns*	*1,122*
EU-7	- *institutions*	*781,118*
EU-8	- *secured by mortgages of immovable properties*	*358,006*
EU-9	- *retail exposures*	*878,571*
EU-10	- *corporate*	*1,778,781*
EU-11	- *exposures in default*	*24,754*
EU-12	- *other exposures (e.g., equity, securitisations, and other non-credit obligations assets)*	*686,331*

15. REMUNERATION POLICIES

The Remuneration and Incentive Policies are a fundamental tool supporting the Banca Generali Group's medium and long-term strategies.
They are designed with the aim of creating value over time and pursuing sustainable growth for shareholders, for people who work within the Group and for customers.
They aim to attract, motivate and retain people, creating a sense of identity and developing a culture linked to performance and merit.
Information on the Group's Remuneration and Incentive Policies is indicated in the Report on remuneration policy and compensations paid to which express reference is made. The Report includes all the information required by Article 450 of the CRR regarding the remuneration policy and practices regarding the categories of people whose professional activities have a significant impact on the Bank's risk profile.
The Banca Generali Group publishes its Report on remuneration policy and compensations paid on its website in the Corporate Governance section dedicated to the Shareholders' Meeting.
The Report on the Application of Remuneration Policies in 2020 is included in the Report on remuneration policy and compensations paid 2021, available at the following link:
http://www.bancagenerali.com/site/en/home/corporate-governance/agm.html

DECLARATION OF THE MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS

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, 25 march 2021

Dr. Tommaso Di Russo
Manager in charge of preparing
the company's financial reports
BANCA GENERALI S.p.A.

ANNEX 1 – OWN FUNDS: TERMS AND CONDITIONS OF TIER 1 AND TIER 2 CAPITAL INSTRUMENTS

1	**Issuer**	**Banca Generali S.p.A.**
2	**Unique identifier**	**IT0001031084**
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Phase-in CRR rules	Tier 1 Capital
5	Post phase-in CRR rules	Tier 1 Capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated	Solo and consolidated
7	Instrument type	Ordinary shares — Article 28 CRR
8	Amount recognised in regulatory capital (€/000)	116,852
	Nominal amount of instrument: original amount — currency of issue (€/000)	116,852
9	Nominal amount of instrument: original amount — currency of issue	EUR
	Nominal amount of instruments: translation into euro of original amount (€/000)	116,852
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	Net equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
	Optional call date	N/A
15	Contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS/DIVIDENDS	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate ad any related index	N/A
19	Existence of a dividend stopper	N/A
	Fully discretionary, partly discretionary or mandatory (in terms of timing)	N/A
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing - reasons for discretionality)	N/A
		N/A
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of the instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, fully or partially	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

1	**Issuer**	**Banca Generali S.p.A.**
2	**Unique identifier**	**IT0005395436**
3	Governing law(s) of the instrument	Italian law
	REGULATORY TREATMENT	
4	Phase-in CRR rules	Additional Tier 1 capital
5	Post phase-in CRR rules	Additional Tier 1 capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated	Solo and consolidated
7	Instrument type	Debt securities - Article 51 CRR
8	Amount recognised in regulatory capital (€/000)	50,000
	Nominal amount of instrument: original amount — currency of issue (€/000)	50,000
9	Nominal amount of instrument: original amount — currency of issue	EUR
	Nominal amount of instruments: translation into euro of original amount (€/000)	50,000
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Net equity
11	Original date of issuance	23 December 2019
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	YES
	Optional call date	23 December 2024
15	Contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	Early redemption clause on the first call date, subject to authorisation by the competent national authorities, redeemable thereafter on each coupon payment date.
	COUPONS/DIVIDENDS	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate ad any related index	Fixed 4.50% In particular, the rate will be set on the issue date as the sum of the EUSA5Y and the spread.
19	Existence of a dividend stopper	NO
	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Fully discretionary
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing - reasons for discretionality)	Fully discretionary
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	NO
22	Cumulative or non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of the instrument it converts into	N/A
30	Write-down features	YES
31	If write-down, write-down trigger(s)	Trigger event: a decline in the CET1 ratio to below the 5.125% threshold

32	If write-down, fully or partially	Partial up to the amount required to restore the CET 1 ratio to the trigger level or, in any event, to the minimum level established by the relevant legislation
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	In the event of a net profit, the Issuer may (at its discretion and without prejudice to the limitations established in the applicable banking regulations) increase the Amount of the Securities until the previous write-downs have been offset.
35	Position in subordination hierarchy in liquidation	The Securities are unsecured, subordinated bonds of the Issuer intended to be qualified for regulatory purposes as Additional Tier 1 capital of the Issuer pursuant to Article 52 CRR and Part II, Chapter 1, of Circular No. 285.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

N/A = information not applicable.

