CONSOLIDATED INTERIM REPORT

AS AT 30 JUNE 2019

CONSOLIDATED INTERIM REPORT at 30.06.2019

BOARD OF DIRECTORS
30 JULY 2019

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

BANCA GENERALI

Banca Generali S.p.A.
Administration and Control Bodies

Board of Directors - 30 July 2019

Board of Directors	Giancarlo Fancel	Chairman
	Gian Maria Mossa	Chief Executive Officer
	Giovanni Brugnoli	Director
	Azzurra Caltagirone	Director
	Anna Gervasoni	Director
	Massimo Lapucci	Director
	Annalisa Pescatori	Director
	Cristina Rustignoli	Director
	Vittorio Emanuele Terzi	Director
Board of Statutory Auditors	Massimo Cremona	Chairman
	Mario Francesco Anaclerio	
	Flavia Minutillo	
General Manager	Gian Maria Mossa	
Manager in charge of preparing the Company's Financial Reports	Tommaso Di Russo	

Contents

01

GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS

Group economic and financial highlights

CONSOLIDATED FIGURES

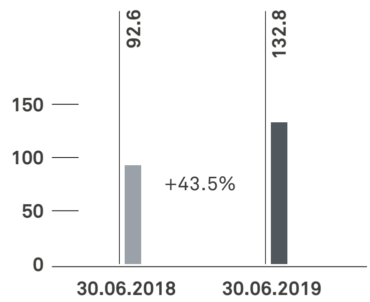
(€ MILLION)	30.06.2019	30.06.2018	CHANGE %
Net interest income	33.6	28.1	19.7
Net income (loss) from trading activities and dividends	6.0	20.6	-70.6
Net fees [c]	233.1	174.7	33.4
Net banking income	**272.7**	**223.4**	**22.1**
Staff expenses	-45.0	-42.3	6.4
Other general and administrative expenses	-71.4	-74.2	-3.8
Amortisation and depreciation	-13.8	-4.2	231.6
Other operating income and expenses	29.4	27.1	8.5
Net operating expenses	**-100.9**	**-93.6**	**7.7**
Operating result	**171.8**	**129.8**	**32.4**
Provisions	-9.3	-10.6	-12.0
Adjustments	-1.1	-3.6	-68.3
Profit before taxation	**161.3**	**115.4**	**39.7**
Net profit	**132.8**	**92.6**	**43.5**

PERFORMANCE INDICATORS

	30.06.2019	30.06.2018	CHANGE %
Cost income ratio[c]	31.9%	40.0%	-20.3
Operating Costs/Total Assets (AUM)	0.34%	0.35%	-3.5
EBTDA[c]	185.6	133.9	38.6
ROE[a] [c]	36.1%	26.8%	35.0
ROA[b]	0.44%	0.33%	34.5
EPS - Earning per share (euro)	1.140	0.798	43.0

(a) Ratio of net result to the arithmetic average of equity, including net profit, at the end of the reporting period and at the end of the previous annualised period.
(b) Ratio of net result to the average of Assoreti's annualised quarterly AUM.
(c) The figures for the period under review have been restated net of provisions.

NET PROFIT
(€ million)



NET INFLOWS

(€ MILLION) (ASSORETI DATA)	30.06.2019	30.06.2018	CHANGE %
Funds and Sicavs	506	558	-9.3
Financial wrappers	-267	251	-206.4
Insurance wrappers	176	606	-71.0
Asset management	**415**	**1,415**	**-70.7**
Insurance/Pension funds	775	227	241.4
Securities/Current accounts	1,648	1,511	9.1
Total	**2,838**	**3,153**	**-10.0**

ASSETS UNDER MANAGEMENT & CUSTODY (AUM/C)

(€ BILLION) (ASSORETI DATA)	30.06.2019	31.12.2018	CHANGE %
Funds and Sicavs	14.8	13.2	11.7
Financial wrappers	6.5	6.4	1.7
Insurance wrappers	8.3	7.7	7.6
Asset management	**29.6**	**27.3**	**8.2**
Traditional life insurance policies	16.2	15.4	5.1
AUC	17.1	14.8	15.8
Total	**62.9**	**57.5**	**9.3**

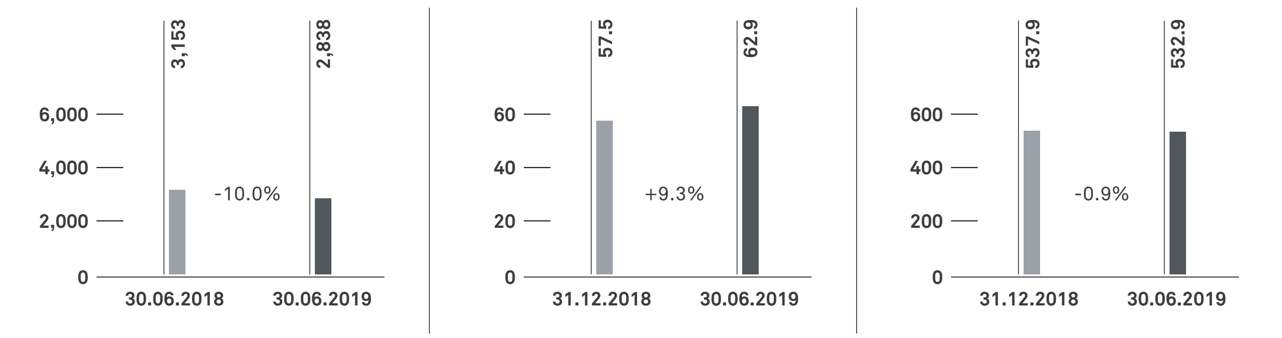
NET EQUITY

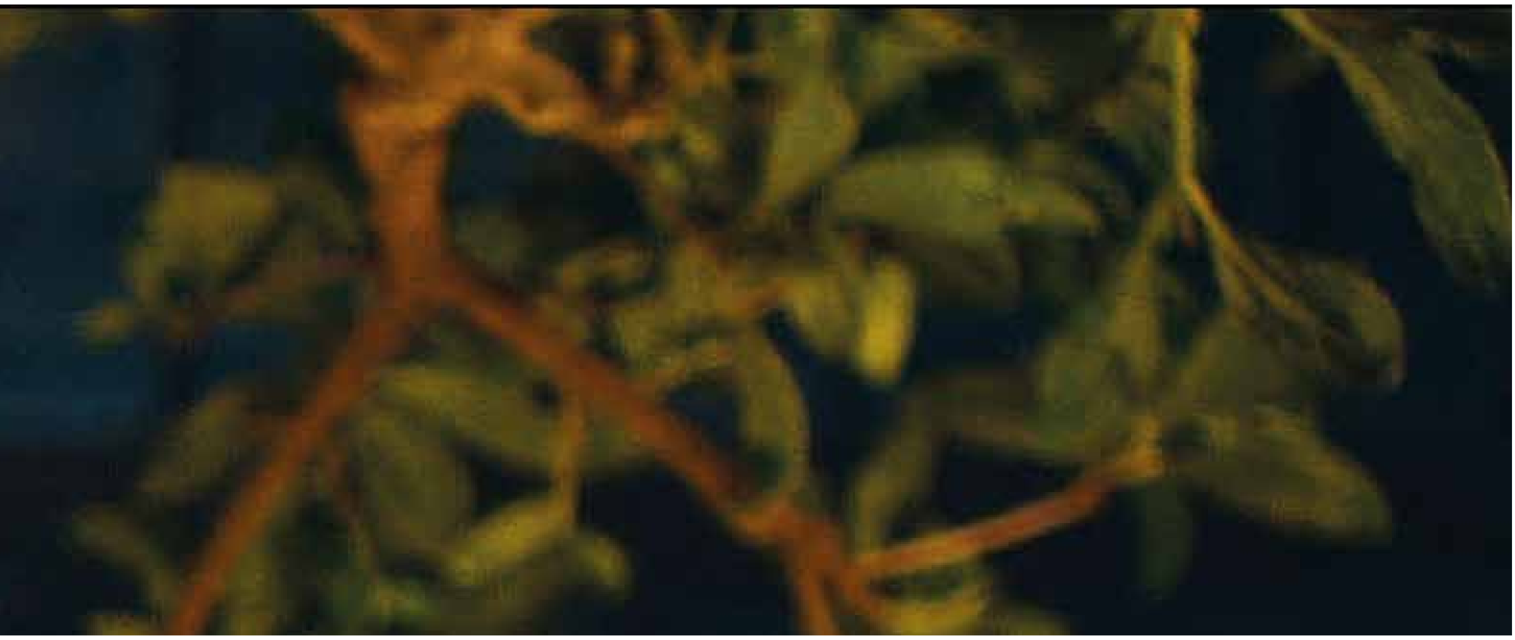
(€ MILLION)	30.06.2019	31.12.2018	CHANGE %
Net equity	734.7	734.9	-
Own funds	532.9	537.9	-0.9
Excess capital	163.0	249.1	-34.5
Total Capital Ratio	17.1%	19.0%	-10.2

NET INFLOWS
(€ million)

ASSETS UNDER MANAGEMENT
(€ billion)

OWN FUNDS
(€ million)





02

CONSOLIDATED INTERIM REPORT ON OPERATIONS at 30.06.2019

BOARD OF DIRECTORS
30 JULY 2019

1. Summary of half-year operations

The Banca Generali Group closed the first half of 2019 with consolidated net profit of 132.8 million euros and total net inflows of over 2.8 billion euros, bringing the total volume of the assets entrusted by customers to the Banking Group for management to 62.9 billion euros (+9.3% compared to the end of 2018).

Assets growth in the reporting period continued to focus primarily on AUC (1.6 billion euros) and traditional insurance policies (0.8 billion euros), which best mirrored the persistently extremely prudent customer attitude.
The significant increase in the liquid component of net inflows (1.0 billion euros) also reflected the contribution arising from the acquisition of new clients, who currently prefer to await the most appropriate moment for planning decisions.

Among managed products, mention should be made of the excellent response to the new subfunds of the Luxembourg-based Sicav Lux IM, launched in April 2018, which has now reached an AUM volume of 8.7 billion euros, marking an increase of over 123% on the end of the first quarter of 2018. In addition, Assets under Advisory amounted to 4.0 billion euros, with an increase exceeding 1.7 billion euros in the current year.

Net banking income reached 272.7 million euros, up by 22.1% on the same period of 2018, due in part to the financial market uptrend, which fuelled the contribution of the most volatile component, i.e., performance fees (+48.2 million euros).

Net financial income – the sum of net interest income and net income from trading activities and dividends – declined sharply (-9.0 million euros) compared to the first half of 2018, which had benefited from the banking book de-risking strategy. The decline in net income from trading activities was offset by the significant improvement in net interest income, driven by the sharp rise in yields on Italian government bonds seen starting in the second quarter of 2018 (+25.8%, gross of the effects of the transition to IFRS 16).

Operating expenses amounted to 100.9 million euros, increasing compared to the same period of the previous year (+7.7%). The increase was tied to the Bank's pronounced efforts to expedite all of its current strategic projects. This item includes the impact of some one-off components relating to the relocation of the administrative offices and the recent acquisitions for a total of 2.6 million euros, partially offset by the application of the new accounting standard IFRS 16, which contributed 0.7 million euros in terms of operating expenses. Net of these effects, which also include charges associated with the Saxo project, operating expenses reported a 5.7% change, in line with the Bank’s guidance, which calls for an increase of core operating expenses in the range of 3-5%[1] for the three-year period 2019-2021.

With reference to capital, Banca Generali confirmed the soundness of its regulatory aggregates. CET1 ratio reached 15.7% and Total Capital ratio was 17.1%.
It should be noted that the transition to IFRS 16 entailed an adverse effect on the TCR of approximately 87 bps due to the recognition of the new RWAs represented by the rights of use, whereas the exclusion from own funds of the retained portion of half-yearly net profit, in accordance with the new dividend policy, resulted in an additional effect that may be estimated at approximately 83 bps.
Despite the impact of said factors, capital ratios were well above the specific requirements set by the Bank of Italy for the Group (i.e., CET1 ratio at 7.75% and Total Capital Ratio at 11.84%, as the minimum required by the SREP – Supervisory Review and Evaluation Process).

The total value of AUM managed by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 62.9 billion euros at 30 June 2019. In addition, managed assets also included 1.0 billion euros in AUC of the Generali Group and 3.4 billion euros in funds and Sicavs distributed directly by management firms, for an overall total of 67.3 billion euros.

Significant corporate events

Banca Generali was authorised to acquire control of Nextam Partners S.p.A., the parent company of the brokerage group of the same name, by order of the Bank of Italy dated 26 June 2019. The acquisition was successfully closed on 25 July 2019.
As a result, Banca Generali acquired indirect control of Nextam Partners SGR, Nextam Partners Sim and its UK subsidiary Nextam Partners Ltd.

1 Total operating expenses net of sales staff expenses

The acquisitions of Valeur Fiduciaria S.A. and of an interest in the joint venture BG Saxo Sim are in the process of being completed.
Antitrust approval for the acquisition of the interest in BG Saxo Sim by Banca Generali in several non-EU jurisdictions – together with final authorisation from the Bank of Italy – is still pending.
The supervisory authorities have yet to conclude their review of the Valeur Fiduciaria acquisition.

2. Macroeconomic context

The first six months of 2019 were characterised by a series of alternating market phases. Until the end of April, the main global stock exchanges and the credit market delivered positive performances, only to give back some ground in May. The excellent returns achieved early in the year were facilitated by the more accommodative monetary policy stance taken by central banks and the encouraging prospects of a trade agreement between the United States and China, which contributed to keeping volatility low. Within this scenario, cyclical sectors such as industrials and durable consumer goods yielded stronger returns than defensive areas such as basic consumer goods and pharmaceuticals, and spreads on high-yield corporate and financial bonds contracted following the tensions that flared in the final quarter of 2018.

Support for the rally by the main stock exchanges and the credit market following on the bear market of late 2018 was also provided by the **monetary policy implemented by central banks**. The **Federal Reserve** was more accommodating than had been expected at year-end, eliminating the reference to further gradual rate increases in favour of a more expansionary approach and indicating the anticipated end of the balance sheet reduction process (now expected for the second half of 2019 rather than the second half of 2020 as previously indicated). In the first quarter of the year, the Federal Reserve kept rates unchanged, without proceeding with the two raises indicated at the meeting in late December. Expectations currently call for two cuts in official discount rates of 25 bps each by year-end. In response to this change in monetary policy, the yield on two-year Treasuries fell from 2.48% to approximately 1.81% and that on ten-year Treasuries from 2.68% to the current approximately 2.03%.
For its part, the **ECB** announced that it was in favour of a new TLTRO programme. Draghi has stated that the European Central Bank is ready to use all tools at its disposal if inflation remains below the target level. These tools include new government bond purchases, low-cost loans to banks and possible interest rate cuts. This drove down yields on ten-year German bonds in 2019 from +0.24% to approximately -0.32%. Of the 5.6 billion euro in government bonds in Europe, 46% present negative yields. This also has a negative impact on banks' interest rate margins and thus on the economic performance of the European banking sector.

The change of monetary policy implemented by central banks shows that although microeconomic data remained positive in the second quarter of the year, with earnings and revenue growth beating expectations in both Europe and the United States, signs of slowing **global growth** have begun to be seen. The market continues to send the signals typical of the end of the cycle, such as the inversion of the U.S. government bond curve, with higher yields for the six-month maturity than on bonds maturing in eight years. In the **Eurozone** it is instead confidence indices that are proving the greatest cause for concern. The most significant negative sign came from the German business confidence index and manufacturing PMI. Finally, gross domestic product growth estimates for 2019 were revised downwards in **China**.

In early May, **volatility** began to increase on the market due to the deterioration of negotiations between Trump and Xi, the persistent uncertainty surrounding Brexit and the outcome of the European political elections, in which nationalist forces continued to gain ground. These events at the geopolitical level triggered bear equity markets and a widening of credit spreads. In June, the market reversed course in the wake of the positive statements made by Trump regarding the possible progress in trade negotiations with China and the continuation of expansionary monetary policies in support of a global economic recovery.
These are the reasons that are leading major international investment banks to take a more positive view of the prospects for an improvement in the economy in the second half of the year.

In **Italy**, the focus remains on observing the Italian government's behaviour with regard to the reduction of public spending in order to accommodate the European Commission's demands and avoid the launch of a debt infraction procedure. The BTP-Bund spread expanded until the end of May and then contracted in the following weeks.

On foreign **exchange markets**, the dollar appreciated against the euro compared to the beginning of the year. The euro reflected the political uncertainty in Europe surrounding the approaching European elections. In addition, over the same period, due to the protectionist policies implemented by the Trump administration, the dollar appreciated against all major currencies, which in turn depreciated, thus becoming more competitive with the international trade framework.

Commodities initially rallied over the six months, driven above all by the price of oil, but then declined, in line with other asset classes, in May. **Gold** showed initial lateral movement followed by a considerable rally starting in May. The precious metal remains in a phase of gold reserve accumulation by the major central banks.

Outlook for 2019

The main central banks are expected to continue their expansionary monetary policies in the second half of 2019. The Federal Reserve is expected to implement two interest rate cuts by December. The ECB has stated that it is willing to take additional measures where macroeconomic data indicate further weakening. Particular attention will be paid to inflation data that remain far from the targets set by central bankers, especially in Europe, the United States and Japan.
In geopolitical matters, the negotiations between the US and China that have been causing tensions on the markets for months are slated to continue. The Brexit deadline has been set for 31 October, when Great Britain will once again be forced to find a solution with the EU Member States on the conditions of its departure from the European Community.

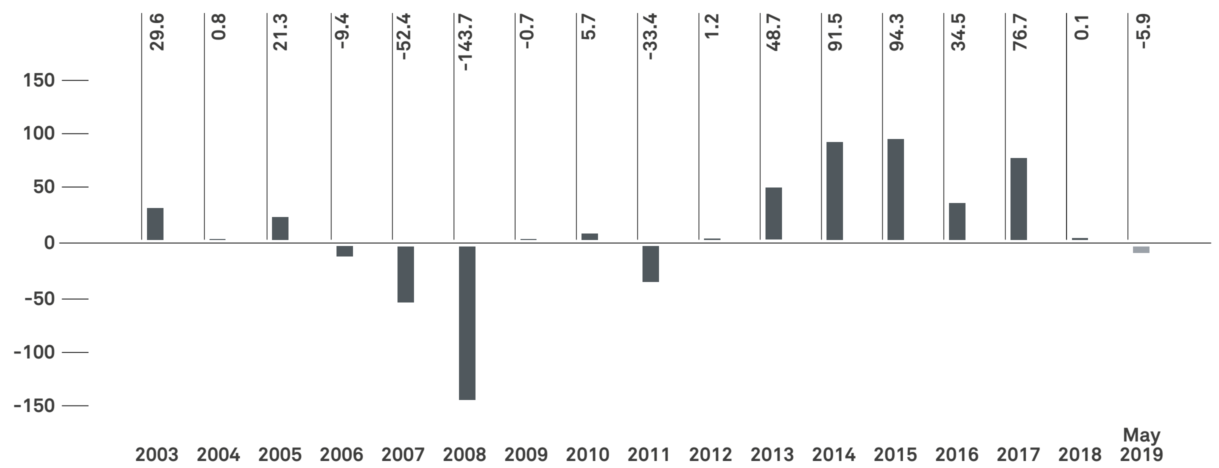
3. Banca Generali's competitive positioning

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

3.1 The asset management market

The year 2019 began with an economic slowdown and GDP growth is expected at 0.1%, whereas in 2018 GDP grew by 0.7%. The Italian economic growth is expected to recover in 2020, albeit at a slower pace compared with the previous two years.
However, the economic conditions of Italian households improved, with an increase in disposable income in real terms due to improved employment level and low inflation rates.
In the last period, household financial decisions have continued to favour money-market products due to the economic uncertainty. This situation leads to the need to rely on professional asset managers given the complexity of the financial markets and the awareness of the importance of investment diversification.
During the first five months of 2019, net inflows of the asset management market was negative for 6.3 billion euros. The decrease referred to Italian funds (-6.7 billion euros), whereas foreign funds reported net inflows amounting to 0.8 billion euros.
Within the open UCITS segment, which showed negative net inflows amounting to 5.9 billion euros overall, the Financial Advisor networks raised 1.2 billion euros from January to May 2019.

THE UCITS MARKET IN ITALY SINCE 2003 (€ billion)



Source: Assogestioni data updated May 2019.

EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT

	NET INFLOWS		ASSETS	
(€ MILLION)	MAY 2019	MAY 2018	MAY 2019	MAY 2018
Italian funds	-6,738	2,239	239,918	256,204
Foreign funds	805	6,792	763,948	753,138
Total open-ended funds	**-5,933**	**9,031**	**1,003,866**	**1,009,341**
GP Retail	**-358**	**-577**	**125,645**	**129,646**
Total	**-6,291**	**8,454**	**1,129,511**	**1,138,987**

Source: Assogestioni data updated May 2019.

The disposable income of Italian households is expected to continue to grow in 2019-2022, driving a rise in inflows into financial assets. The economic scenario and the outlook for equity markets will continue to support demand for asset management products capable of ensuring broader diversification of portfolios and improved risk management. Bank bonds held by households will continue to decline, due in part to banks' marketing policies, which will continue to privilege asset management, in support of the profit generated by services. In terms of distribution channels, Financial Advisor networks are expected to retain their competitive advantage, chiefly due to the increasing relevance of advisory services, in which such networks are already more specialised.

3.2 The Assoreti market

In the first five months of 2019, the net inflows recorded by the Assoreti market (which relate to the distribution activity of FA networks) declined compared to the figure reported in 2018 (-7%). Approximately 34% of net inflows generated (4.6 billion euros) was allocated to insurance and asset management products, whereas the remainder was invested in AUC.

(€ MILLION)	MAY 2019	MAY 2018	CHANGE
Assets under management	-262	3,877	-4,139
Insurance products	4,831	4,198	632
Assets under custody	8,683	6,177	2,507
Total	**13,252**	**14,252**	**-1,000**

Source: Assoreti data updated May 2019 (€ million).

In the asset management market, the first five months of 2019 saw the negative performance of the UCITS segment for approximately -444 million euros, partially offset by net inflows of 182 million euros generated by discretionary mandates. The insurance sector continued to attract a significant share of investments with net inflows of 4,831 million euros, of which 1,264 million euros related to unit-linked and multi-line policies.
Net inflows generated by AUC amounted to 8,683 million euros, thanks to the significant influx of cash.