ANNEX 2 – OWN FUNDS: TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE

	(€ THOUSAND)	AMOUNT AT DISCLOSURE DATE	AMOUNTS SUBJECT TO PRE-REGULATION(EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO. 575/2013
	Common Equity Tier 1 Capital (CET1): instruments and reserves		
1	Capital instruments and the related share premium accounts	173.914	-
	of which: Ordinary shares	*116.852*	-
2	Retained earnings	726.471	-
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	4.139	-
3a	Funds for general banking risk	-	-
4	Amount of qualifying items referred to in Article 484 and the related share premium accounts subject to phase-out from CET1	-	-
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	-	-
5	Minority interests (amount allowed in consolidated CET1)	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-110.691	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**793.833**	**-**
	Common Equity Tier 1 capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-2.780	-
8	Intangible assets (net of related tax liability) (negative amount)	-118.755	-
9	Regulatory adjustments for IAS 19	-	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-
11	Fair value reserves related to gains or losses on cash flow hedges	-	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
13	Any increase in net equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-
15	Defined benefit pension fund assets (negative amount)	-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-45.185	-
17	Holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20	[Empty set in the EU Regulation]	-	-
20a	Exposure amount of the following items which qualify for a RW of 1.250%, where the institution opts for the deduction alternative	-	-
20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	-
20c	*of which: securitisation positions (negative amount)*	-	-
20d	*of which: free deliveries (negative amount)*	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-
22	Amount exceeding the 15% threshold (negative amount)	-	-
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	-
24	[Empty set in the EU Regulation]	-	-
25	*of which: deferred tax assets arising from temporary differences*	-	-
25a	Losses for the current financial year (negative amount)	-	-

	(€ THOUSAND)	AMOUNT AT DISCLOSURE DATE	AMOUNTS SUBJECT TO PRE-REGULATION(EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO. 575/2013
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	-	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	-
	of which: Unrealised gains on bonds issued by central governments within the European Union	-	-
	of which: Unrealised gains on bonds issued by issuers other than central governments within the European Union	-	-
	of which: Unrealised gains on equity securities and UCITS units	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	-1.010	-
	of which: deduction of deferred tax assets associated with future profitability and not arising from temporary differences (Articles 469, para. 1a; 36, para. 1c; and 478, para. 1, of CRR)	*-305*	-
	of which: deduction of negative amounts resulting from the calculation of expected losses as per Articles 158 and 159 of CRR (Articles 469, para. 1a; 36, para. 1d; and 478, para. 1, of CRR)	-	-
	of which: deduction of amount applicable to direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, paras. 1c and i; and 478, paras. 1 and 2, of CRR)	-	-
	of which: impacts due to excess with phase-in adjustments	*-705*	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-167.730**	-
29	**Common Equity Tier 1 (CET1) capital**	**626.103**	-
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	50.000	-
31	*of which: classified as equity under applicable accounting standards*	*50.000*	-
32	*of which: classified as liabilities under applicable accounting standards*	-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-	-
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-
35	*of which: instruments issued by subsidiaries subject to phase-out*	-	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**50.000**	**-**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and phase-in treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	-	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the phase-in period pursuant to Article 472 of Regulation (EU) No. 575/2013	-	-
	of which: residual amount associated with excess of expected losses compared to value adjustment for IRB positions	-	-