3.3 Banca Generali

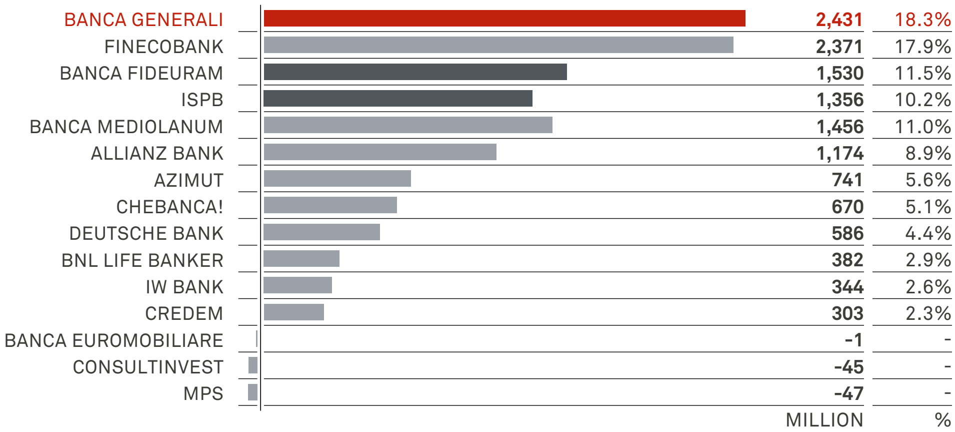
In this context, Banca Generali continues to be one of the market leaders in terms of net inflows through Financial Advisors, with 2,431 million euros at the end of May 2019 (latest available figure for Assoreti comparison), with a market share of 18.3%. The per capita net inflows per Financial Advisor was 1.21 million euros, 111% above the market average (0.57 million euros).

Banca Generali was the leading player in the industry in terms of net inflows into asset management and insurance products, with a 22.2% share of the market and net inflows into asset management and insurance products of 0.5 million euros per capita, 155% above the market average of 0.2 million euros.

With specific reference to the June figures, the Bank's net inflows further increased to 2,838 million euros. This result reflected the households' high demand for financial advice, in a context where increasingly greater importance is attached to the control of risk and volatility and the diversification potential offered by wrapper products. In this context, the Bank is increasingly seen as a beacon for households in search of a secure, reliable and highly professional partner capable of protecting their assets and providing personalised investment solutions. The figure appears even more significant if it is considered that it is entirely derived from direct inflows from Banca Generali's Financial Advisors and Private Bankers.

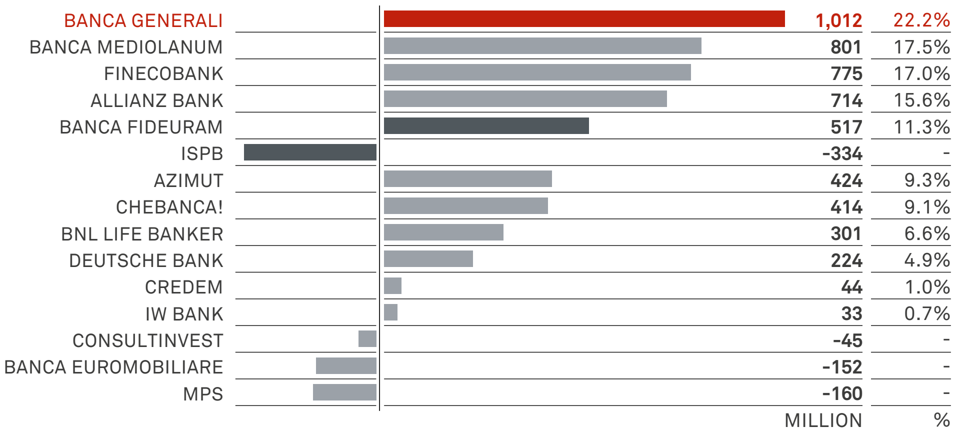
TOTAL NET INFLOWS - 13.3 BILLION EUROS - AND MARKET SHARE %

May 2019, € million
Source: Assoreti



NET INFLOWS FROM AUM AND INSURANCE PRODUCTS - 4.6 BILLION EUROS - AND MARKET SHARE %

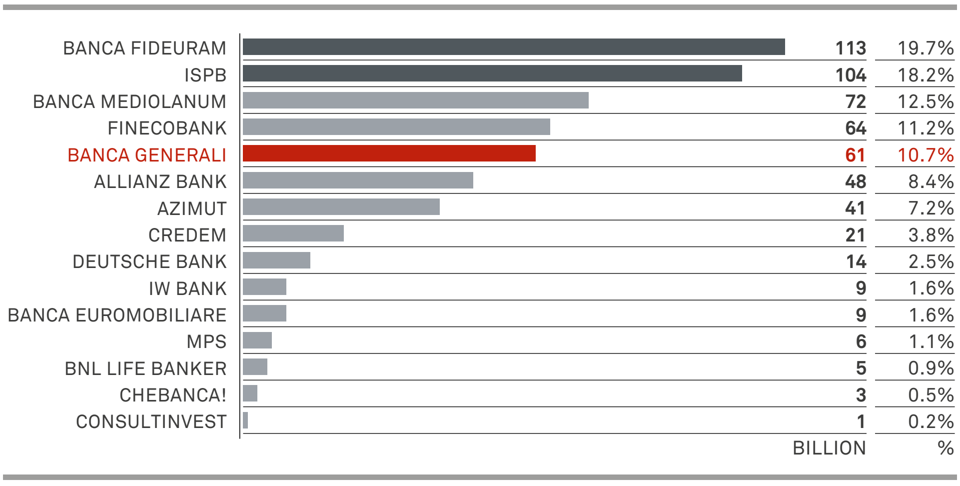
May 2019, € million
Source: Assoreti



NET INFLOWS OF BANCA GENERALI

	BG GROUP		Y/Y CHANGE VS 30.06.2018	
(€ MILLION)	30.06.2019	30.06.2018	AMOUNT	%
Funds and Sicavs	506	558	-52	-9%
Financial wrappers	-267	251	-518	-206%
Insurance wrappers	176	606	-430	-71%
Total assets under management	**415**	**1,415**	**-1,000**	**-71%**
Total traditional life insurance policies	**775**	**227**	**548**	**241%**
Total AUC	**1,648**	**1,511**	**137**	**9%**
Total net inflows placed by the network	**2,838**	**3,153**	**-315**	**-10.0%**

In terms of Assets Under Management, in March 2019 Banca Generali was once again one of the five top competitors in the Assoreti market, with 61.1 billion euros AUM and a market share of 10.7%.



ASSORETI TOTAL AUM - 571 BILLION EUROS - AND MARKET SHARE %

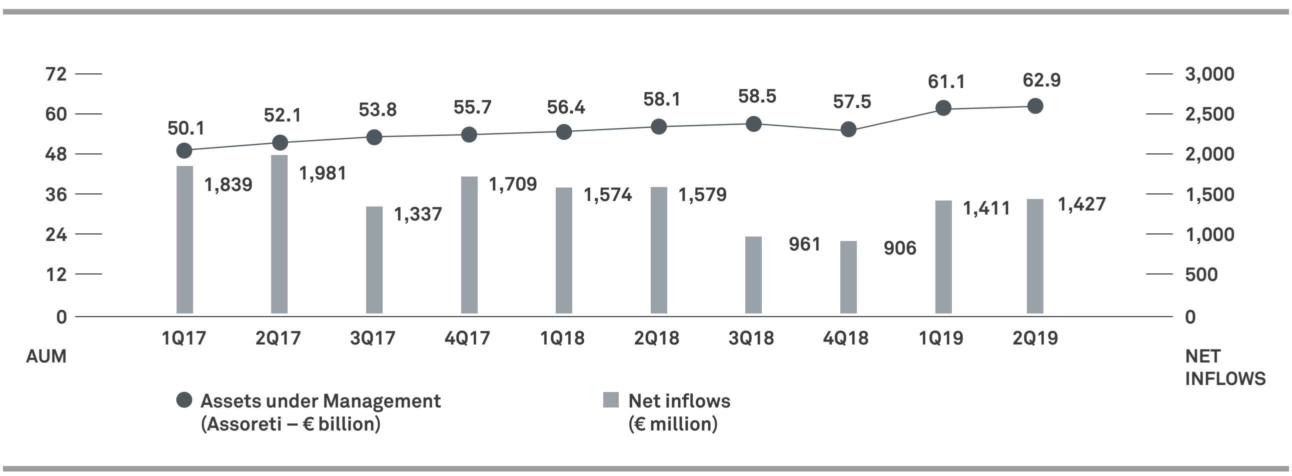
March 2019, € billion
Source: Assoreti

With reference to Banca Generali's assets under management – as illustrated in the table below – the portfolio increased by approximately 9.3% in the first half of 2019 compared to the figure at December 2018.
The value of the portfolio at June 2019, amounting to 62.9 billion euros, refers to the Assoreti market, which is directly attributable to the distribution activity carried out through Financial Advisors.
AUM in asset management products rose by 8%. Assets in funds and Sicavs grew by 12%, whereas traditional life insurance policies increased by 5%. AUC rose by 16%, driven chiefly by the net inflows attributable to the acquisition of new customers and the liquidity generally deposited on current accounts in highly volatile markets contexts.

BANCA GENERALI'S ASSETS UNDER MANAGEMENT

	BG GROUP		CHANGE VS 31.12.2018	
(€ MILLION)	30.06.2019	31.12.2018	AMOUNT	%
Funds and Sicavs	14,767	13,219	1,548	12%
Financial wrappers	6,536	6,426	111	2%
Insurance wrappers	8,275	7,693	582	8%
Total assets under management	**29,579**	**27,338**	**2,241**	**8%**
Total traditional life insurance policies	**16,186**	**15,405**	**781**	**5%**
Total AUC	**17,128**	**14,791**	**2,337**	**16%**
Total AUM placed by the network	**62,893**	**57,534**	**5,359**	**9.3%**

EVOLUTION OF AUM AND NET INFLOWS



4. Group indirect inflows

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

4.1 Asset management and insurance products

Asset management products of the Banking Group

In the first half of 2019, in the asset management segment the Banking Group conducted wealth management operations through individual portfolio management of Banca Generali and collective asset management of BG Fund Management Luxembourg S.A.

	BG GROUP		CHANGE VS 31.12.2018	
(€ MILLION)	30.06.2019	31.12.2018	AMOUNT	%
Funds and Sicavs	15,585	14,111	1,474	10.4%
GPF/GPM	6,531	6,421	111	1.7%
Total Group's managed assets	**22,117**	**20,532**	**1,585**	**7.7%**
of which UCITS attributable to the Banking Group GPF	**1,853**	**1,925**	**-72**	**-3.8%**
Total assets managed by the Banking Group, net of discretionary mandates, included in the GPF of the Banking Group	**20,264**	**18,607**	**1,657**	**8.9%**

The banking Group's collective asset management products (funds and Sicavs) are currently represented exclusively by Luxembourg Sicavs placed by BG Fund Management Luxembourg S.A., a subsidiary of Banca Generali, with own management or management mandate granted to third parties.

Total assets invested in funds and Sicavs managed by the Banking Group amounted to 15.6 billion euros, up 1.5 million euros (+10.4%) compared to the end of 2018.
Total individual portfolio management (GPF/GPM) of the Banking Group amounted to 6.5 billion euros, up compared to year-end 2018 (+1.7%).

Third-party asset management products

As part of its product brokerage and placement operations, the Group places third-party products in both the asset management and insurance areas.
In further detail, within its Italian mutual funds segment, Banca Generali distributes the products of the Assicurazioni Generali Group and various third companies, in addition to the products of numerous international investment firms in the international UCITS segment.
In June 2019, third-party assets amounted to 8,478 million euros, up 10% compared to the end of 2018. This was due to the adoption of the open architecture model, which affords customer access to a very wide range of investment products, including at an international level.

In addition, with reference to the placement of third-party products, it should also be noted that over the years investments directed towards the collective asset management solutions of BG Fund Management Luxembourg S.A. These products are placed directly by the Banca Generali Group but invest primarily in third-party UCITS. Moreover, and in confirmation of the product's multi-manager orientation, at the end of 2009 and during the following years, management of a large number of sub-funds has been entrusted directly to several leading international investment firms, using their own brands, thereby significantly expanding the diversification of the asset management portfolios held by the Bank's customers. A similar strategy has been recently adopted for the sub-funds of Lux IM, a new Luxembourg Sicav launched in April 2018 that leverages on the Generali Group's management experience in the markets offering sub-funds broken down by asset class and specialised by geographical area. Overall, about 73% of BG Lux IM portfolios resorts to third-party management.

(€ MILLION)	BG GROUP 30.06.2019	BG GROUP 31.12.2018	CHANGE VS 31.12.2018 AMOUNT	CHANGE VS 31.12.2018 %
Funds and Sicavs	8,465	7,687	778	10.1%
GPF/GPM	13	13	-	2.1%
Total third-party asset management products	**8,478**	**7,700**	**778**	**10.1%**

Third-party insurance products

Almost all assets invested in insurance and pension products consist of traditional and multi-line policies of Genertellife, a company of the Assicurazioni Generali Group, placed under the brand BG Vita. In June 2019, assets stood at 24,461 million euros, up 5.9% compared to December 2018. The multi-line policy BG Stile Libero gathered 176 million euros in the first six months of 2019, while other LOB I policies reported 775 million euros net inflows.

(€ MILLION)	BG GROUP 30.06.2019	BG GROUP 31.12.2018	CHANGE VS 31.12.2018 AMOUNT	CHANGE VS 31.12.2018 %
Insurance products (unit-linked, traditional policies, etc.)	24,461	23,098	1,363	5.9%
Total third-party insurance products	**24,461**	**23,098**	**1,363**	**5.9%**

4.2 Assets under administration and custody

Indirect net inflows of assets under administration and custody consist of securities deposited by retail and corporate customers for custody and administration in portfolios opened with the Parent Company, Banca Generali.
At 30 June 2019, indirect net inflows amounted to 9,329 million euros at market value, compared to 7,887 million euros at the end of 2018.

(€ MILLION)	BG GROUP 30.06.2019	BG GROUP 31.12.2018	CHANGE VS 31.12.2018 AMOUNT	CHANGE VS 31.12.2018 %
Securities portfolios of the Banca Generali group's customers	351	240	111	46.4%
Other customers' securities portfolios	8,978	7,647	1,330	17.4%
Indirect net inflows of assets under administration and custody of the Banking Group at market values	**9,329**	**7,887**	**1,442**	**18.3%**

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

A new accounting standard, IFRS 16 – *Leases*, which lays down a single model for accounting for lease contracts, eliminating the distinction between operating and finance leases, entered into effect on 1 January 2019.
With respect to the accounting model to be applied by the lessee, the new Standard provides that for all types of leases a depreciable asset must be recognised to represent the right of use of the leased property, alongside the interest-bearing payable commensurate to the present value of the lease payment due in accordance with the lease contract.
Upon first-time adoption, Banca Generali opted to recognise the effect of the retrospective restatement of values in equity at 1 January 2019, without restating the previous years presented for comparative purposes (the "modified retrospective approach").
The items of the profit and loss account and balance sheet from the comparative period therefore may not be consistent with those presented in the profit and loss account for the period ended 30 June 2019 and the balance sheet at that same date. However, where possible, the information needed to understand the impact of the application of the new Standard has been provided[2].

5.1 Profit and Loss results

The Group's net profit at the end of the first half of 2019 was 132.8 million euros, up 43.5% compared to the same period of the previous year.

			CHANGE			
(€ THOUSAND)	30.06.2019	30.06.2018	AMOUNT	%	2Q19	1Q19
Net interest income	33,582	28,059	5,523	19.7%	17,708	15,874
Net income (loss) from trading activities and dividends	6,046	20,582	-14,536	-70.6%	2,051	3,995
Net financial income	**39,628**	**48,641**	**-9,013**	**-18.5%**	**19,759**	**19,869**
Fee income	424,469	376,603	47,866	12.7%	216,495	207,974
Fee expense	-191,395	-201,860	10,465	-5.2%	-97,134	-94,261
Net fees	**233,074**	**174,743**	**58,331**	**33.4%**	**119,361**	**113,713**
Net banking income	**272,702**	**223,384**	**49,318**	**22.1%**	**139,120**	**133,582**
Staff expenses	-45,011	-42,309	-2,702	6.4%	-23,221	-21,790
Other general and administrative expenses	-71,422	-74,215	2,793	-3.8%	-36,246	-35,176
Net adjustments of property, equipment and intangible assets	-13,792	-4,159	-9,633	231.6%	-7,000	-6,792
Other operating expenses/income	29,363	27,065	2,298	8.5%	15,641	13,722
Net operating expenses	-100,862	**-93,618**	**-7,244**	**7.7%**	**-50,826**	**-50,036**
Operating result	**171,840**	**129,766**	**42,074**	**32.4%**	**88,294**	**83,546**
Net adjustments for non-performing loans	-1,143	-3,606	2,463	-68.3%	-5,132	3,989
Net provisions for liabilities and contingencies	-9,336	-10,611	1,275	-12.0%	-3,215	-6,121
Gains (losses) from equity investments	-85	-141	56	-39.7%	-26	-59
Operating profit before taxation	**161,276**	**115,408**	**45,868**	**39.7%**	**79,921**	**81,355**
Income taxes for the period	-28,476	-22,842	-5,634	24.7%	-13,745	-14,731
Net profit	**132,800**	**92,566**	**40,234**	**43.5%**	**66,176**	**66,624**

Reclassified net banking income[3] amounted to 272.7 million euros, with an increase of 49.3 million euros (+22.1%) compared to 2018, determined by the following factors:

› the resilience of **management fee income**, which reached again the levels of the second quarter of 2018 (160 million euros), thus overcoming the effects of the strong market correction occurred in the second half of 2018, despite a market scenario still characterised by a strong

[2] A more detailed examination of the effects of the first-time adoption of the Standard is provided in Part A – Accounting Policies of the Notes and Comments to the Condensed Consolidated Half-year Financial Statements at 30 June 2019.

[3] To ensure a better understanding of operating performance, in the reclassified consolidated Profit and Loss Account the provisions for incentive fees and recruitment have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 7.0 million euros for 2019 and 14.3 million euros for 2018.

propensity towards deposits and defensive investments and a natural trend to lower margins;
- the increase in the most volatile components of the profit and loss account, namely **performance fees**, which rose by 48.2 million euros as a result of the sharp rise of the financial markets;
- the **increase in net interest income** (+25.8% on the first half of 2018, gross of additional interest expense of 1.7 million euros, recognised pursuant to IFRS 16 on financial liabilities associated with lease contracts), driven by the higher level in interest rates on Italian government bonds compared to the first half of 2018, however offset by the lesser contribution of the net income (loss) from trading activities and dividends (-14.5 million euros), which in early 2018 had benefited from the Bank's banking book de-risking strategy.

Net banking income also includes several changes, introduced in the last quarter of 2018, to the amortisation period for the ordinary incentives paid to Financial Advisors on the basis of net inflow targets, which resulted in a positive effect on the fee aggregate of 10.6 million euros.

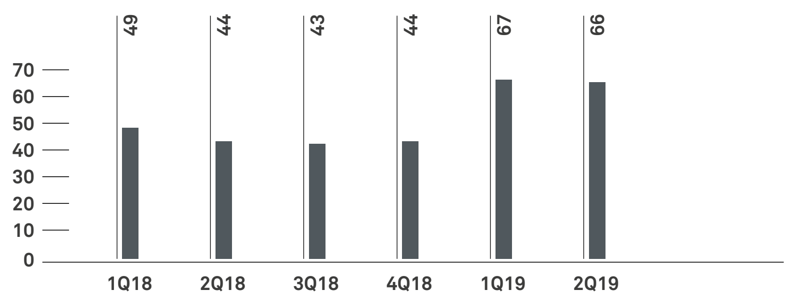
Operating expenses amounted to 100.9 million euros, increasing compared to the same period of the previous year (+7.7%). The increase was tied to the Bank's pronounced efforts to expedite all of its current strategic projects. Moreover, this item includes some one-off components such as the relocation of the administrative offices and the recent acquisitions for a total of 2.6 million euros, partially offset by the application of the new accounting standard IFRS 16, which contributed 0.7 million euros in terms of operating expenses. Net of these effects, which also include charges associated with the Saxo project, the Bank's operating expenses reported a 5.7% change, in line with the Bank's guidance, which calls for an increase of core operating expenses in the range of 3-5%[4].

The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to an excellent 31.9%, whereas the adjusted cost/income ratio[5] stood at 40.5% (42.3% at year-end 2018), thus confirming the Bank's excellent operating efficiency.

Provisions and net adjustments amounted to 10.5 million euros, down by 3.7 million euros on the same period of 2018, due to the partial recovery of collective adjustments to financial instruments driven by the easing of tensions surrounding the Italian government bond portfolio and the one-off effect of the inception of the manager incentive indemnity provision in the first half of 2018.
However, the above effects were partially offset by greater provisions for liabilities and contingencies relating to employees and the impairment loss on the Tyndaris convertible bond.

Operating profit before taxation stood at 161.3 million euros, up by 45.9 million euros compared to the first half of 2018. The tax burden for the reporting period instead declined, with an overall tax rate of 17.7%, due to the increased weight of profit generated abroad.

QUARTERLY NET PROFIT (€ million)



[4] Total operating expenses net of sales staff expenses
[5] Cost/income ratio net of performance fees, charges in support of the banking system (BRRD) and M&A costs of 1.2 million euros.