	(€ THOUSAND)	AMOUNT AT DISCLOSURE DATE	AMOUNTS SUBJECT TO PRE-REGULATION(EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO. 575/2013
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the phase-in period pursuant to Article 475 of Regulation (EU) No. 575/2013	-	-
	of which: deduction of amount applicable to direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, paras. 1c and i; and 478, paras. 1 and 2, of CRR)	-	-
	of which: impacts due to excess with phase-in adjustments	-	-
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	-
	of which: possible filter for unrealised losses	-	-
	of which: possible filter for unrealised gains	-	-
	of which: other filters	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**
44	**Additional Tier 1 (AT1) capital**	**50.000**	**-**
45	**Tier 1 Capital (T1 = CET1 + AT1)**	**676.103**	**-**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	-	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	-	-
	Contribution of public capital benefiting of the grandfathering clause up to 1 January 2018	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	*of which: instruments issued by subsidiaries subject to phase-out*	-	-
50	Credit risk adjustments	-	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	-
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
54a	*of which, new holdings not subject to phase-in arrangements*	-	-
54b	*of which, holdings existing before 1 January 2013 and subject to phase-in arrangements*	-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and phase-in treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	-	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the (45) phase-in period pursuant to Article 472 of Regulation (EU) No. 575/2013	-	-
	of which: residual amount associated with excess of expected losses compared to value adjustment for IRB positions	-	-

	(€ THOUSAND)	AMOUNT AT DISCLOSURE DATE	AMOUNTS SUBJECT TO PRE-REGULATION(EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO. 575/2013
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the phase-in period pursuant to Article 475 of Regulation (EU) No. 575/2013	-	-
	of which: deduction of amount applicable to direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities, and applicable to deferred tax assets associated to future profitability and arising on temporary differences (Articles 469, para. 1c; 36, paras. 1c and i; and 478, paras. 1 and 2, of CRR)	-	-
	of which: impacts due to excess with phase-in adjustments	-	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-	-
	of which: possible filter for unrealised losses	-	-
	of which: unrealised gains on AFS assets subject to additional filter applicable nationally	-	-
	of which: other filter	-	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**676.103**	**-**
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and phase-in treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e., CRR residual amounts)	-	
	of which: items not deducted from CET1 (EU Regulation No. 575/2013, residual amounts) (items to be broken down line by line; e.g.: deferred tax assets associated with future profitability net of relevant tax liabilities, indirect holdings of own CET1 instruments, etc.)	-	-
	of which: items not deducted from AT1 (EU Regulation No. 575/2013, residual amounts) (items to be broken down line by line; e.g.: reciprocal cross holdings of T2 instruments, direct non-significant investments in other financial sector entities, etc.)	-	-
	Items not deducted from T2 capital items (EU Regulation No. 575/2013, residual amounts) (items to be broken down line by line; e.g.: indirect holdings of the T2 instruments, indirect non-significant investments in other financial sector entities, indirect significant investments in other financial sector entities, etc.)	-	-
60	**Total risk-weighted assets**	**3.665.277**	**-**
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17,1%	-
62	Tier 1 (as a percentage of total risk exposure amount)	18,4%	-
63	Total capital (as a percentage of total risk exposure amount)	18,4%	-
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92, paragraph 1 (1), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7,00%	-
	of which: capital conservation buffer requirement	*2,5%*	-
	of which: countercyclical capital buffer requirement	-	-
	of which: systemic risk buffer requirement	-	-
67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10,1%	-
69	[Empty set in the EU Regulation]	-	-
70	[Empty set in the EU Regulation]	-	-
71	[Empty set in the EU Regulation]	-	-
	Capital ratios and buffers	-	-
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	812	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	4.738	-

	(€ THOUSAND)	AMOUNT AT DISCLOSURE DATE	AMOUNTS SUBJECT TO PRE-REGULATION(EU) NO. 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO. 575/2013
74	[Empty set in the EU Regulation]	-	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	34.813	-
	Applicable caps on the inclusion of provisions in Tier 2	-	-
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 2 January 2022)	-	-
80	Current cap on CET1 instruments subject to phase-out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase-out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase-out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

ANNEX 3 – OWN FUNDS: OVERALL RECONCILIATION OF CET1, TIER 2 ELEMENTS, AS WELL AS FILTERS AND DEDUCTIONS APPLIED TO OWN FUNDS AND THE CORRESPONDING BALANCE SHEET ITEMS