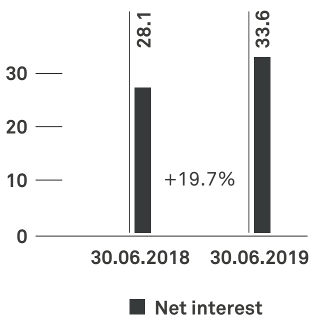
QUARTERLY EVOLUTION OF THE PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18
Net interest income	17,708	15,874	15,736	16,177	14,816	13,243
Net income (loss) from trading activities and dividends	2,051	3,995	2,056	1,481	5,355	15,227
Net financial income	**19,759**	**19,869**	**17,792**	**17,658**	**20,171**	**28,470**
Fee income	216,495	207,974	175,007	190,056	194,238	182,365
Fee expense	-97,134	-94,261	-75,217	-99,267	-105,126	-96,734
Net fees	**119,361**	**113,713**	**99,790**	**90,789**	**89,112**	**85,631**
Net banking income	**139,120**	**133,582**	**117,582**	**108,447**	**109,283**	**114,101**
Staff expenses	-23,221	-21,790	-21,459	-20,459	-21,173	-21,136
Other general and administrative expenses	-36,246	-35,176	-49,000	-39,279	-36,914	-37,301
Net adjustments of property, equipment and intangible assets	-7,000	-6,792	-3,048	-2,094	-2,113	-2,046
Other operating expenses/income	15,641	13,722	20,259	12,113	13,125	13,940
Net operating expenses	**-50,826**	**-50,036**	**-53,248**	**-49,719**	**-47,075**	**-46,543**
Operating result	**88,294**	**83,546**	**64,334**	**58,728**	**62,208**	**67,558**
Net adjustments for non-performing loans	-5,132	3,989	-1,224	-2,456	-3,798	192
Net provisions	-3,215	-6,121	-10,753	-3,987	-5,828	-4,783
Gains (losses) from equity investments	-26	-59	-265	-25	-53	-88
Operating profit before taxation	**79,921**	**81,355**	**52,092**	**52,260**	**52,529**	**62,879**
Income taxes for the period	-13,745	-14,731	-7,813	-8,979	-9,010	-13,832
Net profit	**66,176**	**66,624**	**44,279**	**43,281**	**43,519**	**49,047**

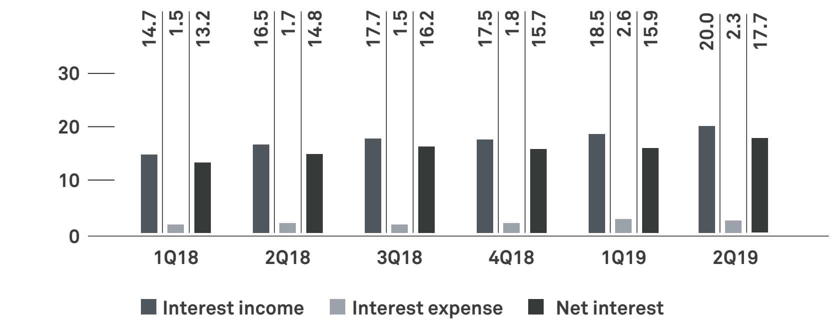
5.1.1 Net interest income

Net interest income amounted to 33.6 million euros, with a 5.5 million euro increase compared to the first half of 2018 (+19.7%), which was however affected by the first-time adoption of IFRS 16. In the first half of 2019, the application of the new Standard entailed the recognition of greater interest expense of 1.7 million euros on financial liabilities associated with lease contracts. Net of such items, net interest income would have increased by 25.7%.
Growth was primarily driven by the significant increase in Italian government bond yields that began in the second quarter of 2018 and, to a lesser extent, by a modest increase in business volumes (+6%).

NET INTEREST (€ million)



QUARTERLY NET INTEREST (€ million)



In the first half of 2019, interest rate performance in the Euro Area continued to be influenced by the accommodative Quantitative Easing policy carried out by the ECB.

Following the conclusion of the quantitative easing in late 2018, at its most recent meeting on 25 July last, the ECB Governing Council signalled that it was not planning increases in reference rates until at least mid-2020[6], and, in any event, until inflation rates resume convergence towards the medium-term goal of 2%.

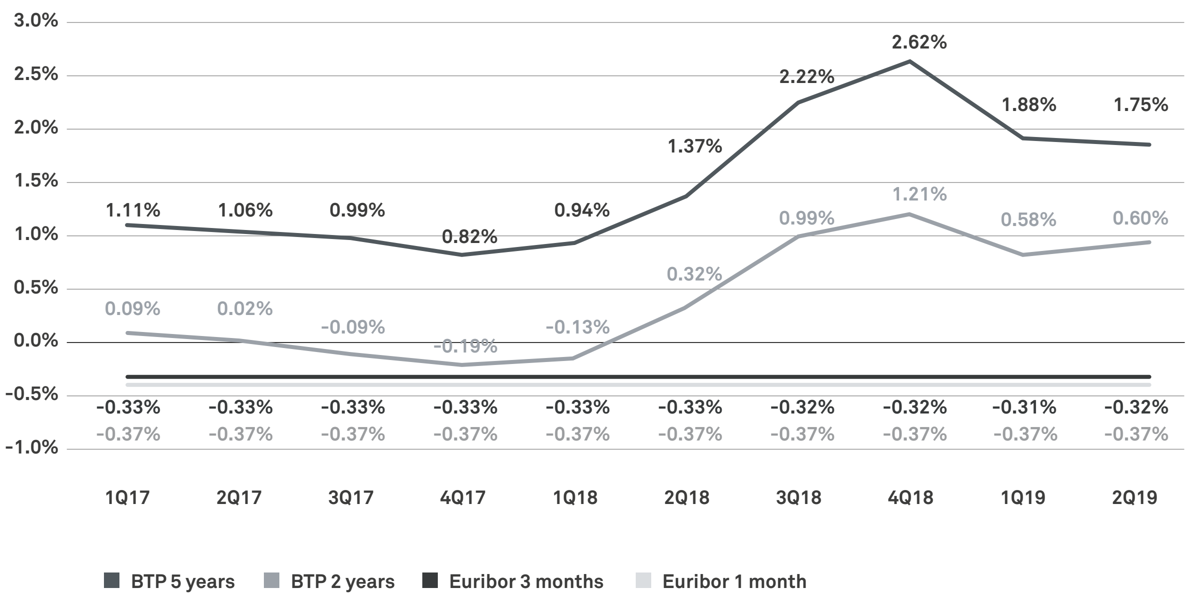
Reinvestment of the securities purchased in the programme at maturity for an extended period of time was also confirmed and additional details were provided regarding the new LTROs to be launched in September.
The persistent uncertainty associated with geopolitical factors, threat of protectionism and vulnerability of emerging markets, combined with the slowdown of economic growth and inflation in the Euro Area, therefore led the ECB to confirm and further extend the horizon of its expansionary monetary policies.

Following the new orientation of the ECB, the interest-rate curve on the interbank market, which had already shown signs of recovery, at the end of June reached again all-time lows, consolidating an anomalous situation of positive funding rates but negative lending rates that have now exceeded the 12-month maturity. As a result, in June 2019 short-term interbank rates stood at a monthly average of -0.385% for the one-month Euribor and of -0.329% for the three-month Euribor.

Beginning from the second quarter of 2018, the **Italian government bond market** began to experience severe volatility, driving the spread between the ten-year BTP and German Bund to widen to a peak level of 327 bps, with the resulting effect on the Italian government bond yield curve as well. However, in late 2018 and the first six months of 2019, the situation partially stabilised, despite high volatility, permitting a modest reduction in interest rates. At the end of June, the Bund-BTP spread, which had remained above 250 bps for almost the entire half-year, thus began to fall rapidly to less than 200 bps, due in part to the suspension of the infraction procedure against Italy launched by the European Commission.

Yields on Italian government bonds with average residual maturities of two years thus climbed from -0.22% in April 2018 to 1.04% in September, to then fall back to 0.75% in December 2018 and to 0.50% in June 2019. Bonds with residual maturities of 4.5 to 6.5 years rose from 0.78% in April 2018 to 2.27% in September, reaching a 2.21% average yield in December, to then fall back to 1.61% in June 2019.

INTEREST RATE EVOLUTION (quarterly average)



Within this context, interest income grew by 7.3 million euros compared to the first half of 2018 (+23.3%), driven by the gradual impact of the aforementioned increases in bond market inter-

6 In this regard, it should be recalled that, in order to stimulate a recovery of inflation, in June 2016 the ECB had decided, inter alia, to reduce the interest rate applied to its primary refinancing operations to the all-time low of 0%, in addition to increase the negative interest rates applied to deposit operations with the ECB to the exceptional level of -0.40%.

est rates on the securities in the Bank's investment portfolio (+7.8 million euros; +41.0%). The weighted average yield of the HTC portfolio stood at 1.34% at the end of the first half of 2019.

Interest on loans to customers, most of which are benchmarked on the Euribor, reported a slight decline, despite a modest increase in the average loan volume compared to the same period of 2018.

The increase in the cost of customer funding was essentially due to the aforementioned impact of the transition to IFRS 16. Excluding this item, the aggregate benefited from the reduction in ECB charges resulting from the decline in the average balances of demand deposits in the second quarter, partially offset by a commercial initiative involving term deposits launched in late 2018 and nearing its conclusion.

			CHANGE	
(€ THOUSAND)	30.06.2019	30.06.2018	AMOUNT	%
Financial assets at fair value through profit or loss	63	98	-35	-35.7%
Financial assets at fair value through other comprehensive income	1,854	2,473	-619	-25.0%
Financial assets measured at amortised cost	25,045	16,547	8,498	51.4%
Total financial assets	**26,962**	**19,118**	**7,844**	**41.0%**
Loans to banks	380	288	92	31.9%
Loans to customers	10,226	10,639	-413	-3.9%
Other assets	938	1,174	-236	-20.1%
Total interest income	**38,506**	**31,219**	**7,287**	**23.3%**
Due to banks	308	248	60	24.2%
Due to customers	954	381	573	150.4%
Repurchase agreements - customers	43	-	43	n.a.
Subordinated loan	834	823	11	1.3%
IFRS 16-related financial liabilities	1,705	-	1,705	n.a.
Other liabilities	1,080	1,708	-628	-36.8%
Total interest expense	**4,924**	**3,160**	**1,764**	**55.8%**
Net interest income	**33,582**	**28,059**	**5,523**	**19.7%**

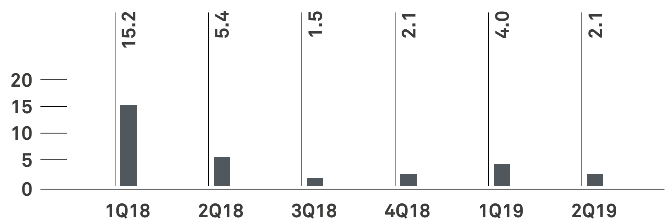
The negative interest income paid to counterparties on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 1,080 thousand euros and 938 thousand euros, respectively.
The expenses incurred primarily relate to balances held with the Central Bank (996 thousand euros), whereas the income accrued relates to net inflows from institutional clients both belonging to the Generali Group and not related to it, and to repurchase agreements at negative rates (882 thousand euros).

			CHANGE	
(€ THOUSAND)	30.06.2019	30.06.2018	AMOUNT	%
Banks	3	100	-97	-97.0%
Customers	935	1,074	-139	-12.9%
Total income for negative interest expense	**938**	**1,174**	**-236**	**-20.1%**
Banks	1,056	1,689	-633	-37.5%
Customers	24	19	5	26.3%
Total expense for negative interest income	**1,080**	**1,708**	**-628**	**-36.8%**
Net negative interest income and expense	**-142**	**-534**	**392**	**-73.4%**

5.1.2 Net income from trading activities and dividends

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

NET RESULT OF FINANCIAL OPERATIONS (€ million)



This aggregate provided a positive contribution of 6.0 million euros in the first half of 2019, down by 14.5 million euros on the same period of the previous year, which, however, had benefited from the capital gains realised on an extensive de-risking initiative performed on the banking book.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Dividends and income on UCITS	**2,156**	**1,540**	**616**	**40.0%**
Trading of financial assets and equity derivatives	11	49	-38	-77.6%
Trading of financial assets and derivatives on debt securities and interest rates	556	154	402	261.0%
Trading of UCITS units	-5	-3	-2	66.7%
Securities transactions	562	200	362	181.0%
Currency and currency derivative transactions	2,664	2,841	-177	-6.2%
Net income (loss) from trading activities	**3,226**	**3,041**	**185**	**6.1%**
Equity securities and UCITS	-870	526	-1,396	-265.4%
Debt securities	22	21	1	4.8%
Financial Advisors' policies	125	-	125	n.a.
Net income (loss) on assets mandatorily measured at fair value through profit and loss	**-723**	**547**	**-1,270**	**-232.2%**
Net income (loss) from hedging	**17**	**-**	**17**	**n.a.**
Debt securities	1,370	15,454	-14,084	-91.1%
Gains (losses) from disposal on HTC and HTCS debt securities	**1,370**	**15,454**	**-14,084**	**-91.1%**
Net result of financial operations	**6,046**	**20,582**	**-14,536**	**-70.6%**

Net income from trading activities reported a positive performance overall, thanks to the contribution of monetary operations and to the performance of trading on own account as market maker on securities placed.

Excluding the trading book, the net loss on assets mandatorily measured at fair value through profit and loss amounted to -0.7 million euros and was driven by the write-off of the residual value of the capital contributions to the Voluntary Scheme of the Interbank Deposit Protection Fund for subscription for the Carige subordinated bond and the previous Berenice securitisation (-2.3 million euros), partially offset by the positive performance of investments in UCITS (+1.3 million euros).
Treasury management of debt securities allocated to the HTCS portfolio contributed instead 1.3 million euros.

(€ THOUSAND)	TRANSFER OF RESERVES	GAINS	LOSSES	CAPITAL GAINS	CAPITAL LOSSES	30.06.2019	30.06.2018	CHANGE
Debt securities at fair value through other comprehensive income	-1,386	2,696	-	X	X	1,310	15,449	-14,139
Debt securities at amortised cost	X	60	-	X	X	60	5	55
Financial assets mandatorily measured at fair value:	X	821	-1,713	3,170	-3,001	-723	547	-1,270
Debt securities	X	-	-	22	-	22	21	1
UCITS units	X	806	-1,713	2,533	-278	1,348	1,019	329
Equity securities	X	-	-	120	-2,338	-2,218	-493	-1,725
Financial Advisors' policies	X	15	-	495	-385	125	-	125
Total	**-1,386**	**3,577**	**-1,713**	**3,170**	**-3,001**	**647**	**16,001**	**-15,354**

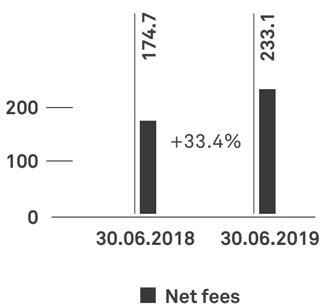
Finally, in June a new fair value hedging transaction entered into with market counterparties was undertaken on the HTC and HTCS portfolios based on asset swaps with BTP as their underlying.

5.1.3 Net fees

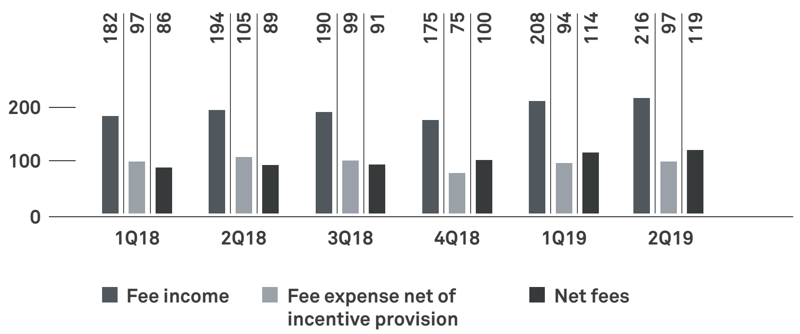
Net fees amounted to 233.1 million euros, up 33.4% compared to the first half of 2018, thanks to the more dynamic fee income performance, driven by the increase in the non-recurring component, i.e., performance fees, and the fee expense decline (-5.2%), which chiefly concerned incentive fees.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Collective and individual portfolio management fees	225,479	189,452	36,027	19.0%
Fees for the placement of securities and UCITS	55,913	52,094	3,819	7.3%
Fees for distribution of third-party financial products	115,997	110,442	5,555	5.0%
Fees for trading and securities custody	11,779	12,600	-821	-6.5%
Investment advisory fees	10,685	7,307	3,378	46.2%
Fees for other banking and financial services	4,616	4,708	-92	-2.0%
Total fee income	**424,469**	**376,603**	**47,866**	**12.7%**
Fees for off-premises offer	172,427	180,664	-8,237	-4.6%
of which: allocations to provisions for incentive fees and recruitment	*6,956*	*14,321*	*-7,365*	*-51.4%*
Fees for dealing in securities and custody	2,850	4,144	-1,294	-31.2%
Fees for portfolio management	13,548	14,711	-1,163	-7.9%
Fees for other banking services	2,570	2,341	229	9.8%
Total fee expense	**191,395**	**201,860**	**-10,465**	**-5.2%**
Net fees	**233,074**	**174,743**	**58,331**	**33.4%**

NET FEES (€ million)



QUARTERLY NET FEES (€ million)



Fee income

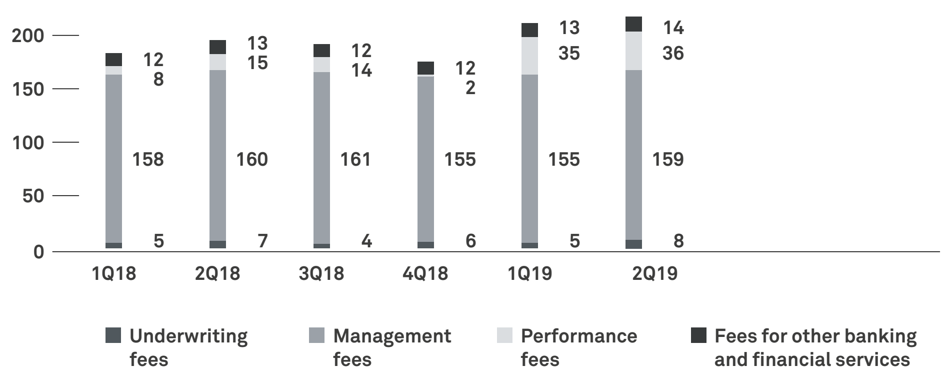
Fee income amounted to 424.5 million euros, up by 12.7%, mainly due to the aforementioned growth in performance fees calculated on the income generated by the Sicavs promoted by the Group.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Underwriting fees	13,294	11,515	1,779	15.4%
Management fees	313,280	317,895	-4,615	-1.5%
Performance fees	70,815	22,578	48,237	213.6%
Fees for other services	27,080	24,615	2,465	10.0%
Total	**424,469**	**376,603**	**47,866**	**12.7%**

The management fee aggregate was essentially in line with the figure for the first half of the previous year (-1.5%), showing that the Bank is capable of weathering the cyclical effects of the sharp market correction that occurred in late 2018, which had a particularly acute impact on individual portfolio management schemes (-6.9%), as well as the structural effects of the transition to the more competitive fee structure adopted by the new Lux IM sub-funds, for the Sicavs promoted by the Group (-7.2%).

The increase in fees was also borne out by the significant growth in fees for other services (+10.0%) thanks to higher revenues arising from advanced advisory services (+3.4 million euros in the reporting period; +46.2%).
In this regard, it should be noted that **Assets under Advisory** grew significantly in the first half of 2019, bringing the total value of AUM to 4.0 billion euros (2.2 billion euros at the end of the first half of 2018), with an over 1.7 billion euro improvement in the current year.

BREAKDOWN OF FEE INCOME (€ million)



Fee income from the solicitation of investment and asset management of households reached 397.4 million euros, with a 0.9% decline compared to the same period of the previous year, net of the aforementioned non-recurring component.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
1. Collective portfolio management	187,491	148,204	39,287	26.5%
2. Individual portfolio management	37,988	41,248	-3,260	-7.9%
Portfolio management fees	**225,479**	**189,452**	**36,027**	**19.0%**
1. Placement of UCITS	48,911	47,459	1,452	3.1%
of which: underwriting of UCITS promoted by the Group	*2,430*	*2,218*	*212*	*9.6%*
2. Placement of bonds and equity securities	7,002	4,635	2,367	51.1%
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	391	377	14	3.7%
4. Distribution of third-party insurance products	115,394	109,759	5,635	5.1%
5. Distribution of other third-party financial products	212	306	-94	-30.7%
Fees for the placement and distribution of financial services	**171,910**	**162,536**	**9,374**	**5.8%**
Asset management fee income	**397,389**	**351,988**	**45,401**	**12.9%**

Fee income from **distribution of insurance products** continued to report constant progress (+5.1% on the first half of 2018), due to the stable increase in average AUM in this segment (+6.0%), which, however, in the first half of 2019 showed a more defensive approach in customer investments. Net inflows from insurance business in the first six months of 2019 were thus concentrated in traditional LOB1 insurance products, accounting for 0.8 billion euros of the total of nearly 1 billion euros.

Sicavs promoted by the Banking Group – net of the effect of non-recurring performance components – reported a decline in management fees of 7.1% compared to the same period of the previous year, due to the weight of institutional classes compared to their retail counterparts and the more competitive fee structure of the new Lux IM sub-funds launched in April 2018. However, these new sub-funds also permitted the resumption of distribution on the retail market, counterbalancing the weight of institutional investors.

Notably, the innovative formula adopted by the new **Lux IM** sub-funds drove an increase in AUM from 3.9 billion euros at the end of the first quarter of 2018 to the current 8.7 billion euros (+123%). Since the initial launch of the new sub-funds, the cumulative net inflows into the Sicav from retail customers alone reached nearly 1.8 billion euros.

Fees for the **placement of UCITS** amounted to 48.9 million euros, with an increase of 3.1% on the first half of 2018, which shows the constant demand by customers for à-la-carte funds and Sicavs. In addition, the placement of **Certificates** also reported a strong performance, generating fees for over 6.4 million euros compared to 3.8 million euros for the same period of 2018.

Fee income for other services amounted to 27.1 million euros, due to the aforementioned rise in Assets under Advisory.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Fees for trading and custody	11,780	12,600	-820	-6.5%
Investment advisory fees	10,685	7,307	3,378	46.2%
of which on AG Group's unit-linked policies	*2,889*	*2,466*	*423*	*17.2%*
Fees for collection and payment services	2,054	2,102	-48	-2.3%
Fee income and account-keeping expenses	943	1,011	-68	-6.7%
Fees for other services	1,618	1,595	23	1.4%
Total fee income for other services	**27,080**	**24,615**	**2,465**	**10.0%**

Fee expense

Fee expense, including fee provisions[7], amounted to 191.4 million euros, down moderately compared to the same period of the previous year (-5.2%).
The Bank's total payout ratio to total fee income (net of performance fees) was thus 52.8%, slightly up compared to 57.0% for the same period of the previous year.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Ordinary payout	121,921	119,593	2,328	1.9%
Extraordinary payout	41,645	53,521	-11,876	-22.2%
Other network maintenance expenses	8,861	7,550	1,311	17.4%
Fee expense for off-premises offer	**172,427**	**180,664**	**-8,237**	**-4.6%**
Fees for portfolio management	13,548	14,711	-1,163	-7.9%
Fee expense for other services	5,420	6,485	-1,065	-16.4%
Total	**191,395**	**201,860**	**-10,465**	**-5.2%**

Fee expense for off-premises offer paid to the Financial Advisors network amounted to 172.4 million euros, down by 8.2 million euros compared to the first half of 2018 (-4.6%).
However, the performance of the aggregate mirrors the changes to the amortisation schedule for the ordinary incentives paid to Financial Advisors on the basis of net inflow targets, applied in the fourth quarter of 2018, entailing a positive effect on fees of 10.6 million euros[8].
Accordingly, on a like-for-like basis, the fee aggregate for off-premises offer increased slightly (+1.3%), due solely to the ordinary payout and other network maintenance expenses.

Breaking down the ordinary payout (+1.9%), the increase in fees paid for other services, such as advisory, offset the decline in traditional underwriting and management fees, whereas the performance of network costs (+17.4%) was due to the non-recurring effect of the greater contractual indemnities paid out during the six months.

Fees for portfolio management amounted to 13.5 million euros and mostly referred to administration and third-party management fees incurred by the Group's management company for the management of the Sicavs under administration. In detail, this item decreased by approximately 1.2 million euros compared to the same period of the previous year: a result achieved despite the increase in managed assets, confirming the ongoing negotiation activity with third-party asset managers to define the charges related to assets under mandate.

Fee expense for other services declined by 16.4%, essentially due to the decrease in fee expense for collection services.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Fees for securities trading and custody	-2,849	-4,144	1,295	-31.3%
Fees for collection and payment services	-2,056	-1,917	-139	7.3%
Fees for other services	-515	-424	-91	21.5%
Total fee expense for other services	**-5,420**	**-6,485**	**1,065**	**-16.4%**

7 Incentive fee expense also includes net fee provisions for an amount of 7.0 million euros for 2019 and 14.3 million euros for 2018.

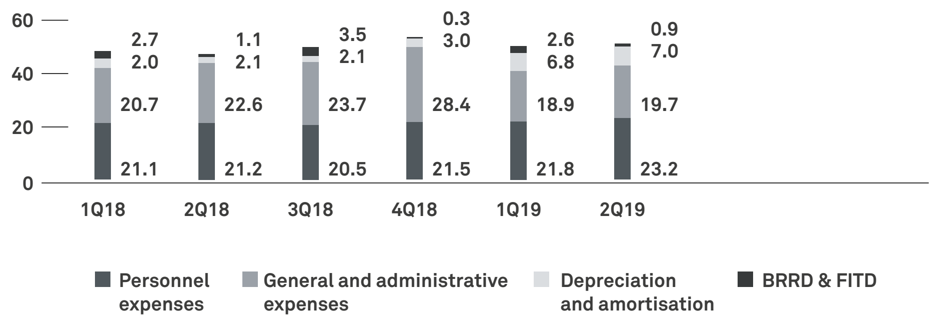
8 It should be recalled that the modification concerning the accounting treatment of ordinary sales incentives, which qualifies as a change of accounting estimate in respect of the amortisation period for the costs incurred to obtain/fulfil contracts, was applied prospectively beginning from the fourth quarter of 2018, in accordance with IAS 8. This change, implemented in part owing to the greater flexibility of the accounting standard IFRS 15, made it possible to align the accounting treatment of incremental costs paid to Financial Advisors in relation to the organic growth of assets under management with the treatment of recruitment incentives tied to the acquisition of new customers (amortised over five years), thereby ensuring a more effective correlation between total fee expense and the fee income generated by customer investments.

5.1.4 Operating expenses

Operating expenses amounted to 100.9 million euros, increasing by 7.7% compared to the same period of the previous year.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Staff expenses	45,011	42,309	2,702	6.4%
General and administrative expenses (net of duty recovery) and other net income	38,525	43,355	-4,830	-11.1%
BRRD and FITD contributions	3,534	3,795	-261	-6.9%
Net adjustments of property, equipment and intangible assets	13,792	4,159	9,633	231.6%
Operating expenses	**100,862**	**93,618**	**7,244**	**7.7%**

BREAKDOWN OF OPERATING EXPENSES (€ million)



Staff expenses, including full-time employees, interim staff and directors, reached 45.0 million euros, increasing by 6.4% compared to the same period of the previous year, chiefly due to the increase in the ordinary component of remuneration (+7.1%), associated with the growth of the average workforce, partially offset by a slight decline in the variable component.
Sale staff expenses amounted to 7.0 million euros and were substantially unchanged compared to the previous year.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
1) Employees	**44,284**	**41,545**	**2,739**	**6.6%**
Ordinary remuneration	33,895	31,659	2,236	7.1%
Variable remuneration and incentives	7,521	7,242	279	3.9%
Other employee benefits	2,868	2,644	224	8.5%
2) Other staff	**33**	**53**	**-20**	**-37.7%**
3) Directors and Auditors	**694**	**711**	**-17**	**-2.4%**
Total	**45,011**	**42,309**	**2,702**	**6.4%**

Group's employees totalled 917, 33 more compared to the same period of the previous year, whereas the average headcount increased by over 14.

	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %	AVERAGE 2019	AVERAGE 2018
Managers	53	48	5	10.4%	52.5	48.0
3rd and 4th level executives	162	150	12	8.0%	157.5	149.5
Other employees	702	686	16	2.3%	682.5	681.0
Total	**917**	**884**	**33**	**3.7%**	**892.5**	**878.5**

Other general and administrative expenses and other net income amounted to 38.5 million euros, with an 11.1% decrease compared to the same period of the previous year.
However, the item's performance was directly affected by the first-time adoption of IFRS 16, which in the first half of 2019 entailed the recognition of greater amortisation of right-of-use assets associated to operating lease agreements for real estate, motor vehicles and other company equipment of 8.8 million euros, against a decrease in lease payments and rental fees of 9.5 million euros, resulting in a net positive impact of 0.7 million euros.
This item also includes some one-off components such as the relocation of the administrative offices and the recent acquisitions for a total of 2.6 million euros.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Adjustments/reversals of property and equipment	737	750	-13	-1.7%
Adjustments/reversals of rights-of-use acquired through leases	8,788	-	8,788	n.a.
Adjustments/reversals of intangible assets	4,267	3,409	858	25.2%
Total	**13,792**	**4,159**	**9,633**	**231.6%**

Expenses related to the contributions to the Italian National Resolution and Interbank Deposit Protection Funds amounted to 3.5 million euros and included both the ordinary contributions to the Single Resolution Fund (2.6 million euros), and the additional contribution requested by the National Resolution Fund managed by the Bank of Italy to cover the interventions undertaken in 2015 as part of the Resolution plan for four local banks (+0.9 million euros)[9].

5.1.5 Net provisions

Net provisions not related to fees amounted to 9.3 million euros, down by 1.3 million euros compared to the same period of 2018 as a result of the countertrending provisions covering commitments for personnel.
Net of this item, provisions mainly refer to the different types of sales network's contractual indemnities and included in particular provisions related to the launch of the third cycle (2019-2026) of the Framework Loyalty Programme for the Financial Advisor Network.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE AMOUNT	CHANGE %
Provision for staff liabilities and contingencies	1,367	-674	2,041	-302.8%
Provisions for legal disputes	954	998	-44	-4.4%
Provision for contractual indemnities to the sales network	6,670	9,870	-3,200	-32.4%
Other provisions for liabilities and contingencies	378	503	-125	-24.9%
Guarantees and commitments	-34	-86	52	-60.5%
Total	**9,335**	**10,611**	**-1,276**	**-12.0%**

[9] In accordance with international accounting Standards (IFRIC 21) and Bank of Italy's technical guidelines, ordinary contributions to the Interbank Deposit Protection Fund (FITD) maturing in the third quarter of the year were not recognised as at 30 June 2019.

5.1.6 Adjustments

Net adjustments for impairments showed a net income of 1.1 million euros, improving by 2.5 million euros compared to the first half of 2018.
Reversals refer for 5.2 million euros to the re-absorption through profit or loss of collective reserves, allocated during the previous year, for performing debt securities held in the HTC and HTCS portfolios.
Overall, the 8.5 million euro positive change compared to the first half of 2018, which had instead recorded higher adjustments totalling 3.2 million euros, was due to the significant decrease of market parameters used for measuring the probability of default (PD), based on IFRS 9, following the easing of tensions on the market of Italian government bonds.

In the second quarter of the year, however, the 14 million euro subordinated bond issued by Tyndaris Services Ltd and expiring at the end of 2021 was subjected to analytical impairment in the amount of 6.5 million euros. The impairment was due to the current economic difficulties of the owners of Tyndaris Group and the need for the latter to dispose of its asset management operations.

(€ THOUSAND)	ADJUSTMENTS	REVERSALS	30.06.2019	30.06.2018	CHANGE
Specific adjustments/reversals	**-7,079**	**877**	**-6,202**	**-437**	**-5,765**
Equity securities	-	-	-	-	-
Debt securities	-6,555	-	-6,555	-	-6,555
Non-performing loans of the banking portfolio	-443	869	426	-409	835
Operating loans to customers	-81	8	-73	-28	-45
Portfolio adjustments/reversals	**-211**	**5,270**	**5,059**	**-3,169**	**8,228**
Debt securities	-	5,188	5,188	-3,264	8,452
Performing loans to customers and banks	-211	82	-129	95	-224
Total	**-7,290**	**6,147**	**-1,143**	**-3,606**	**2,463**

5.1.7 Consolidated net result, taxes and earnings per share

Income taxes for the reporting period on a current and deferred basis were estimated at 28.5 million euros, up 5.6 million euros compared to estimated taxes at the end of the same period of the previous year.

			CHANGE	
(€ THOUSAND)	30.06.2019	30.06.2018	AMOUNT	%
Current taxes for the period	-24,475	-24,058	-417	1.7%
Prior years' taxes	14	39	-25	-64.1%
Changes of prepaid taxation (+/-)	-4,566	-739	-3,827	517.9%
Changes of deferred taxation (+/-)	551	1,916	-1,365	-71.2%
Total	**-28,476**	**-22,842**	**-5,634**	**24.7%**

The estimated total tax rate was 17.7%, down compared to the end of the same period of the previous year, chiefly due to the increase in the share of profits earned outside of Italy.

The first half of 2019 thus closed with basic net earnings per share of 1.14 euros.

			CHANGE	
	30.06.2019	30.06.2018	AMOUNT	%
Net profit for the period (€ thousand)	132,800	92,566	40,234	43.5%
Earnings attributable to ordinary shares (thousand)	132,800	92,566	40,234	43.5%
Average number of outstanding shares (thousand)	116,482	116,067	415	0.4%
EPS - Earning per share (euros)	**1.14**	**0.80**	**0.34**	**43.0%**

5.1.8 Comprehensive income

The Banking Group's comprehensive income is determined by the consolidated net profit and all other components that contribute to company performance without being reflected in the Profit and Loss Account, such as changes in valuation reserves for securities at fair value through other comprehensive income.
In the first half of 2019, the latter component provided a positive overall contribution of 10.1 million euros, against a net negative change of -33.3 million euros recorded at the end of the same period of the previous year.

In detail, HTCS portfolio valuation reserves grew, as a result of the following factors:
› an increase in net valuation gains totalling 13.5 million euros, of which 2.0 million euros referring to collective reserves;
› the reduction of pre-existing net negative reserves due to re-absorption through profit or loss upon realisation (1.4 million euros);
› the negative net tax effect associated with the above changes and resulting from increases in DTAs and re-absorption of DTLs (-4.8 million euros).

			CHANGE	
(€ THOUSAND)	30.06.2019	30.06.2018	AMOUNT	%
Net profit for the period	**132,800**	**92,566**	**40,234**	**43.5%**
Other income, net of income taxes:				
with transfer to Profit and Loss Account:				
Exchange gains and losses	1	-5	6	-120.0%
Financial assets at fair value through other comprehensive income	10,065	-33,279	43,344	-130.2%
without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-129	-116	-13	11.2%
Total other income, net of taxes	**9,937**	**-33,400**	**43,337**	**-129.8%**
Comprehensive income	**142,737**	**59,166**	**83,571**	**141.2%**

5.2 Balance sheet and net equity aggregates

At the end of the first half of 2019, total consolidated assets amounted to 10.9 billion euros, increasing by over 1.1 billion euros (+11.6%) compared to the end of 2018.
Total net inflows amounted to 9.8 billion euros (+12.6%), driven by the significant increase in net inflows from customers.
Core loans thus totalled 10.2 billion euros, up 10.0%.

ASSETS (€ THOUSAND)	30.06.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	78,309	90,640	-12,331	-13.6%
Financial assets at fair value through other comprehensive income	2,435,849	1,987,315	448,534	22.6%
Financial assets at amortised cost	7,652,682	7,166,172	486,510	6.8%
a) Loans to banks (*)	1,138,080	1,434,533	-296,453	-20.7%
b) Loans to customers	6,514,602	5,731,639	782,963	13.7%
Equity investments	1,610	1,661	-51	-3.1%
Property, equipment and intangible assets	232,368	101,834	130,534	128.2%
Tax receivables	44,019	52,799	-8,780	-16.6%
Other assets	418,060	335,473	82,587	24.6%
Total assets	**10,862,897**	**9,735,894**	**1,127,003**	**11.6%**

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.06.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Financial liabilities at amortised cost	9,767,443	8,675,596	1,091,847	12.6%
a) Due to banks	100,087	128,725	-28,638	-22.2%
b) Due to customers	9,667,356	8,546,871	1,120,485	13.1%
Financial liabilities held for trading and hedging	3,490	384	3,106	808.9%
Tax liabilities	27,826	18,018	9,808	54.4%
Other liabilities	175,500	142,176	33,324	23.4%
Special purpose provisions	153,924	164,845	-10,921	-6.6%
Valuation reserves	-1,698	-11,636	9,938	-85.4%
Reserves	449,846	414,368	35,478	8.6%
Share premium reserve	57,591	57,889	-298	-0.5%
Share capital	116,852	116,852	-	0.0%
Treasury shares (-)	-20,677	-22,724	2,047	-9.0%
Net profit (loss) for the period (+/-)	132,800	180,126	-47,326	-26.3%
Total net equity and liabilities	**10,862,897**	**9,735,894**	**1,127,003**	**11.6%**

QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018 RESTATED (*)	01.01.2018
Financial assets at fair value through profit or loss	78,309	103,924	90,640	98,128	104,355	115,739	118,778
Financial assets at fair value through other comprehensive income	2,435,849	2,224,602	1,987,315	2,129,338	2,379,521	2,917,725	2,977,389
Financial assets at amortised cost	7,652,682	7,057,490	7,166,172	6,495,179	6,550,780	5,834,313	5,389,959
a) Loans to banks	1,138,080	849,522	1,434,533	912,269	1,133,932	1,111,505	922,492
b) Loans to customers	6,514,602	6,207,968	5,731,639	5,582,910	5,416,848	4,722,808	4,467,467
Equity investments	1,610	1,629	1,661	1,688	1,716	1,736	1,820
Property, equipment and intangible assets	232,368	235,350	101,834	93,603	95,318	96,778	98,381
Tax receivables	44,019	48,842	52,799	57,226	54,734	46,605	46,794
Other assets	418,060	356,542	335,473	304,856	328,518	291,632	355,526
Total assets	**10,862,897**	**10,028,379**	**9,735,894**	**9,180,018**	**9,514,942**	**9,304,528**	**8,988,647**

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018 RESTATED (*)	01.01.2018
Financial liabilities at amortised cost	9,767,443	8,879,340	8,675,596	8,201,383	8,521,256	8,186,830	7,879,968
a) Due to banks	100,087	100,287	128,725	72,348	497,996	505,127	682,531
b) Due to customers	9,667,356	8,779,053	8,546,871	8,129,035	8,023,260	7,681,703	7,197,437
Financial liabilities held for trading and hedging	3,490	506	384	925	518	290	206
Tax liabilities	27,826	22,586	18,018	25,123	37,049	36,307	35,168
Other liabilities	175,500	154,919	142,176	114,659	147,761	143,151	184,757
Special purpose provisions	153,924	162,741	164,845	160,820	158,926	159,234	155,305
Valuation reserves	-1,698	-5,974	-11,636	-23,388	-19,350	10,200	14,051
Reserves	449,846	595,619	414,368	412,683	411,409	557,668	353,287
Share premium reserve	57,591	57,819	57,889	57,893	57,893	58,170	58,219
Share capital	116,852	116,852	116,852	116,852	116,852	116,852	116,852
Treasury shares (-)	-20,677	-22,653	-22,724	-22,779	-9,938	-13,221	-13,271
Net profit (loss) for the period (+/-)	132,800	66,624	180,126	135,847	92,566	49,047	204,105
Total net equity and liabilities	**10,862,897**	**10,028,379**	**9,735,894**	**9,180,018**	**9,514,942**	**9,304,528**	**8,988,647**

(*) Data restated to comply with final IFRS 9 FTA.

5.2.1 Direct inflows from customers

Total direct inflows from customers amounted to 9.7 billion euros, up by 1,120 million euros (+13.1%) compared to 31 December 2018, chiefly attributable to the inflows from retail customers. This item also includes the accounting effect of the recognition of the financial liability relating to operating lease contracts (+136 million euros) according to the new accounting model introduced by IFRS 16 with effect from 1 January 2019.

(€ THOUSAND)	30.06.2019	31.12.2018	CHANGE AMOUNT	%
1. Current accounts and demand deposits	9,347,676	8,187,790	1,159,886	14.2%
2. Term deposits	17,800	25,939	-8,139	-31.4%
3. Financing	44,115	173,824	-129,709	-74.6%
Repurchase agreements	-	130,542	-130,542	-100.0%
Subordinated loans	44,115	43,282	833	1.9%
4. Other debts	257,765	159,318	98,447	61.8%
IFRS 16-related lease liabilities	136,076	-	136,076	n.a.
Operating debts to sales network	92,038	108,896	-16,858	-15.5%
Other (money orders, amounts at the disposal of customers)	29,651	50,422	-20,771	-41.2%
Total due to customers	**9,667,356**	**8,546,871**	**1,120,485**	**13.1%**

The growth in inflows from customers (external to the Insurance Group) continued to be driven solely by on-demand current account balances, which reported a net increase of 1,062 million euros to 8,770 million euros.
By contrast, captive inflows from the companies within the Assicurazioni Generali Group, net of financial liabilities attributable to the introduction of IFRS 16 (+51.1 million euros), showed a 19% increase and totalled 673.9 million euros at the end of the half-year, thus accounting for 7.0% of total inflows.
The aggregate includes 44.1 million euros for the Tier-2 subordinated loan issued by the subsidiary Generali Beteiligungs GmbH in 2014.

(€ THOUSAND)	30.06.2019	31.12.2018	CHANGE AMOUNT	%
Inflows from Parent Company	197,361	87,798	109,563	124.8%
Inflows from other subsidiaries of the Generali Group	425,390	436,349	-10,959	-2.5%
IFRS 16-related lease financial liabilities	51,118	-	51,118	n.a.
Total inflows from Generali Group	**673,869**	**524,147**	**149,722**	**28.6%**
Inflows from other parties	8,993,487	8,022,724	970,763	12.1%
of which: current accounts	*8,769,642*	*7,707,735*	*1,061,907*	*13.8%*
Total inflows from customers	**9,667,356**	**8,546,871**	**1,120,485**	**13.1%**

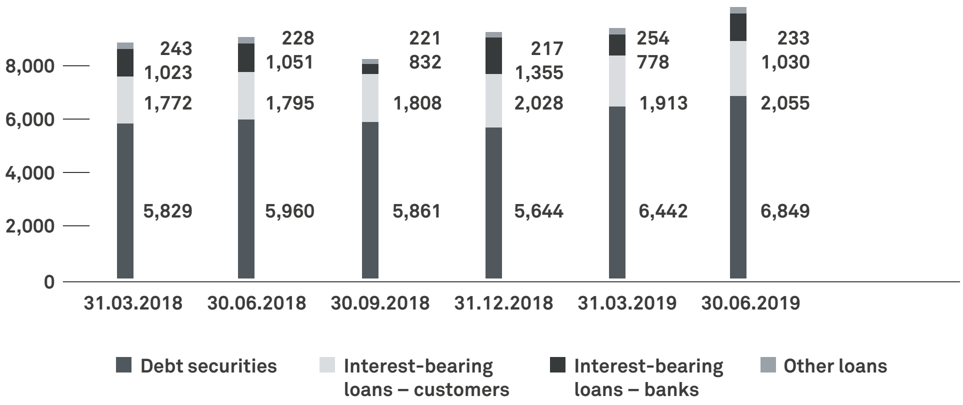
The non-interest-bearing debt position consisted of other sums available to customers, primarily relating to claims settlement activity by the Group's insurance companies (money orders), as well as of payables to the sales network for the placement of financial products and services. This segment shrank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

5.2.2 Core loans

Core loans totalled 10.2 billion euros overall, with a net increase of 923 million euros compared to 31 December 2018 (+10.0%).
In the first half of 2019, the Bank's investment activity gained renewed momentum that, despite a strong increase in net inflows, allowed to partly absorb the surplus liquidity held at the end of 2018.
Demand deposits with the ECB reported a 524 million euro decline, reaching 467.8 million euros at the end of the quarter, while investments in portfolios of financial assets significantly increased by 1,210 million euros (+21.2%).

(€ THOUSAND)	30.06.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Financial assets at fair value through profit or loss	78,309	90,640	-12,331	-13.6%
Financial assets at fair value through other comprehensive income	2,435,849	1,987,315	448,534	22.6%
Financial assets at amortised cost	4,402,856	3,629,126	773,730	21.3%
Financial assets	**6,917,014**	**5,707,081**	**1,209,933**	**21.2%**
Loans to and deposits with banks	1,029,813	1,354,804	-324,991	-24.0%
Loans to customers	2,054,842	2,028,164	26,678	1.3%
Operating loans and other loans	165,171	154,078	11,093	7.2%
Total interest-bearing financial assets and loans	**10,166,840**	**9,244,127**	**922,713**	**10.0%**

QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, investments in financial assets accounted for 68.05% of the core loan aggregate's total, sharply increasing compared to 61.7% at the end of 2018. The exposure to financial instruments other than debt securities was extremely limited.