	ACCOUNTING DATA			
ASSETS	FINANCIAL STATEMENTS PERIMETER	REGULATORY PERIMETER	AMOUNT RELEVANT FOR OWN FUNDS PURPOSES	REFERENCE TO THE ITEM "PHASE-IN OWN FUNDS DISCLOSURE TEMPLATE"
130. Intangible assets	135,922	126,017	-126,017	8
of which:				
- *goodwill*	*86,973*	*86,973*	*-86,919*	*8*
-other intangible assets	*48,949*	*39,044*	*-39,044*	*8*
140. Tax receivables	**49,846**	**49,846**	**-**	**8**
a) tax receivables - current	1,080	1,080	n.a.	8
b) tax receivables - deferred	48,766	48,766	-	8
of which:				
- *tax receivables eligible for conversion into tax credits*	*7,569*	*7,569*	-	*8*

EQUITY AND LIABILITIES	ACCOUNTING DATA		AMOUNT RELEVANT FOR OWN FUNDS PURPOSES	REFERENCE TO THE ITEM "PHASE-IN OWN FUNDS DISCLOSURE TEMPLATE"
	FINANCIAL STATEMENTS PERIMETER	REGULATORY PERIMETER		
20. Due to customers	**10,908,467**	**10,908,467**	**-**	**46**
of which:				
- *subordinated instruments not covered by phase-in provisions*	-	-	-	*46*
80. Tax liabilities	**42,516**	**42,516**	**7,262**	**8**
a) tax liabilities - current	29,174	29,174	n,d,	8
b) tax liabilities - deferred	13,342	13,342	7,262	8
of which:				
- *tax liabilities associated with goodwill and intangible assets*	*7,262*	*7,262*	*7,262*	*8*
120. Valuation reserves	**4,139**	**4,139**	**4,139**	**3, 9, 26a, 56c**
of which:				
- *valuation reserves of available-for-sale securities*	*6,520*	*6,520*	*6,520*	*26a, 56c*
- *net actuarial loss valuation reserves*	*-2,381*	*-2,381*	*-2,381*	*3,9*
140. Equity instruments	**50,000**	**50,000**	**50,000**	
150. Reserves	**726,471**	**726,471**	**726,471**	**2**
160. Share premium reserve	**57,062**	**57,062**	**57,062**	**1**
170. Share capital	**116,852**	**116,852**	**116,852**	**1**
of which:				
- *ordinary shares*	*116,852*	*116,852*	*116,852*	*1*
180. Treasury shares (-)	**-45,185**	**-45,185**	**-45,185**	**16**
190. Minority interests (+/-)	**246**	**246**	**-**	**5, 34, 48**
200. Net profit (loss) for the period (+/-)	**274,919**	**274,919**	**-110,691**	**5a**
of which:				
- *profit for the period net of the dividend to be distributed calculated on the profit for the year*	*-110,691*	*-110,691*	*-110,691*	*5a*

OTHER ELEMENTS FOR BALANCING OWN FUNDS	AMOUNT RELEVANT FOR OWN FUNDS PURPOSES	REFERENCE TO THE ITEM "PHASE-IN OWN FUNDS DISCLOSURE TEMPLATE"
Total other elements, of which:	**-3,790**	**-**
Fair value gains or losses arising on the entity's credit risk associated with derivative liabilities	-	14
Regulatory value adjustments (Prudent Valuation)	-2,780	7
Excess of expected losses over total value adjustments (IRB models)	-	12. 41a. 56a
Excess of total value adjustments over expected losses (IRB models)	-	50
Filter for unrealised real estate capital gains	-	26
DTAs through PL not arising on temporary differences (tax losses)	-305	26b
Filter for double redemption	-705	26b

Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste

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

Tax code and Trieste register
of companies 00833240328
VAT No. 01333550323

Company managed and coordinated
by Assicurazioni Generali S.p.A.

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

Consultancy and co-ordination
Sege S.r.l. / zero3zero9 S.r.l.
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BANCA GENERALI S.P.A.

REGISTERED OFFICE
Via Machiavelli 4
34132 Trieste

MILAN HEAD OFFICE
Piazza Tre Torri 1
20145 Milan
+39 02 40826691

TRIESTE HEAD OFFICE
Via Machiavelli 4
34132 Trieste
Tel. 040 777 111

BANCAGENERALI.COM