(€ THOUSAND)	30.06.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Government securities	6,119,428	5,150,100	969,328	18.8%
Other public institutions	18,471	13,019	5,452	41.9%
Securities issued by banks	387,091	271,636	115,455	42.5%
Securities issued by other issuers	323,918	209,103	114,815	54.9%
Equity securities and other securities	68,106	63,223	4,883	7.7%
Total financial assets	**6,917,014**	**5,707,081**	**1,209,933**	**21.2%**

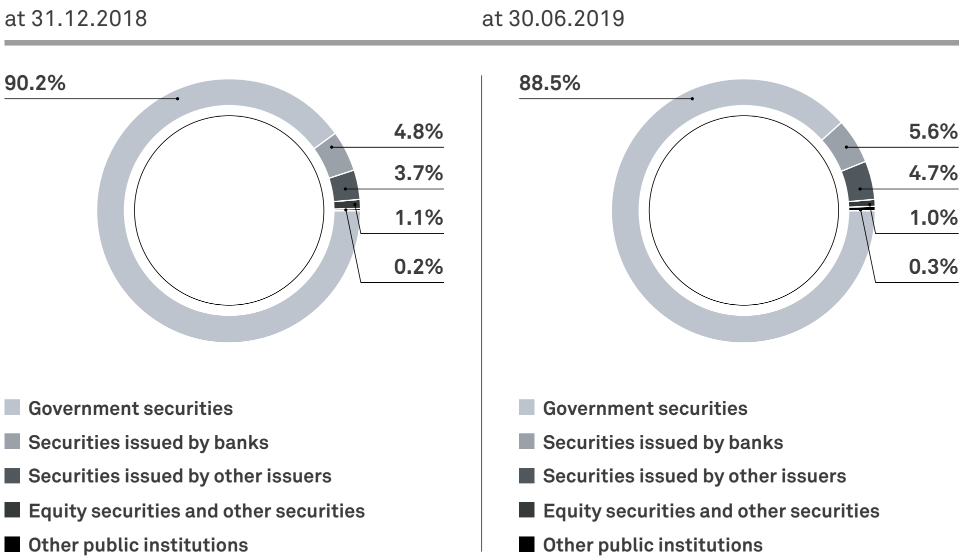
On the basis of the guidelines in the new risk framework and the 2019-2021 industrial plan, investments in financial assets were concentrated in the held-to-collect (HTC) portfolio, i.e., assets measured at amortised cost and held for investment, which grew by 774 million euros in the reporting period, mainly driven by the government bond purchases.
However, significant rebalancing was undertaken on the portfolio of financial assets at fair value through other comprehensive income (HTCS), which increased by 449 million euros, more than 44% of which is allocated to financial and corporate securities.

Sovereign debt exposure increased by 975 million euros accounting for 88.7% of total investments in financial instruments, slightly down compared to the end of the previous year (90.5%). Within the government bond portfolio, it was also sought to diversify away from Italy risk through significant investments in Spanish and Portuguese bonds, all of which are held within the HTCS portfolio and have short-term maturities.
At the end of the half year, the exposure to non-Italian government bonds, consisting of Spanish, Portuguese, supranational and US government bonds, thus amounted to 729.5 million euros, accounting for 11.9% of the total exposure.

			CHANGE	
(€ THOUSAND)	30.06.2019	31.12.2018	AMOUNT	%
Exposure to the sovereign risk by portfolio:				
Financial assets at fair value through profit or loss	50	-	50	n.a.
Financial assets at fair value through other comprehensive income	1,984,054	1,736,525	247,529	14.3%
Financial assets at amortised cost	4,153,795	3,426,594	727,201	21.2%
Total	**6,137,899**	**5,163,119**	**974,780**	**18.9%**

The overall geographical breakdown of the portfolio of debt securities thus showed a lower concentration of investments relating to Italian securities, decreasing to 84.0% from 95% at year-end 2018.

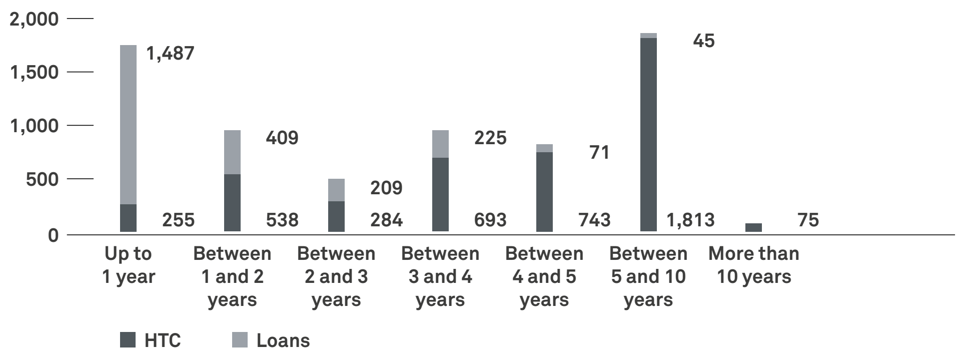
BREAKDOWN OF FINANCIAL ASSETS



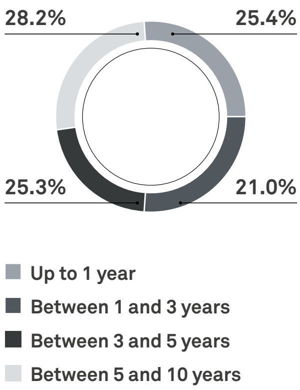
Within this new scenario, the policy of reducing the maturities of the securities in portfolio pursued in the previous year was also scaled back.
At the end of June 2019, the share of financial assets with a maturity of more than 3 years rose to 53.5% from 51.1% at the end of 2018.
The portfolio of debt securities had an overall average residual life of about 3.4 years (3.5 years at the end of 2018). In particular, the average maturity of the HTC portfolio was 4.7 years, whereas the average maturity of the HTCS portfolio was 1.3 years.

Moreover, 43.2% of the portfolio was made up of variable-rate issues, and for the remainder, of fixed-rate issues and zero coupons (40.8% at the end of 2018).

BOND PORTFOLIO MATURITY
(€ million)



BREAKDOWN OF BONDS PORTFOLIO BY MATURITY
at 30.06.2019



Loans to customers amounted to 2,055 million euros, up by 27 million euros compared to year-end 2018, due to the increase in overdraft facilities associated with the new Lombard lending facility.

(€ THOUSAND)	30.06.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
Current accounts	1,015,504	985,907	29,597	3.0%
Mortgages and personal loans	829,382	840,147	-10,765	-1.3%
Other financing and loans not in current accounts	2,205	2,173	32	1.5%
Reverse repurchase agreement with customers and deposits on the MIC (CC&G)	207,751	199,937	7,814	3.9%
Loans	**2,054,842**	**2,028,164**	**26,678**	**1.3%**
Operating loans to management companies	126,597	117,126	9,471	8.1%
Sums advanced to Financial Advisors	14,667	19,395	-4,728	-24.4%
Stock exchange interest-bearing daily margin	17,650	13,088	4,562	34.9%
Charges to be debited and other loans	6,175	4,172	2,003	48.0%
Operating loans and other loans	**165,089**	**153,781**	**11,308**	**7.4%**

Within **operating loans**, the decrease in financial advances paid to the sales network, due to the consolidation of 2018 incentives, was offset by an increase in trade receivables accrued in respect of the placement and distribution of financial and insurance products, and of stock exchange margins for MTS transactions.

Net **non-performing exposures** on loans to customers amounted to 29.5 million euros, or 1.4% of total loans to customers reported in the table above.

The aggregate includes all the exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by BSI S.A.[10] 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 9.5 million euros and consisted for 95% 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.

Unsecured exposures to customers, for which risk is effectively borne by the Bank, amounted to just 0.4 million euros, or around **0.02%** of total loans to customers

[10] 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.

(€ THOUSAND)	30.06.2019 BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	TOTAL	31.12.2018 BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	TOTAL	DELTA	CHANGE %
Gross exposure	32,182	5,994	3,385	41,561	32,380	11,849	5,074	49,303	-7,742	-16%
Adjustments	10,713	807	538	12,058	10,913	1,294	281	12,488	-430	-3%
Total net exposure	**21,469**	**5,187**	**2,847**	**29,503**	**21,467**	**10,555**	**4,793**	**36,815**	**-7,312**	**-20%**
Gross exposure	28,444	-	-	28,444	28,214	-	-	28,214	230	1%
Adjustments	8,427	-	-	8,427	8,427	-	-	8,427	-	-
Exposure guaranteed by net indemnity	**20,017**	**-**	**-**	**20,017**	**19,787**	**-**	**-**	**19,787**	**230**	**1%**
Gross exposure	3,738	5,994	3,385	13,117	4,166	11,849	5,074	21,089	-7,972	-38%
Adjustments	2,286	807	538	3,631	2,486	1,294	281	4,061	-430	-11%
Exposure net of indemnity	**1,452**	**5,187**	**2,847**	**9,486**	**1,680**	**10,555**	**4,793**	**17,028**	**-7,542**	**-44%**
Net guaranteed exposure	**1,398**	**5,060**	**2,628**	**9,086**	**1,625**	**9,926**	**4,691**	**16,242**	**-7,156**	**-44%**
Net exposure not guaranteed	**54**	**127**	**219**	**400**	**55**	**629**	**102**	**786**	**-386**	**-49%**

At 30 June 2019, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of 930 million euros, sharply down compared to a net exposure of 1,226 million euros at the end of the previous year.
This situation was essentially due to the significant reduction in the credit position with the ECB (-524 million euros), partly offset by the launch of new repurchase agreements for investment purposes, with securitisation notes (Brixia) as their underlying (164 million euros).

(€ THOUSAND)	30.06.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
1. Repayable on demand	**735,910**	**1,253,295**	**-517,385**	**-41.3%**
Demand deposits with ECB and Bank of Italy (*)	467,763	991,874	-524,111	-52.8%
Demand deposits with credit institutions	49,999	29,918	20,081	67.1%
Transfer accounts	218,148	231,503	-13,355	-5.8%
2. Time deposits	**293,903**	**101,509**	**192,394**	**189.5%**
Mandatory reserve	97,227	82,714	14,513	17.5%
Term deposits	26,496	17,611	8,885	50.5%
Repurchase agreements	163,774	-	163,774	n.a.
Collateral margins	6,406	1,184	5,222	441.0%
Total loans to banks	**1,029,813**	**1,354,804**	**-324,991**	**-24.0%**
1. Due to Central Banks	**-**	**-**	**-**	**n.a.**
TLTRO	-	-	-	n.a.
2. Due to banks	**100,087**	**128,725**	**-28,638**	**-22.2%**
Transfer accounts	79,843	108,850	-29,007	-26.6%
Collateral margins	140	-	140	n.a.
Other debts	20,104	19,875	229	1.2%
Total due to banks	**100,087**	**128,725**	**-28,638**	**-22.2%**
Net interbank position	**929,726**	**1,226,079**	**-296,353**	**-24.2%**

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

5.2.3 Provisions

Total special purpose provisions amounted to 153.9 million euros, down 10.9 million euros compared to the previous year (-6.6%) chiefly due to lower provisions for ordinary sales incentives, partly offset by provisions for contractual indemnities of the sales network.

			CHANGE	
(€ THOUSAND)	30.06.2019	31.12.2018	AMOUNT	%
Provision for termination indemnity	4,925	4,831	94	1.9%
Provisions for guarantees issued and commitments	52	86	-34	n.a.
Other provisions for liabilities and contingencies	**148,947**	**159,928**	**-10,981**	**-6.9%**
Provisions for staff expenses	13,167	13,762	-595	-4.3%
Restructuring provision – Redundancy incentives plan	1,113	1,369	-256	-18.7%
Provisions for legal disputes	12,097	14,287	-2,190	-15.3%
Provisions for contractual indemnities to the sales network	87,604	81,595	6,009	7.4%
Provisions for sales network incentives	32,012	46,131	-14,119	-30.6%
Other provisions for liabilities and contingencies	2,954	2,784	170	6.1%
Total provisions	**153,924**	**164,845**	**-10,921**	**-6.6%**

Contractual indemnities mainly included 57.4 million euros referring to provisions for covering the cost of Financial Advisors' termination indemnities pursuant to Article 1751 of the Italian Civil Code, which are determined on an actuarial basis.
The aggregate included a 9.9 million euros provision for the service of the annual cycles of the 2017-2026 Framework Loyalty Programme for the Sales Network, which saw the launch of the third annual cycle (2019-2026) in 2019.
The Framework Loyalty Programme is divided into eight annual separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which may be activated from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies. Both cycles call for the allotment of Banca Generali shares for an amount equal to 50% of the indemnity accrued.

In the tax dispute relating to 2014, there were new contacts with the Italian Agency of Revenue during the second quarter, without however achieving a final definition of the dispute. Accordingly, the reader is referred to the information previously disclosed in the 2018 Annual Integrated Report.

5.2.4 Net equity and regulatory aggregates

At 30 June 2019, consolidated net equity, including net profit for the period, stood at 734.7 million euros, net of the 2018 dividend payout resolved upon by the General Shareholders' Meeting on 18 April 2019 for a total amount of 144.9 million euros paid in May.

			CHANGE	
(€ THOUSAND)	30.06.2019	31.12.2018	AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	57,591	57,889	-298	-0.5%
Reserves	449,846	414,368	35,478	8.6%
(Treasury shares)	-20,677	-22,724	2,047	-9.0%
Valuation reserves	-1,698	-11,636	9,938	-85.4%
Net profit (loss) for the period	132,800	180,126	-47,326	-26.3%
Group net equity	**734,714**	**734,875**	**-161**	**0.0%**

The change in equity during the half-year was influenced by the distribution of the 2018 dividend, the change in the reserves for shared-based payments (IFRS 2), the overall positive change in fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) and other reserves included in other comprehensive income, as well as net profit for the period.

	30.06.2019	31.12.2018
Net equity at period-start	**734,875**	**736,070**
IFRS 9 and IFRS 15 FTA	-	-2,827
Dividend paid	-144,907	-145,474
Purchase and sale of treasury shares	-1,031	-12,841
Matured IFRS 2 reserves on own financial instruments	2,689	4,408
Matured IFRS 2 reserves on the AG Group's IFRS 2-related plans	359	1,100
Change in valuation reserves (net of FTA)	9,938	-25,687
Consolidated net profit	132,800	180,126
Other effects	-9	-
Net equity at period-end	**734,714**	**734,875**
Change	**-161**	**-1,195**

On 18 April 2019, the General Shareholders' Meeting also authorised the repurchase of a maximum of 667,419 treasury shares in service of remuneration plans for Key Personnel for 2019, the second cycle of the Framework Loyalty Programme for 2018 and the new Long Term Incentive Plan for the three-year period 2019-2021.
The plan for the buy-back of treasury shares, authorised by the Supervisory Authority on 21 June 2019, was launched on 25 June 2019 and, at the end of the half-year, 40,116 treasury shares had already been bought back for an amount of 1,031 thousand euros.
Therefore, on 30 June 2019 a 20,851 million euro commitment to repurchase own funds was recognised, also for prudential purposes, against treasury shares still to be bought back.

In the reporting period, on the basis of the achievement of the performance objectives set out in the Remuneration Policy, 125,885 treasury shares, with a value of 3,078 thousand euros, were also allotted to employees and Financial Advisors falling within Key Personnel, as well as to network managers.
At the end of the half-year, the Parent Company, Banca Generali, thus held 843,321 treasury shares, with a value of 20,677 thousand euros, intended solely for the service of Remuneration Policies for the Banking Group's Key Personnel.

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a net increase of 10.1 million euros, primarily owing to the uptrend in the prices of debt securities on financial markets during the first half of the year.

	30.06.2019			31.12.2018	
(€ THOUSAND)	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	CHANGE
HTCS reserves - debt securities	3,348	-2,940	408	-9,657	10,065
Exchange differences	-	-130	-130	-131	1
Actuarial gains (losses) from defined benefit plans	-	-1,976	-1,976	-1,848	-128
Total	**3,348**	**-5,046**	**-1,698**	**-11,636**	**9,938**

Consolidated own funds amounted to 532.9 million euros, down slightly by 5.0 million euros on the end of the previous year, mainly due to the effects of the inception of the share repurchase programme (-21.8 million euros), only partially offset by the increase in valuation reserves on HTCS financial assets (+10.1 million euros) and other effects, as shown in the table below.

Own funds at 31.12.2018	**537,915**
Repurchase commitments of CET1 instruments	-20,851
Purchase and sale of treasury shares	-1,031
Change in reserves for share-based payments (IFRS 2)	3,048
Prior years' dividend payout	-7
Change in OCI reserves on HTCS	10,066
Change in OCI reserves pursuant to IAS 19	-199
Change in goodwill and intangibles	4,590
Negative prudential filters (prudent valuation)	-436
AT1 instruments excess over AT1	-52
Other effects	-9
Total changes in TIER 1 capital	**-4,881**
Other effects: significant investments T2	-113
Total changes in TIER 2 capital	**-113**
Own funds at 30.06.2019	**532,921**
Change	**-4,994**

In accordance with the new dividend policy approved by the Board of Directors on 8 March 2019, for the first half of 2019 as well, none of the consolidated net profit for the current period was included in own funds.
The dividend policy approved by Banca Generali for the 2019-2021 plan period calls for the distribution of a minimum dividend of 1.25 euros per share, in accordance with the risk profile defined in the Risk Appetite Framework and overall capital adequacy, and in any event up to the limit of 100% of the consolidated net profit earned during the year.

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 163.0 million euros in excess of the SREP minimum requirement for 2019. CET1 ratio reached 15.68%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 17.06%, compared to the SREP minimum requirement of 11.84%.

		31.12.2018	CHANGE		01.01.2019
(€ THOUSAND)	30.06.2019	PHASE IN	AMOUNT	%	IFRS 16 FTA
Common Equity Tier 1 capital (CET1)	490,034	494,915	-4,881	**-1.0%**	494,845
Additional Tier 1 (AT1) capital	-	-	-	**n.a.**	-
Tier 2 capital (T2)	42,887	43,000	-113	**-0.3%**	43,000
Total Own funds	**532,921**	**537,915**	**-4,994**	**-0.9%**	**537,845**
Credit and counterparty risk	176,180	152,708	23,472	**15.4%**	163,582
Market risk	490	575	-85	**-14.8%**	575
Operating risk	73,274	73,274	-	**-**	73,274
Total absorbed capital (Pillar I)	**249,945**	**226,557**	**23,387**	**10.3%**	**237,431**
Total SREP minimum requirements (Pillar II)	**369,918**	**288,860**	**23,302**	**28.1%**	**-**
Excess over SREP minimum requirements	163,003	249,055	-86,052	**-34.6%**	537,845
Risk-weighted assets	3,124,308	2,831,965	292,343	**10.3%**	2,967,884
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	15.68%	17.48%	-1.79%	**-10.25%**	16.67%
Total Own funds/Risk-weighted assets (Total capital ratio)	**17.06%**	**18.99%**	**-1.94%**	**-10.20%**	**18.12%**

Absorbed capital for credit risk sharply increased compared to the previous year (+23.5 million euros), mostly due to the increase in exposures to supervised intermediaries (+8.7 million euros) and in the aggregate of other exposure (+10.8 million euros).
The growth of the latter aggregate was primarily due to the adoption with effect from 1 January 2019 of the new international accounting standard IFRS – 16 *Leases*, which entailed the recognition of new items of property, plant and equipment in the form of rights of use (RoU), in the amount of approximately 136 million euros, and the ensuing effect on the relevant capital requirement of approximately 10.9 million euros.

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.

The leverage ratio at the end of the quarter reached 4.48%, slightly down compared to that at the end of the previous year (4.95%).

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

	30.06.2019		
(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
Net equity of Banca Generali	**499,429**	**129,913**	**629,342**
Differences between net equity and book value of companies consolidated using the line-by-line method	81,410	-	81,410
Profit carried forward of consolidated companies	81,027	-	81,027
Other changes	383	-	383
Dividends from consolidated companies	21,613	-111,613	-90,000
Consolidated companies' result for the period	-	114,553	114,553
Result of associates valued at equity	-408	-53	-461
Valuation reserves - consolidated companies	-130	-	-130
Consolidation adjustments	-	-	-
Net equity of the Banking Group	**601,914**	**132,800**	**734,714**

5.2.5 Cash flows

In the first half of 2019, operating activities used a total of 372 million euros in cash flows.
In detail, cash inflows were primarily generated by operations (108.2 million euros) and by the significant increase in net inflows from customers (+1,001 million euros).
Such liquidity was fully absorbed by investments in financial assets (-1,178 million euros), interbank deposits (-227.5 million euros), which included repurchase agreements for 164 million euros and, to a lesser extent, by the expansion of loans to customers (-36.2 million euros).
Dividends paid (-144.9 million euros) and outlays for new investments subsequently added to total net cash outflows generated by operating activities.
Cash and cash equivalents at period-end amounted to 489.3 million euros, with a 338.2 million euro decline compared to the end of the previous year, while demand deposits with the ECB decreased by 524 million euros.

(€ THOUSAND)	30.06.2019	30.06.2018	CHANGE
Liquidity generated by operations	**108,224**	**71,528**	**36,696**
Financial assets	-1,178,326	-375,519	-802,807
Loans to banks (*)	-198,847	41,533	-240,380
Loans to customers	-36,217	-38,440	2,223
Other operating assets	-81,351	85,775	-167,126
Total assets	-1,494,741	-286,651	-1,208,090
Amounts due to banks	-28,674	-182,149	153,475
Amounts due to customers	1,000,747	842,084	158,663
Other operating liabilities	42,320	-34,247	76,567
Total liabilities	1,014,393	625,688	388,705
Liquidity generated by/used for operating activities	**-372,124**	**410,565**	**-782,689**
Investments	-5,531	-1,138	-4,393
Liquidity generated by/used for investing activities	**-5,531**	**-1,138**	**-4,393**
Dividends paid	-144,907	-145,474	567
Issue/purchase of treasury shares	-1,031	-	-1,031
Liquidity generated by/used for financing activities	**-145,938**	**-145,474**	**-464**
Net liquidity generated/used	**-523,593**	**263,953**	**-787,546**
Cash and cash equivalents	**489,298**	**827,450**	**-338,152**

(*) Net of demand deposits with ECB.

6. Performance of Group companies

6.1 Banca Generali performance

Banca Generali closed the first half of 2019 with net profit of 129.9 million euros, up compared to 103.4 million euros reported at the end of the same period of the previous year (+26.5 million euros), chiefly due to the higher contribution of dividends distributed both in advance and at the end of the period by the Luxembourg-based subsidiary BG Fund Management Luxembourg S.A., amounting to 111.6 million euros (+27.9 million euros).

Reclassified net operating income[11], net of the dividends distributed by the Banking Group's investees, amounted to 143.1 million euros, increasing by 3.3 million euros (+2.3%) on the previous year, owing to the combined effect of the rise in net fees (+12.2 million euros) and net interest income (+5.6 million euros), and the decrease of net income from trading activities and dividends (-14.5 million euros).

			CHANGE	
(€ THOUSAND)	30.06.2019	30.06.2018	AMOUNT	%
Net interest income	33,658	28,059	5,599	20.0%
Net income (loss) from trading activities and dividends	6,046	20,582	-14,536	-70.6%
Net financial income	**39,704**	**48,641**	**-8,937**	**-18.4%**
Fee income	281,657	278,653	3,004	1.1%
Fee expense	-178,305	-187,518	9,213	-4.9%
Net fees	**103,352**	**91,135**	**12,217**	**13.4%**
Net operating income	**143,056**	**139,776**	**3,280**	**2.3%**
Staff expenses	-42,235	-39,704	-2,531	6.4%
Other general and administrative expenses	-70,502	-73,268	2,766	-3.8%
Net adjustments of property, equipment and intangible assets	-13,559	-4,124	-9,435	228.8%
Other operating expenses/income	29,205	26,922	2,283	8.5%
Net operating expenses	**-97,091**	**-90,174**	**-6,917**	**7.7%**
Operating result	**45,965**	**49,602**	**-3,637**	**-7.3%**
Net adjustments for non-performing loans	-1,143	-3,606	2,463	-68.3%
Net provisions	-9,336	-10,609	1,273	-12.0%
Dividends and income from equity investments	111,613	83,724	27,889	33.3%
Gains (losses) from equity investments	-33	-42	9	-21.4%
Operating profit before taxation	**147,066**	**119,069**	**27,997**	**23.5%**
Income taxes for the period	-17,153	-15,653	-1,500	9.6%
Net profit	**129,913**	**103,416**	**26,497**	**25.6%**

Within net interest income, interest income rose by 7.3 million euros, almost entirely due to the portfolio of financial assets, whereas the increase in interest expense was attributable to interest on the financial liability of 1.7 million euros relating to the operating lease contracts recognised following the introduction of the new accounting standard IFRS 16, in effect from 1 January 2019.

The increase in net fees (+13.4%), which amounted to 103.4 million euros at the end of the period, is primarily to be attributed to the decline in fee expense (-9.2 million euros), and in particular in fee expense for off-premises offer and the trading and custody of securities.

11 To ensure a better understanding of operating performance, in the Profit and Loss Account the provisions for incentive fees and recruitment have been reclassified within the net fee aggregate. As a result, net provisions were restated net of these items for an amount of 7.0 million euros for the first half of 2019 and 14.3 million euros for 2018.

Net **operating expenses** amounted to 97.1 million euros, up compared to the same period of the previous year (+7.7%). The increase was tied to the Bank's pronounced efforts to expedite all of its current strategic projects. This item also includes some one-off components referring to the relocation of the administrative offices and the recent acquisitions, partially offset by the application of the new accounting standard IFRS 16.

The cost/income ratio, which measures the ratio of operating expenses (gross of adjustments to property, equipment, intangible assets) to net operating income and dividends, amounted to 58.4%.

Provisions and net adjustments amounted to 10.5 million euros, down on the same period of 2018 (-3.7 million euros), due to the partial recovery of collective adjustments to financial instruments driven by the easing of tensions surrounding the Italian government bond portfolio and the one-off effect of the inception of the manager incentive indemnity provision in the first half of 2018. The above effects were offset by greater provisions for liabilities and contingencies relating to employees and the impairment loss on the Tyndaris convertible bond.

Operating profit before taxation amounted to 147.1 million euros, up by 23.5% compared to the same period of 2018.
The expected tax burden was 17.2 million euros, with an overall tax rate at 11.7%, as a result of the higher weight of dividends from equity investments subject to reduced taxation.

Total AUM managed by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 62.2 billion euros at 30 June 2019, up 9.4% compared to the end of the previous year. Net inflows amounted to 2.8 billion euros, compared to 3.2 billion euros at the end of the same period of 2018 (-10.0%).

6.2 Performance of BG Fund Management Luxembourg S.A.

BG Fund Management Luxembourg S.A. (hereinafter BGFML) is a company under Luxembourg law specialising in the administration and management of the Sicavs promoted by the Banking Group: Lux IM, BG Selection Sicav and the Sicav called BG Alternative, reserved for institutional investors and launched in the third quarter of 2016.

BGFML ended the first half of 2019 with net profit of 114.6 million euros, up 41.6 million euros compared to the same period of the previous year, chiefly due to the increase in performance fees (+48.2 million euros).
Net banking income amounted to 129.1 million euros (+46.1 million euros). Total operating expenses grew moderately to 3.2 million euros (+0.4 million euros compared to the first half of 2018), 2.3 million euros of which consisted of staff expenses.

The company's net equity amounted to 107.4 million euros, net of a dividend payout of 111.6 million euros, as payment in advance for 2019 and total payment for 2018.

Overall, assets under management at 30 June 2019 amounted to 15,585 million euros, compared to 14,111 million euros at 31 December 2018, up by 1,474 million euros.

6.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the first half of 2019 with a slight net loss and net equity amounting to about 0.8 million euros.
Net banking income amounted to about 0.6 million euros and virtually covered operating expenses.
Assets under management amounted to 1,238 million euros (1,261 million euros at the end of 2018).

7. Related party transactions

7.1 Procedural aspects

In accordance with Article 2391-*bis* of the Italian Civil Code, the Regulations containing provisions relating to transactions with related parties (adopted by Consob by resolution No. 17221 of 12 March 2010, as amended by resolution No. 17389 of 23 June 2010), Bank of Italy Circular No. 263 on risk assets and conflicts of interest of banks and banking groups with Connected Parties and Bank of Italy Circular No. 285, Banca Generali's Board of Directors approved the first version of its "Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance", which entered into effect on 1 January 2011 and was last updated with effect from 15 May 2017. The procedure is intended to implement Consob and Bank of Italy regulations, by adopting, for all Banking Group companies, rules on Transactions with Related Parties and Connected Parties and Transactions of Greater Importance, governing the related investigation, approval, reporting and disclosure activities.
The main themes introduced by the Bank of Italy Provisions (Bank of Italy Circular No. 263/2006) and subsequent amendments, and implemented in the Procedure are the following:

- expanded scope of the parties involved, i.e., Connected Parties (Related Parties and Associated Entities), and change in the characteristics of some of the identified parties compared to Consob Regulation;
- definition of criteria to identify Transactions of Greater Importance and the relevant management process, with definition of roles and responsibilities;
- introduction of prudential limits in respect of Own Funds and the assumption of risks with Connected Parties. The limits vary according to the different types of Connected Parties, in proportion with the level of involvement in the relationship and the potential impact of the resulting risks on sound and prudent management. In light of the greater risks associated with conflicts of interest in bank-industry relations, more stringent limits are envisaged for risk assets with entities qualifying as non-financial related parties;
- introduction of specific guidelines relating to organisational arrangements and internal controls intended to identify corporate bodies' responsibilities and corporate functions' tasks with respect to the objectives of conflicts of interest prevention and management, as well as the obligations for identifying the Connected Parties and monitoring exposures over time;
- changes in the definition of:
  1. **Non-ordinary Transactions**, as the Bank of Italy considers as "non-ordinary" all transactions that exceed the Greater Importance threshold, even if concluded at market or standard conditions;
  2. **Low Value Transactions**, as the Bank of Italy sets specific thresholds for these transactions, in order to ensure uniform application in the banking sector. To this end, it has established that Low Value Transactions cannot exceed **250,000 euros** for banks with Own Funds of less than 500 million euros and the lower of 1,000,000 euros and 0.05% of Own Funds, in the other cases. In respect of these transactions, the exemption only applies to provisions relating to approval procedures;
  3. **Highly Significant Transactions**, as the Bank of Italy identifies these transactions on the basis of two parameters – relevance of the consideration and relevance of the assets – making no mention of the liabilities parameter as provided for by Consob Regulation;
- **introduction of the definition of Transactions of Greater Importance** as defined by the Bank of Italy, i.e., the transactions characterised by their economic, capital and financial impact and the transactions that, despite being natural, exceed the value of 2.5% of consolidated Own Funds and have a significant impact on the company and group as they depart from specific standard contractual conditions.

7.2 Disclosure on Related Party Transactions

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

In detail, the interim report should provide the following disclosure:
a) each and every Transaction of Greater Importance effected during the accounting period of reference;
b) other individual transactions with related parties "that have materially influenced" the financial position or results of the company;
c) changes or developments in related party transactions described in the latest annual report that had a "material effect" on the financial position or results of the company during the reporting period.

In this regard, the following should be noted.

Unusual, atypical or extraordinary transactions

During the first half of 2019, no related party transactions were carried out that could be defined as atypical or unusual or likely to have "effects on the safeguarding of the company assets or the completeness and accuracy of information, including accounting information, concerning the issuer."

Highly significant transactions

In the first half of 2019, no transactions qualifying as "highly significant", non-ordinary transaction, entered into at non-market or non-standard conditions were carried out that, in accordance with the Procedure on Related Party Transactions, could have given rise to an obligation to publish the related market disclosure document.

Other significant transactions

During the first half of 2019, two transactions were approved qualifying as transactions of “lesser importance”, which are subject to the prior non-binding opinion of the Internal Audit and Risk Committee (the amount of which exceeded the materiality threshold).
On 7 February 2019, Banca Generali’s Board of Directors approved the proposal on the Lease Agreement with G.R.E. SGR S.p.A.
On 8 May 2019, Banca Generali’s Board of Directors approved the proposal to increase the account overdraft facility granted to a Generali Group manager under the economical terms and conditions set forth in Convenzione Assieme Dirigenti AG.

Ordinary or recurring transactions

Transactions of an ordinary or recurring nature carried out in the first half of 2019 with related parties fall within the Group's ordinary course of business and are usually carried out on an arm's length basis and in any case based on mutual economic advantage, in compliance with the internal procedures mentioned above.

As regard these transactions, there were no changes in the situation of related party transactions described in more detail in the Annual Report as of 31 December 2018, which might have a material effect on the financial situation and the results of the company and the Banking Group.
The developments of ordinary transactions with related parties during the first half of 2019 are presented in the specific section of the condensed half-year financial statements as of 30 June 2019, along with other information about related party transactions.
Intra-group related party transactions are not included in the above statements, since they are eliminated on consolidation.

8. Human resources and the Group's distribution network

8.1 Employees

At 30 June 2019, the Bank's workforce was 917, composed of 53 Managers, 162 3rd and 4th level Executives and 702 employees at other levels; of the last category, 123 were 1st and 2nd level Executives.

	BANCA GENERALI	GENERFID	BG FML	TOTAL AT 30.06.2019	TOTAL AT 31.12.2018
Managers	49	1	3	53	52
3rd and 4th level executives	152	1	9	162	153
Other employees	683	5	14	702	663
Total	**884**	**7**	**26**	**917**	**868**

Among the 917 employees at 30 June 2019, 65 were working under fixed-term contracts (8 of these as substitutes for employees on maternity leave or leaves of absence).
There was an increase of 49 resources compared to the end of 2018, as a result of the improvement in the number of both indefinite-term staff (+20), following the confirmation of staff already working in the company and recruitment form the market, and fixed-term staff (+29), following the hiring of resources who will serve as a support to handle work peaks due to extraordinary activities and projects and are expected to leave by the end of the year.

In trade union relations, on 11 January and 7 May last union agreements were reached regarding the extension of **smart working** to the offices in Milan (Generali Tower) and Trieste (Corso Cavour 5/a). In addition, on 13 February 2019 an agreement was reached on **supplementary pensions** with the aim of harmonising company contractual provisions with the legislation (the "Competition Decree") on the allocation of **unaccrued employee termination indemnities (TFR)**. On 7 May 2019 a specific deed of acknowledgement was entered into regarding the performance of the 2018 company bonus, extending the "**substitute welfare**" option to all categories of goods and services that may be managed through the Generali DY platform Welion. On 26 June last a union agreement summarising **supplementary company bargaining** mechanisms was signed.
In addition, the union consulting process relating to the Generali Group's **FBA** training plan was also held through a series of sessions.

8.1.1 Training and development of employees

The Banking Group believes that it is of utmost importance to invest in its own human resources by promoting a business culture based on shared values, accompanying its People on development paths designed to bring out talent and distinctive skills.

The performance management and skills assessment process was very important for the Banca Generali Group in 2019 as well: this opportunity for feedback dedicated to the entire population of middle managers and professionals at the Banca Generali Banking Group is aimed at sharing the evaluation of the previous year's, establishing the starting point for the professional development plan, and defining the professional objectives to be reached during the year.
2019 was a year of change for the performance management system, involving the introduction of a goal-setting tool: an opportunity to define objectives for activities and behaviour to be achieved by each employee in the course of the year. All employees are thus actively involved in achieving company objectives. The introduction of the new process was supported by dedicated classroom training for managers in order to hone effective management of meetings with individuals and the formulation of objectives, through e-learning sessions dedicated to personnel.

Banca Generali's top management took part in a session dedicated to the content of the Banca Generali Group's new strategic plan. This session was followed by the Strategy Road, a series of meetings involving all personnel with the goal of shortening the chain of communication and conveying the same concept of company strategy to all employees.

In accordance with the Banca Generali Group's strategic positioning, involving employees in training activities is a fundamental means of driving engagement and empowerment within the Company.
In the first half of 2019, Banca Generali continued to confirm its commitment to continuous staff training.

Specifically, the following training activities are to be reported:

- specific training focused on technical skills of employees of Banca Generali continued;
- one important theme is the constant update of mandatory regulatory and security training to ensure the Bank's sustainability in the long term. Training on mandatory regulations and safety issues continued to be provided in compliance with legal requirements, both through conventional classrooms and e-learning sessions
  - New GDPR privacy regulations
  - Anti-money laundering rules following the transposition of the 4th Directive
  - MiFID II
  - Whistleblowing
  - Security awareness. All mandatory courses are web-based and provided through the dedicated e-learning platform;
- significant importance was also attached to all managerial/behavioural training, to support individuals with the relevant strategic changes. The key themes for 2019 are inferfunctionality, collaboration and the value of diversity. The reinforcement of management and leadership skills for the people manager population also continues in 2019 through dedicated training programmes.

In accordance with the Group's internationalisation strategy, investment in language training was intensified for both managers and the entire segment of the company population that has increased its contacts with international counterparties.

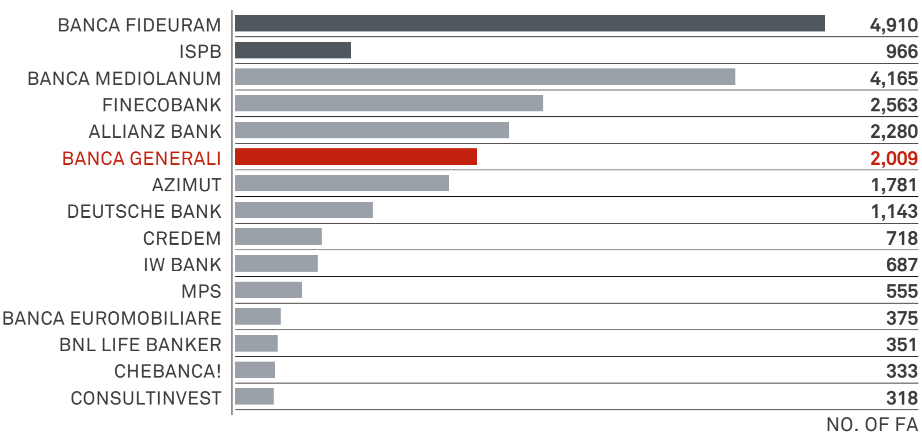
As the process of digitalising and revamping systems continued, it became appropriate to organise internal courses on the use of new applications already being used transversally through the Bank: internal trainers demonstrated the new features of these systems and conveyed the contents of new procedures introduced following updates.

8.2 Financial Advisors

Financial Advisors

Banca Generali owns one of the most important Financial Advisor distribution networks in the Italian market: in May 2019 (latest available data) the network included 2,009 Financial Advisors and Relationship Managers.

NO. OF ASSORETI FINANCIAL ADVISORS: 23,154



May 2019 | Source: Assoreti

In June 2019, there were 37 Financial Advisors more compared to December 2018. This was the result of the recruitment activity from other banks and networks, which yielded excellent results also during the first half of the year.

Banca Generali's main data are summarised in the following tables, comparing figures for 2019 and 2018:

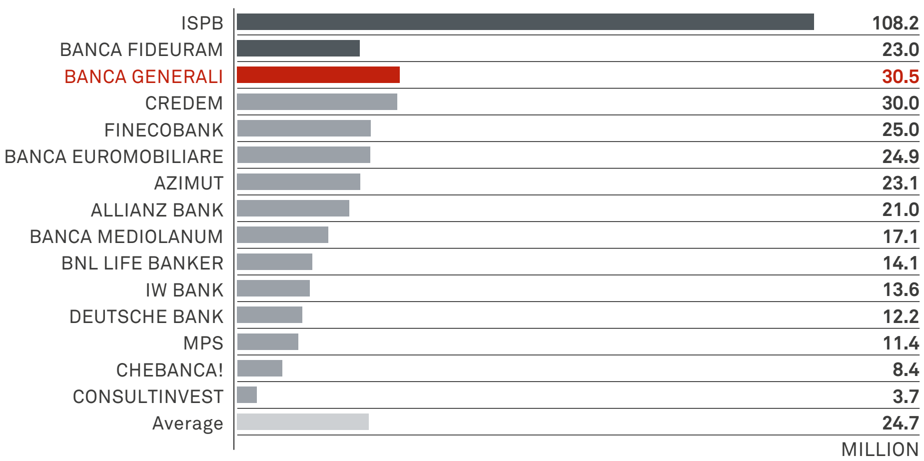
30 JUNE 2019	N. OF FINANCIAL ADVISOR	ASSETS (€ MILLION)	ASSETS PER FA (€ MILLION)
Financial Planner / Private Bankers	1,626	36,954	22.7
Wealth Management	396	25,938	65.5
Total	**2,022**	**62,893**	**31.1**

30 JUNE 2018	N. OF FINANCIAL ADVISOR	ASSETS (€ MILLION)	ASSETS PER FA (€ MILLION)
Financial Planner / Private Bankers	1,660	37,489	22.6
Wealth Management	320	20,580	64.3
Total	**1,980**	**58,069**	**29.3**

Careful selection in recruitment activities, targeted primarily at high-level professionals with significant customer portfolios, led to a progressive reduction in less advanced professional profiles, thereby raising the average quality.

In March 2019 (latest available data), Banca Generali ranked second in terms of per-capita assets per Financial Advisor with 30.5 million euros.

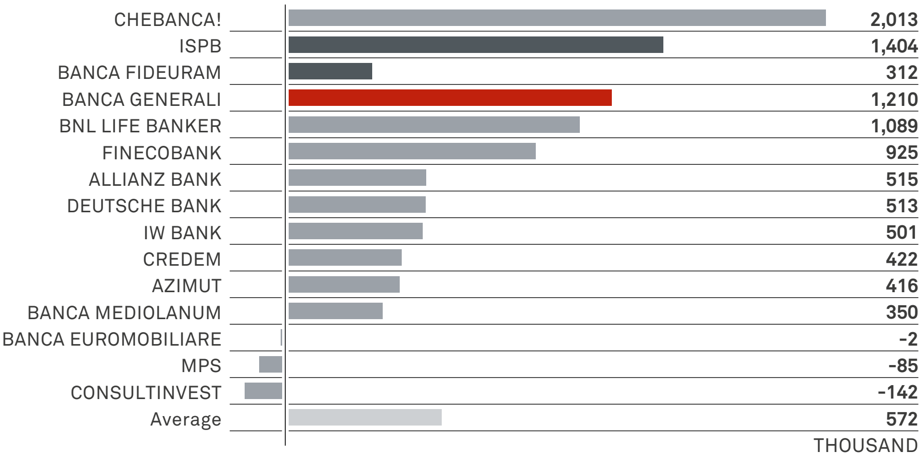
FINANCIAL ADVISORS AND AUM PER-CAPITA



March 2019 | Source: Assoreti

The good productivity of the sales network is also shown by per-capita net inflows. Banca Generali's professionals ranked in the first positions also in May 2019 (latest available data), with net inflows of 1.2 million euros, more than twice the network average (0.6 million euros).

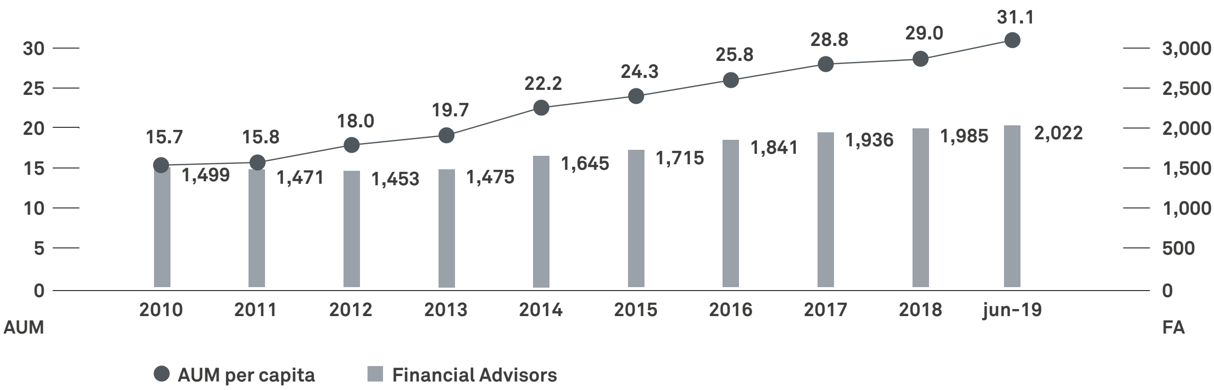
PER-CAPITA NET INFLOWS OF ASSORETI FINANCIAL ADVISORS



May 2019 | Source: Assoreti

The productivity of Banca Generali's sales network is also clear from per-capita AUM, which amounted to 31.1 million euros in June 2019, up further on previous years, bearing witness to the quality of the distribution network and the important work done.

FINANCIAL ADVISORS AND AUM PER-CAPITA



8.1.1 Distribution Network Training

Managerial training

In the first half of 2019 Banca Generali remained committed to **management training** while also intensifying its technical and commercial training initiatives.

A process of **upgrading the management skills** of the Private Banking Network's management team – represented by the Area Managers – was launched, involving **highly personalised individual business coaching** to define and manage and **development plans** for District Managers.

This initiative represented the continuation of the process that began in 2018 with the definition of the strategic competencies of District Managers through the formulation of development plans in support of their professional growth.

A management training project was launched at the beginning of the year, with managers exchanging views on customer relations in the light of the regulatory changes within the MiFID II framework. By providing the foundations of behavioural finance, the goal was to focus attention on the **right communications approach to aid customers in familiarising themselves with the new regulatory framework**.

The **Self-Efficacy** training programme for **Executive Managers** continues, following its launch in 2018 in response to the expanded role of the executive manager, with the aim of developing a common method and culture of performance and people management to support them in rising to the new challenges posed by the market scenario.

The **Value of Advisory** training programme on Advanced Advisory continues for the entire Network. The programme, which was launched in late 2016, was then expanded in 2018 to include an additional day of follow-up to consolidate the knowledge gained in the field and **share best and worst practices** with Advisors.
The aim of the training days is to **support the role of Financial Advisors in consolidating their trusted relationship with Customers** in harmony with the latter's needs and the evolving circumstances, encouraging the long-term development of new business opportunities.

The leadership programme dedicated to female advisors was also extended in 2019, expanded to include a **themed workshop** on Public Speaking to develop communication and expression skills through the use of innovative methods and tools and new ways of approaching customer and prospect development.

Commercial training

Commercial training in the first half of 2019 began with the launch of the new Advanced Advisory tool **RO4AD** and involved Financial Advisors who already had customers receiving Advisory Service from Banca Generali. Training focused on the use of the tool, technological innovation and the optimisation service for portfolios with an active Advanced Advisory contract.

Other initiatives during the half-year included training on **assets under administration**, announced at the Area meetings in January as a theme to which to devote particular attention in 2019, including as a prelude to the launch of the new trading platform **BG Saxo**. The training programme involved lecturers from Università Cattolica del Sacro Cuore of Milan and was preceded by an assessment of personal knowledge of the subject, thus allowing the Network to be segmented and custom training to be offered. Participation (on a voluntary basis) extended to 99% of Financial Advisors. Following the completion of this preliminary phase, two training modules were launched: the first, **Professional**, examined the theme of assets under administration starting with more basic concepts, and the second, **Master**, included more complex content.

In view of the **first ex-post statement** to be sent to customers in accordance with **MiFID II**, training sessions were organised for management on the analysis of the statement document, sent to customers in July, in all of its forms, in order to provide Financial Advisors with all information useful to aiding customers in interpreting this new reporting document.

In keeping with the new company vision, a process of honing **knowledge and sensibility** on subjects related to sustainability and new sustainable investments was launched in order to establish **constructive dialogue** with customers and **develop the sustainability** dimension in day-to-day work and relations with customers.

A day of training on the **investment certificates product** was organised for selected Financial Advisors. In particular, the training initiative focused on the use of certificates for portfolio diversification, how to exploit the tax efficiency of certificates to optimise portfolio operating performance, how to select the best certificates and how to set up an adequate, effective tailor-made strategy.

For the **Wealth Management** Area, starting with a group of selected Financial Advisors, workshops were organised on the **Corporate** theme, with a primary focus on the value proposition and the range of solutions for companies.

Institutional training

The process of upgrading skills and knowledge in view of **MiFID II** continues in 2019 in accordance with the Intermediaries Regulation issued in early 2018. The course training plan was designed at the beginning of the year in collaboration with two partners of high standing, Excellence Education and Università Cattolica del Sacro Cuore.

The new provisions of IVASS Regulation No. 40 of 2 August 2018 on training with annual, and no longer biannual, frequency have been adopted for IVASS professional update training. IVASS professional updates in 2019 will focus mainly on product and regulatory updates (precontractual information documents, administrative liability of entities and whistleblowing), in addition to more in-depth looks at banking transparency, financial advisory for family businesses, the tax treatment of insurance instruments and IT security.

The **BGLAb training refresher** dedicated to **newly recruited Financial Advisors** offers an online self-training tool on Anti-Money Laundering, MiFID II, Privacy, Legislative Decree No. 231/2001, Banking Transparency, and Transparency and Qualified Intermediary.

In the first half of 2019, classroom training activities were again provided to several Financial Advisors by the Anti-Money Laundering Service, with the aim of illustrating how the Sales Network is involved in the processes of enhanced customer due diligence and suspect transaction reporting, as well as presenting several case studies involving the identification of potentially anomalous transactions for money-laundering purposes.

A **training course on the main money laundering and terrorist financing risks and on the preventative safeguards implemented by Banca Generali** was launched in 2019, in collaboration with the AML service, with a particular focus on the roles and responsibilities of Financial Advisors. The training course will take the form of live webinars that will extend to the entire Network **over a period of three years**.

Lastly, the **induction path** for recently recruited Financial Advisors at Banca Generali continued. As part of the process, the two days of the Welcome Programme allowed newly hired Financial Advisors to visit and get to know the main Departments at the Milan and Trieste offices.

9. Products and marketing

9.1 Asset management

In the first half of 2019, Banca Generali focused its activity on meeting the need for income, promoting the SICAV Lux IM and presenting its new commercial approach to sustainability.

The demand for income, identified as a specific market need, driven by, among other factors, low interest rates, was met by offering Lux IM Oddo Target 2022.

Promotion of the innovative new Sicav Lux IM, launched in 2018, focused in particular on developing messages and communication tools targeting the Banca Generali network, conveyed in various settings and through dedicated initiatives such as specific road shows.

Finally, the focus on the issue of sustainability continued with the presentation of the futuristic new project that offers Banca Generali customers an innovative commercial approach to investment in which sustainable principles are integrated in a unique way.

Through intense efforts to select partners from among the asset management companies most accredited from the standpoint of sustainability at the international level and the partnership with MainStreet, an independent investment company based in London, a range of ESG products was successfully created, covering all the main asset classes and commonly adopted sustainable investment processes (e.g., best in class, best effort, thematic investing, engagement, etc.) with the ESG sub-funds of Lux IM (the release calendar for year-end calls for the presence of other sub-funds with a sustainable profile) and third-party UCITS. Using MainStreet's proprietary method, Banca Generali can now assign a detailed score that allows customers to understand the positive impact of their investments on one or more SDGs (Sustainable Development Goals), while also quantifying their contributions on the basis of specific metrics.

Finally, in further pursuit of innovation and coverage of specific market needs, the development process began for investment services and new methods (e.g., investments in systematic investment plans) to be released in the second half of the year.

BG Selection Sicav

At the beginning of the year, ten years on the market and completion of the new Lux IM range prompted the placement in post-sales status of BG SELECTION Sicav, the fund-of-funds platform offered by BG Fund Management Luxembourg, which has always been known for its granular coverage in terms of strategies and asset classes and the considerable performances of many of its sub-funds compared to their peer groups. The placement of all sub-funds of the Sicav in post-sales status did not preclude continuity in terms of risk monitoring and risk management processes.

At 30 June 2019, BG Selection Sicav had 40 sub-funds, of which 15 managed by BG Fund Management Luxembourg and 25 under mandate entrusted to leading international investment houses.

Lux IM

This new highly innovative Sicav, featuring distinctive strategies at the level of asset class and specific themes, was expanded in the first half of the year to include a new target-maturity solution (maturing in 2022), entrusted to third-party manager Oddo BHF, which boasts a long track record and considerable assets managed in target-maturity products of approximately 5 billion euros since 2009. Specifically, the strategy is characterised by:
- Search for yield on the high-yield segment
- Broad diversification by issuers and sectors
- Focus on the European market
- A solid, dedicated team that boasts two portfolio managers with a track record of over 20 years and ten specialists dedicated to high-yield bonds.

At 30 June 2019, Lux IM had 62 sub-funds, of which 16 managed by BG Fund Management Luxembourg and 46 under mandate entrusted to leading international investment houses.

Open architecture

With the aim of constantly improving its services, in the first six months of 2019 the Bank forged ahead the expansion and ongoing adjustment of the funds offered by applying the open architecture model.

The theme of sustainability continues to play a central role in the strategy of expanding the catalogue, driving the introduction of a number of new ESG sub-funds differentiated by asset class, as well as by strategy and model for assessing sustainable criteria. For example, in early 2019 the companies added include Robeco and Sycomore, distinguished by their positioning among the top ten ESG labels, long-term track record in sustainable investments and highly qualified proprietary models. To date, Banca Generali can rely on a wide and diversified number of ESG certified solutions (over 170).

At 30 June 2019, Banca Generali's retail offer included over 55 management companies with more than 6,000 UCITS overall.

9.2 Portfolio management

The first six months of 2019 were characterised by its constant expansion in pursuit of a closer focus on the private-banking market.

The BG Solution and BG Solution Top Client range was further expanded to include two new core investment lines (GPM and GPF), both of which feature management policies that combine the search for traditional financial returns with specific environmental, social and governance (ESG) criteria in line with the Sustainable Development Goals promoted by the United Nations.

The constant episodes of uncertainty that dominate financial markets in some phases are leading investors – and particularly those with the highest net worth – to seek out more sophisticated investment solutions that combine the need for a return with the equally important need to protect capital during frequent periods of volatility. Specifically, this delicate need for return and protection is pursued by the four new BG Solution and BG Solution Top Client investment lines designed precisely for customers with assets in excess of 500,000 euros.

The BG Next range was expanded to include the new investment line 3Y Credit Value and Diversified Alternative, available to all Banca Generali professional customers or well-informed investors ("WIIs").
The launch of the 3Y Credit Value line is part of continuing efforts to develop alternative solutions that offer customers the opportunity to invest in instruments with a direct connection to the real economy, and in particular to financing for Italian and European SMEs, whereas the launch of the Diversified Alternative line continues the development of the range designed to capture a share of market growth trends, while limiting participation in bear markets as much as possible.

Overall, Banca Generali offers a full portfolio of actively distributed discretionary mandates, composed of BG Solution (39 management lines) and BG Solution Top Client (41 management lines) and BG Next (2 management lines), which cover all investment strategies, with a strong emphasis on customisation – a need typical of high-net-worth customers and in line with current economic scenario.

9.3 Insurance Products

In the first half of 2019 the Banca Generali insurance range was revamped with the aim of consolidating the year-to-date net inflows by promoting the distribution, from 25 January until the limit is reached, of BG Custody Promotion, a traditional LOB I policy that, while continuing to meet wealth protection needs, has also been expanded to include new advantages such as reduced exit penalties and a full discount on underwriting fees.
The promotional initiative launched in 2018 involving all the main versions of the BG Stile Libero range continued with a series of advantages such as: greater flexibility in combining lines and more advantageous pricing for all investment segments for BG Stile Libero Promotion 2.0 and reduction of the minimum entry threshold to 1 million euros for BG Stile Libero Private Insurance 2.0, the solution dedicated to high-net worth customers.
In the first half of the year the focus on innovation also continued in view of the release in the second half of the year of a new version of the multi-line solution BG Stile Libero 50 Plus, which combines the usual protection services with the option to increase the maximum investment in a segregated account up to 50% of the amount subscribed, in addition to greater flexibility in constructing the financial component – all with prices that fall on the basis of the investment made.
Finally, revision of the investment universe continued, with constant additions to the range of third-party partners, and specifically an increase in the first half of the year in the number of sub-funds featuring investment processes with integrate ESG criteria.

9.4 Assets under administration and custody

New issuers were added to the private certificates segment in the first half of 2019. In addition to BNP Paribas, the leading partners added include: Goldman Sachs, Société Générale and Banca IMI. With reference to bond activity, the Bank participated in the placement consortium for two products issued by Mediobanca in January and a product issued by Cassa Depositi e Prestiti in June. Finally, two products were placed in a capacity as direct placement agent:

› a bond issued by Goldman Sachs;
› a sustainable positive impact finance bond issued by Société Générale and tied to ESG themes.

9.5 Banking products

In 2019, in order to keep the level of innovation at the high standard for which all Banca Generali products are known, solutions were launched with a focus on seeking to meet private customers' new needs. Specifically, it involves:

BG Extra

June 2019 saw the launch of the trading account BG Extra linked to the BG Saxo platform. This account offers Banca Generali customers an easy-to-use, cutting-edge tool that provides access to a range of highly advanced trading services. More traditional instruments such as equities and bonds were offered in the first phase, whereas more sophisticated features (forex, options and CFDs) will be released in the second half of the year to round out the offerings.

Wearable payments

In the first half of 2019 the partnership struck with Nexi on the tokenisation platform to enable Apple Pay, Google Pay and Samsung Pay wallets for the Mobile Payment service was also extended to wearable devices through Garmin Pay and Fitbit Pay. Through the Mobile Payments and Wearable Payments service, Banca Generali customers with a payment card issued or managed by Nexi will be able to make purchases using their smartphones and smartwatches via physical POS terminals in contactless mode (in-store payments) and/or via virtual POS terminals (e-commerce) in online mode.

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

9.6 Securitisations

In 2019, Banca Generali responded to the constant need for income and the growing focus by customers on investments tied to the real economy by strengthening its presence on the private credit market, and in particular within the segment of illiquid investments backed by high-quality collateral. The following is a description of the main transactions undertaken in the first half of the year:

› Astrea Tre SPV and Astrea Quattro SPV, securitisation of the healthcare receivables of SMEs that have supplied goods and services to Italy's National Health Service;
› Trade Finance Due and Trade Finance Tre, securitisation of import-export receivables guaranteed by the banking system (e.g., via letters of credit) and insured by export credit agencies, in accordance with the trade finance concept of preventing the risks inherent in international transactions. The programmes were implemented through the Luxembourg-based vehicle Sovereign Credit Opportunities S.A.;
› Credimi Futuro, securitisation of loans granted by Credimi to a selection of SMEs that concurrently meet the requirements to qualify for a guarantee from the Central Guarantee Fund, filtered by Cerved's economic and financial reliability analysis model and selected by Credimi's credit analysis algorithms. The programme is being developed through the vehicle Lumen Spv S.r.l..

9.7 Communications and External Relations

Media relations

Media relations by Banca Generali in the first half of 2019 were inspired by the principles of transparency and clarity and involved both traditional media, as well as their Web and social media counterparts. Since the beginning of the year, the Bank has issued 15 financial press releases, published in both Italian and English, to keep the media and all stakeholders constantly informed of its commercial performance. The results in 2018 and the first quarter of 2019 were accompanied by interviews with the Chairman, the Chief Executive Officer and two Deputy General Managers, as well as by in-depth reporting, which remains available on the Company's institutional website. Customer funding performance was reported on in monthly press releases and in-depth interviews with the major general interest media outlets.

Banca Generali's focus on transparency also carried over into its communication of new commercial initiatives: at the end of February, the Bank organised a press conference on its range of ESG investment products at its office on Piazza Tre Torri in Milan. Over 30 press, TV and Web journalists attended the conference, where they received a preview of the new range and had the opportunity to interact directly with the Chief Executive Officer regarding the objectives of the new range within the framework of the Bank's strategic plan.

Initiatives dedicated to customers developed by the network of Private Bankers and Wealth Managers at the local level were communicated with the direct involvement of local media.

Finally, the Bank continued the process of opening itself up to an increasingly broad public by spreading its values via social channels: new Instagram and Twitter profiles were added to its existing official presence on Facebook, LinkedIn and YouTube.

Network, customer and internal communication

In the first half of the year, communications activity primarily focused on the implementation of plans tailored for the launch of new projects and services for the network and customers such as the construction of ESG portfolios through BG Personal Portfolio, the new Home Banking app, BG Saxo and BGPA RO4AD.

A specific communications plan for the network, customers and employees was dedicated to each project. In particular, new marketing materials were created for the network and information campaigns were prepared for customers and head office personnel, in keeping with the principles of innovation, sustainability and the value of service that shape the Bank's vision.

During the half-year, new partnerships were struck with universities in the form of high-level initiatives with prestigious institutions such as SDA Bocconi, the Polytechnic of Milan, the Cattolica University of Milan and LIUC University of Castellanza, to stimulate the creation of monitoring centres and research in the area of financial innovation.

For the first time, the Bank acted as main partner to Milano Art Week, a week of art events organised by the Municipality of Milan.

The monthly newsletters for Financial Advisors and employees were redesigned and a new responsive electronic format was created for ease of use and interaction with readers.

In communications focusing on employees, the 2019 survey was conducted in collaboration with the Generali Group. The results of this survey will be made available in the second half of the year and will drive new initiatives tied in with the people strategy.

Events

The year 2019 began with Area Meetings, the customary annual gatherings focusing on the activities of the top management and network managers at which the new strategic guidelines and opportunities are set, held in all major Italian cities. All the Bank’s Advisors and some partner companies took part in the events.

In May a new event involving the Bank's entire network of private bankers and wealth managers was held: the roadshow on asset management and Lux IM, in which the two Deputy General Managers participated, for a more in-depth look at the results obtained and an introduction to the new management teams.

The Bank reiterated its social commitment by sponsoring the tour “Banca Generali – A Champion for a Friend” (UCPA) for the tenth consecutive year: thousands of children turned out for the event in ten new Italian cities for a day of sports, games and music, where everyone participated in an outdoor physical education class. The Bank launched for the second consecutive year, in partnership with FEDUF - Fondazione per l'Educazione Finanziaria, the kids project aimed at promoting financial education through courses held in some Italian schools involved in the UCPA initiative.

In addition, in sports, organisation of the Golf Tour Invitational competition, an exclusive event held at Italy's première golf courses, continued according to tradition. In light of last year's success, the Bank acted as title sponsor to the Italian Golf Federation for the 2019 edition of the Italian Pro Tour, the event that brings high-level golf to all Italy, from north to south, travelling to various regions for a total of ten tournaments. Over 150 customers and prospects participated in the pro-am organised on the first day of each official competition alongside professional players. In addition, the Bank returned to the Jaguar and Land Rover tours, in addition to participating in the Porsche golf tour for the first time.

Both athletic and charitable aims were pursued by participating in the Milan Marathon, a marathon event in which athletes representing BG competed in favour of "Missione Bambini" and "Ora di Futuro" within The Human Safety Net to raise funds for children in situations of particular adversity, and the Dinamo Challenge, a bicycle race in which employees, Financial Advisors and customers participated on behalf of Dynamo Camp, a camp for children undergoing medical treatment where they can enjoy a carefree holiday.

The support for local initiatives has remained constant. These include the exhibition circuit organised with Generali Valore Cultura which travelled to a number of major Italian towns. Thanks to the collaboration with the FAI (Italian Environmental Fund), local events were organised preceded by roundtables to introduce the public to issues linked to the protection of both artistic and financial wealth.

During FAI's Spring Days – which Banca Generali also partnered this year – gazebos were organised next to a number of heritage sites, attended by our Advisors who distributed pamphlets dedicated to financial education.

The Bank also remained committed to cultural initiatives through the exposition Hana to Yama by Linda Fregni Nagler, hosted at the Piazza Sant'Alessandro office in Milan. The exposition is part of the BG Art Talent project developed in collaboration with Vincenzo De Bellis, Associate Director and Curator of the Walker Art Center in Minneapolis in the United States and Co-Director of the Furla Foundation in Italy. It was promoted by the Bank to showcase Italian creativity across the various forms of artistic expression and to emphasise the values that the Bank's brand shares with the artist community.

10. Auditing

Banca Generali's Internal Audit Department, a third-tier control function, carries out independent, objective assurance and advisory activity focused on improving the organisation's efficacy and efficiency and implementing control measures aimed at mitigating company risks. The Department also promotes an effective governance process in view to the Bank's long-term stability and sustainability.
Internal Audit periodically assesses the overall Internal Control System and ICT system in terms of completeness, adequacy, functionality and reliability, by performing checks and onsite audits of the proper conduct of operations and the evolution of risks; it is also responsible for supporting company bodies, the Board of Directors, the Board of Statutory Auditors, the Internal Audit and Risks Committee and Top Managers in defining the structure of the internal control and corporate governance system.

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

During the period, Internal Audit's attention was focused on assurance activity involving various topics, such as the ICAAP and ILAAP reports, the Banking Group's remuneration and incentivisation policies and the self-assessment process conducted by the AML Function. Forborne loans were analysed through a revision of the process for measuring the tolerance for forborne exposures and the loan classification and management process.
The safeguards implemented in administrative and accounting processes and IT applications dedicated to such processes were tested for efficacy.
Among internal audit activities, mention should also be made of privacy-related audits aimed at ensuring proper operational conduct by employees and verifying the outsourcer SIAED.
During the period an audit was conducted with the goal of assessing the system of first-tier and second-tier safeguards for revolving pledges through assurance on the quality of the controls on an ex-post basis that comprise the process of monitoring the financial instruments/products acquired via pledge on a revolving basis, securing the lines of credit granted to customers.

During the half-year, Internal Audit carried out a Fraud Risk Assessment project involving the collaboration of all control functions and other operating functions, integrated with the Bank's processes, with the aim of improving internal and external anti-fraud measures and safeguards for related risks, and developing a broad, coordinated model for preventing and managing the risk of fraud.

Audit activities also focused on verifying the internal control environment of CSE's IT systems and IT security audits aimed at testing the soundness of the contact centre application, the Bank's official website and the Saxo onboarding platform.

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

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

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

11. Organisation and ICT

The Bank has drawn up a detailed project plan for 2019, extending to the entire company organisation and requiring its full involvement. In continuity with previous years, and in keeping with the 2019-2021 strategic plan, efforts will continue to focus on strengthening the position of leadership in wealth management and supporting the network of financial advisors, in addition, naturally, to the compliance of company processes and IT system with applicable legislation. The commitment to the digitalisation of the tools available to customers continues, together with specific initiatives focusing on the creation of a long-term growth engine through selective international expansion.
The following is a discussion of the initiatives in the various areas indicated in the first half of the year.

Wealth management and support for the sales network

The various new services benefiting the sales network made available in the first half of 2019 included:

- Extension of operations for Legal Entities in insurance and post-sales of Portfolio Management
- Creation of a new "consolidated form" for post-sales operations involving funds and SICAVs across product firms, also available via Digital Collaboration
- Update of the Advanced Advisory service, including a revision of Banca Generali's financial wealth services and introducing new optional wealth management services such as check-ups of financial portfolios held with third parties, real-estate holdings, family wealth and company wealth
- New Smart Mail support portal that introduces a new way of submitting financial advisors' requests to the Bank's internal units, with the aim of improving the level of service and request tracking.

In order to further reinforce and boost the growth of its role in the private banking industry, the Bank has decided to acquire the Nextam Partners Group. The project remains ongoing and is primarily aimed at integrating the companies into the banking group, with the goal of strengthening asset management and advisory skills, while also acquiring new private-banking customers.

Continuing the process that began in 2018, the new digital customer onboarding platform (for individuals) available to the Network is undergoing consolidation; a pilot phase has been launched for an initial group of financial advisors.

Development also continues in other areas, such as the advisory platform in partnership with UBS, RO4AD, involving the extension of the service to include insurance wrappers and development of the credit platform in support of online loan approval and Lombard loan products
A specific initiative was launched with the aim of acquiring a significant position in the private-banking market with regard to sustainability issues; the internal model and tools available to the network are currently being defined.

A specific initiative was also launched to improve the tools and services in support of assets under administration operations and the related processes.

Customer services

The BG Saxo project (a securities brokerage firm in partnership between Banca Generali and Saxo Bank) continues with the aim of offering BG customers advanced trading service on a par with market best practices, expanding the financial instruments offered by Banca Generali and adopting the Saxo Bank platform. In the first half of 2019, following the completion of the integration process and an initial pilot phase involving a limited number of customers, the Saxo services were made available to current Banca Generali customers within a B2B2C framework. Analysis also continued in view of the extension of the BG Saxo Sim range to all other products available on the platform (primarily derivative instruments).
In addition, in support of this initiative, the B2C digital onboarding platform, for which a pilot phase was launched in late 2018, was made available to customers, allowing new trading accounts to be opened by customers on their own in just a few minutes.

The new mobile banking app was made available for the Android (Google) and iOS (Apple) platforms. The app has been fully redesigned graphically and in terms of usability and introduces new features such as a virtual assistant, voice commands and integration with Nexi to check credit card activity, set to be completed early in the second half of the year.

International expansion of the business

On the basis of the strategic plan, which foresees an opportunity for Banca Generali to expand abroad, and particularly in Switzerland, a thorough screening of the Swiss market was performed, resulting in the identification of Valeur Fiduciaria SA as the acquisition target among Swiss trust companies.
A project initiative aimed at acquiring and integrating Valeur into the Banking Group is under way.

Legal compliance

Adjustments to organisational processes and the IT system continue in view of the entry into force of European Directive 2015/2366 on payment services (PSD 2) and MiFID 2, focusing mainly on ex post customer reporting issues in the first half of the year.
A specific initiative was launched with regard to the IBOR transition, for which a thorough assessment phase was completed in the first half of the year, aimed at identifying the impacts for the Bank of the upcoming market rates transition, to be followed by an implementation phase.

12. Main risks and uncertainties

The main risks and uncertainties to which the Banking Group is exposed may be summarised as follows:

- the Bank's exposure to **credit risk** mainly arises from its investments in the money market (interbank deposits), financial instruments held in portfolios measured at amortised cost and financial assets at fair value through other comprehensive income, and loans to customers (both corporate and retail). Credit risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure. Particular importance is placed on managing the credit risk associated with institutional borrowers. These borrowers are allocated appropriate credit lines, which are monitored by the Risk Management Function and established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors. Customer loans include a low percentage of NPLs in the overall portfolio, considering their value net of provisions and the security provided, covered primarily by collateral on securities and personal guarantees issued, for a significant part of the portfolio, by a primary credit institution;
- the **exchange risk** exposure arises from changes in the value of assets and liabilities, the valuation of which is sensitive to changes in the term structure of interest rates or interest rate volatility. In view of the Bank's significant position in government securities (about 90% of the portfolio owned), the Bank is particularly sensitive to the spread/country risk, which is constantly monitored using sensitivity analyses;
- the Bank's exposure to **market risk** – which is currently limited and residual – stems mainly from the trading by the Parent Company, Banca Generali, of financial instruments on its own account. Market risk is represented by the possibility to suffer losses due to variations in the value of a security or a portfolio of securities associated with unexpected variations in market conditions (share prices, interest rates, exchange rates, the prices of goods and the volatility of risk factors). In particular, securities measured at fair value and classified in the portfolios of Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are exposed to market risk, as fluctuations in their prices impact the Group's Profit and Loss Account and net equity. Market risks are maintained within appropriate limits, which are monitored by the Risk Management Department. Such limits are established with the objective of maintaining a level of risk that is consistent with the strategies and risk appetite defined by the Board of Directors;
- the bank's exposure to **operating risks** across the various legal entities in the Group is closely linked to the type and volume of business conducted, as well as the operating procedures implemented. In detail, the operations undertaken (primarily management of third-party assets and the distribution of the Group's own and third-party investment products), the use of information technology systems, the definition of operating procedures, interaction with parties protected by the law, the marketing structure adopted (chiefly Financial Advisors) and the direct involvement of all personnel in operations structurally expose the Group to operating risk, which is defined as the possibility of sustaining financial losses deriving from the inadequacy or improper functioning of procedures, human resources, internal systems or external events. This type of risk includes, inter alia, losses due to fraud, human error, interruptions of operation, unavailability of systems, breach of contract, natural disasters and legal risk. The Risk Management function carries out risk assessment and scoring activities and Loss Data Collection processes, it monitors the action plans adopted to mitigate material risks, and controls KRIs (Key Risk Indicators) instrumental to monitoring of the areas of highest risk. Moreover, the Banca Generali Group adopted an insurance coverage for operating risks deriving from acts of third parties or caused to third parties, as well as adequate clauses covering damages caused by providers of infrastructure and services; it also approved a Business Continuity Plan;
- exposure to the **risk of excessive leverage** is caused by a particularly high level of debt, with the resulting risk that any decreases in the value of an asset (e.g., impairment of securities) may result in the high erosion of capital. The level of the leverage risk indicator (the ratio of equity to assets) is periodically monitored by the Risk Management Function in order to ensure that the Bank's targets are met and the legal limits are observed;
- in relation to the **concentration risk**, resulting from the exposure to groups of related counterparties and counterparties operating in the same sector/geographical area, the Bank reports a good level of diversification. In addition, the Bank guarantees ex-ante compliance

with the regulatory limits regarding the level of exposure towards related parties and major risks;

- the Bank’s exposure to **liquidity risk** derives from funding and lending transactions in the course of the Group's ordinary business, as well as from the presence of unlisted financial instruments in its owned portfolios. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets. The Finance Department is responsible for managing treasury and proprietary investment cash flows with the aim of ensuring thorough diversification of sources of financing and monitoring cash flows and daily liquidity. Liquidity needs are primarily managed through recourse to the money market (interbank deposits and repurchase agreements) and, to a secondary degree, where available, through the measures proposed by the ECB. In addition, the Group maintains a portfolio of listed, highly liquid financial instruments in order to respond to potential crisis scenarios characterised by a sudden interruption of net inflows. Liquidity risk is managed through appropriate short-term and structural (beyond one year) operating limits, monitored by the Risk Management Function, aimed at maintaining a level of risk deemed consistent with the strategies and risk appetite set by the Board of Directors. The Group also implemented a Contingency Funding Plan aimed at anticipating and handling liquidity crises at both the systemic and idiosyncratic level.

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

- **strategic risk**: the actual or prospective risk of a decrease in profits or capital arising from changes in the operating context or poor company decisions, the inadequate implementation of decisions, or insufficient reaction to changes in the competitive scenario. The strategic risk is tackled first and foremost by policies and procedures in which the most important decisions are reported to the Board of Directors and supported by specific preventive impact analyses in terms of capital adequacy and liquidity, consistency with the Risk Appetite Framework and sustainability of the business model;
- **reputational risk**: the current or prospective risk of a decrease in profits or capital arising from a negative perception of the corporate image by clients, counterparties, shareholders, investors or regulatory authorities. The Banca Generali Group is structurally exposed to reputational risk due to the Group’s distinctive trading operations, which focus on offering and placing asset management products with its retail customers through its own Financial Advisor Network. To monitor this risk, the Bank has adopted specific codes of conduct and codes of ethics that govern the Group’s operations and its dealings with its main stakeholders. In addition, specific organisational structures exist inside the Bank to safeguard the corporate image, each one responsible for the areas within its remit (presentations to the financial community and investors, new product launch, complaints and dispute management, etc.).

13. Outlook for the second half of 2019

The second half of 2019 will be characterised by a slowdown in global growth, opposed by expansionary monetary policies implemented by most central banks. In the Euro Area, the European economy is expected to continue to grow in 2019, with an increase in real GDP in all EU Member States. In any case, given the persistent uncertainty at the global level, the European economy will be driven by domestic trends, through interventions by the ECB in continuing support of growth, in the event of weakening.

In this context – which is certainly complex but offers excellent growth opportunities – choices focusing on service and product innovation, implementation of stronger financial planning and advisory skills, the increased quality of the Bank's network and the emphasis on internationalisation will prove the winning elements for ensuring that Banca Generali enjoys sustainable growth capable of allowing it to continue to gain market share in the asset management sector in Italy.

In the second half of 2019, in continuity with its industrial plan, the Banking Group will aim to focus its attention on households, strengthening its position as a private bank and increasing its commitment towards sustainability themes, while constantly ensuring greater dedication to developing bespoke solutions in both investment products and advisory services.

In particular, the main measures, that have already been launched in 2019 will include:

› **improvement of the quality of the Financial Advisors network** through both professional training for the existing network and the recruitment of high-profile, experienced professionals on the market;
› **product innovation** that will take the form of a range of flexible financial services, which can be built according to the customer's choices and appetites – including with a sustainability-oriented approach – through wrapper products and solutions with a high risk-return correlation, and sustainable also in the new MiFid II context;
› **development of new lines of business**, in particular through the growth of AUC solutions, leveraging on the partnership with Saxo Bank in online trading and the development of business in Switzerland, together with the expansion of lending, primarily in the form of the Lombard loan;
› **reinforcement of the Bank's management capacities** through the acquisition and integration of the Nextam Group authorised by Bankit at the end of June 2019 and finalised at the end of July;
› **digital innovation** that will provide access to cutting-edge tools for improving and expediting the Bank-Customer-Financial Advisor relationship, including through the development of specific apps in support of the Financial Advisor's activity, with the progressive extension of Digital Collaboration, as well as the Robo Advisory partnership with UBS;
› **enhancement of the communication of a solid, innovative brand**, including through the new social channels.

Finally, in the second half of 2019, the Bank will continue to pursue its current strategy aimed at containing cost growth well below revenue growth. More specifically, the increase in costs will be primarily applied to the development of useful products and services that help further improve the quality of advice given to customers and the network's productivity, with specific focus on technology investments.

Trieste, 30 July 2019

The Board of Directors

03

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
at 30.06.2019

Board of Directors
30 July 2019

Consolidated Accounting Statements

CONSOLIDATED BALANCE SHEET

ASSETS

(€ THOUSAND)		30.06.2019	31.12.2018
10.	Cash and deposits	489,298	1,012,891
20.	Financial assets measured at fair value through profit or loss:	78,309	90,640
	a) HFT financial assets	20,098	33,887
	c) other financial assets mandatorily measured at fair value	58,211	56,753
30.	Financial assets measured at fair value through other comprehensive income	2,435,849	1,987,315
40.	Financial assets at amortised cost:	7,184,919	6,174,298
	a) loans to banks	670,317	442,659
	b) loans to customers	6,514,602	5,731,639
70.	Equity investments	1,610	1,661
90.	Property and equipment	141,514	6,724
100.	Intangible assets	90,854	95,110
	of which:		
	– goodwill	*66,065*	*66,065*
110.	Tax receivables:	44,019	52,799
	a) current	80	81
	b) prepaid	43,939	52,718
130.	Other assets	396,525	314,456
	Total Assets	**10,862,897**	**9,735,894**

NET EQUITY AND LIABILITIES

(€ THOUSAND)		30.06.2019	31.12.2018
10.	Financial liabilities at amortised cost:	9,767,443	8,675,596
	a) due to banks	100,087	128,725
	b) due to customers	9,667,356	8,546,871
20.	HFT financial liabilities	314	384
40.	Hedging derivatives	3,176	-
60.	Tax liabilities:	27,826	18,018
	a) current	21,590	11,734
	b) deferred	6,236	6,284
80.	Other liabilities	175,500	142,176
90.	Employee termination indemnities	4,925	4,831
100.	Provisions for liabilities and contingencies:	148,999	160,014
	a) commitments and guarantees issued	52	86
	c) other provisions	148,947	159,928
120.	Valuation reserves	-1,698	-11,636
150.	Reserves	449,846	414,368
160.	Share premium reserve	57,591	57,889
170.	Share capital	116,852	116,852
180.	Treasury shares (–)	-20,677	-22,724
200.	Net profit (loss) for the period (+/–)	132,800	180,126
	Total Net equity and Liabilities	**10,862,897**	**9,735,894**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ITEMS

(€ THOUSAND)		30.06.2019	30.06.2018
10.	Interest income and similar revenues	38,506	31,219
20.	Interest expense and similar charges	-4,924	-3,160
30.	**Net interest income**	**33,582**	**28,059**
40.	Fee income	424,469	376,604
50.	Fee expense	-184,439	-187,540
60.	**Net fees**	**240,030**	**189,064**
70.	Dividends and similar income	2,157	1,539
80.	Net income (loss) from trading activities	3,226	3,041
90.	Net income (loss) from hedging	16	-
100.	Gain (loss) on disposal or repurchase of:	1,370	15,455
	a) financial assets at amortised cost	60	6
	b) financial assets at fair value through other comprehensive income	1,310	15,449
110.	Net income (loss) from financial assets and liabilities at fair value through profit and loss:	-723	547
	b) other financial assets mandatorily measured at fair value	-723	547
120.	**Net banking income**	**279,658**	**237,705**
130.	Net adjustments/reversals due to credit risk relating to:	-1,143	-3,606
	a) financial assets at amortised cost	-2,431	-2,256
	b) financial assets at fair value through other comprehensive income	1,288	-1,350
150.	**Net result of financial operations**	**278,515**	**234,099**
190.	General and administrative expenses:	-116,433	-116,524
	a) staff expenses	-45,011	-42,309
	b) other general and administrative expenses	-71,422	-74,215
200.	Net provisions for liabilities and contingencies:	-16,292	-24,932
	a) commitments and guarantees issued	34	86
	b) other net provisions	-16,326	-25,018
210.	Net adjustments/reversals of property and equipment	-9,525	-750
220.	Net adjustments/reversals of intangible assets	-4,267	-3,409
230.	Other operating expenses/income	29,363	27,065
240.	**Operating expenses**	**-117,154**	**-118,550**
250.	Gains (losses) from equity investments	-52	-99
280.	Gains (losses) on disposal of investments	-33	-42
290.	**Profit from operating activities before income taxes**	**161,276**	**115,408**
300.	Income taxes for the period on operating activities	-28,476	-22,842
310.	**Net profit from operating activities after income taxes**	**132,800**	**92,566**
330.	**Net profit for the period**	**132,800**	**92,566**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ITEMS

(€ THOUSAND)	30.06.2019	30.06.2018
10. Net profit for the period	**132,800**	**92,566**
Other income net of income taxes without transfer to Profit and Loss Account		
70. Defined benefit plans	-129	-116
Other income net of income taxes with transfer to Profit and Loss Account		
110. Exchange differences	1	-5
140. Financial assets (other than equity securities) at fair value through other comprehensive income	10,065	-33,279
170. Total other income net of income taxes	**9,937**	**-33,400**
180. Comprehensive income	**142,737**	**59,166**
200. Consolidated comprehensive income attributable to the Parent Company	**142,737**	**59,166**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ITEMS

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	GROUP NET EQUITY
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER							
Net equity at 31.12.2018	**116,852**	**-**	**57,889**	**395,222**	**19,146**	**-11,636**	**-**	**-**	**-22,724**	**180,126**	**734,875**	**734,875**
Change in opening balances	-	-	-	-9	-	-	-	-	-	-	-9	-9
Amounts at 01.01.2019	116,852	-	57,889	395,213	19,146	-11,636	-	-	-22,724	180,126	734,866	734,866
Allocation of net profit for the previous year:	-	-	-	35,219	-	-	-	-	-	-180,126	-144,907	-144,907
- Reserves	-	-	-	35,219	-	-	-	-	-	-35,219	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-144,907	-144,907	-144,907
Change in reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transactions on net equity:	-	-	-298	-	268	-	-	-	2,047	-	2,017	2,017
- Issue of new shares	-	-	-298	-	-2,780	-	-	-	3,078	-	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-1,031	-	1,031	1,031
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	3,048	-	-	-	-	-	3,048	3,048
- Change in ownership interests	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	9,938	-	-	-	132,800	142,738	142,738
Net equity at 30.06.2019	**116,852**	**-**	**57,591**	**430,432**	**19,414**	**-1,698**	**-**	**-**	**-20,677**	**132,800**	**734,714**	**734,714**
Group net equity	**116,852**	**-**	**57,591**	**430,432**	**19,414**	**-1,698**	**-**	**-**	**-20,677**	**132,800**	**734,714**	**-**

(€ THOUSAND)	SHARE CAPITAL		SHARE PREMIUM RESERVE	RESERVES		VALUATION RESERVES	EQUITY INSTRUMENTS	INTERIM DIVIDENDS	TREASURY SHARES	NET PROFIT (LOSS) FOR THE PERIOD	NET EQUITY	GROUP NET EQUITY
	A) ORDINARY SHARES	B) OTHER		A) RETAINED EARNINGS	B) OTHER							
Net equity at 31.12.2017	**116,852**	**-**	**58,219**	**331,823**	**16,696**	**21,646**	**-**	**-**	**-13,271**	**204,105**	**736,070**	**736,070**
Change in opening balances	-	-	-	4,768	-	-7,595	-	-	-	-	-2,827	-2,827
Amounts at 01.01.2018	116,852	-	58,219	336,591	16,696	14,051	-	-	-13,271	204,105	733,243	733,243
Allocation of net profit for the previous year:	-	-	-	58,631	-	-	-	-	-	-204,105	-145,474	-145,474
- Reserves	-	-	-	58,631	-	-	-	-	-	-58,631	-	-
- Dividends and other allocations	-	-	-	-	-	-	-	-	-	-145,474	-145,474	-145,474
Change in reserves	-	-	1	-	575	-1	-	-	-	-	575	575
Transactions on net equity:	-	-	-327	-	-1,084	-	-	-	3,333	-	1,922	1,922
- Issue of new shares	-	-	-327	-	-3,006	-	-	-	3,333	-	-	-
- Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
- Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-
- Extraordinary dividends	-	-	-	-	-	-	-	-	-	-	-	-
- Change in equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
- Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
- Stock options	-	-	-	-	1,922	-	-	-	-	-	1,922	1,922
Comprehensive income	-	-	-	-	-	-33,400	-	-	-	92,566	59,166	59,166
Net equity at 30.06.2018	**116,852**	**-**	**57,893**	**395,222**	**16,187**	**-19,350**	**-**	**-**	**-9,938**	**92,566**	**649,432**	**649,432**
Group net equity	**116,852**	**-**	**57,893**	**395,222**	**16,187**	**-19,350**	**-**	**-**	**-9,938**	**92,566**	**649,432**	**-**

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD

(€ THOUSAND)	30.06.2019	30.06.2018
A. OPERATING ACTIVITIES		
1. Operations	**108,224**	**71,528**
Net profit (loss) for the period	132,800	92,566
Gain/loss on HFT financial assets and other assets and liabilities at fair value through profit or loss	1,188	-813
Gain/loss on hedging assets	-16	-
Net adjustments/reversals due to credit risk	1,143	3,606
Net adjustments/reversals of property, equipment and intangible assets	13,792	4,159
Net provisions for liabilities and contingencies and other costs/revenues	-11,015	3,578
Taxes, duties and tax credits not paid	11,891	9,755
Adjustments/reversals of discontinued operations	-	-
Other adjustments	-41,559	-41,323
2. Liquidity generated by/used for financial assets (+/–)	**-1,494,741**	**-286,651**
HFT financial assets	14,571	1,212
Financial assets at fair value	-	-
Other financial assets mandatorily measured at fair value	-3,428	13,824
Financial assets at fair value through other comprehensive income	-429,957	542,974
Financial assets at amortised cost:	-994,576	-896,395
Loans to banks	*-227,598*	*51,827*
Loans to customers	*-766,978*	*-948,222*
Other assets	-81,351	51,733
3. Liquidity generated by/used for financial liabilities (+/–)	**1,014,393**	**625,688**
Financial liabilities at amortised cost:	972,073	659,935
Due to banks	*-28,674*	*-182,149*
Due to customers	*1,000,747*	*842,084*
Securities issued	-	-
HFT financial liabilities	-70	475
Financial liabilities at fair value	-	-
Other liabilities	42,390	-34,722
Net liquidity generated by/used for operating activities	**-372,124**	**410,565**

(€ THOUSAND)	30.06.2019	30.06.2018
B. INVESTING ACTIVITIES		
1. Liquidity generated by:	**-**	**-**
Disposal of equity investments	-	-
Dividends received	-	-
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
Disposal of business units	-	-
2. Liquidity used for:	**-5,531**	**-1,138**
Purchase of equity investments	-	-
Purchase of property and equipment	-5,520	-1,138
Purchase of intangible assets	-11	-
Purchase of business units and equity investments in subsidiaries	-	-
Net liquidity generated by/used for investing activities	**-5,531**	**-1,138**
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-1,031	-
Issue/purchase of equity instruments	-	-
Distribution of dividends and other	-144,907	-145,474
Net liquidity generated by/used for funding activities	**-145,938**	**-145,474**
NET LIQUIDITY GENERATED/USED IN THE PERIOD	**-523,593**	**263,953**
Reconciliation		
Cash and cash equivalents at period-start	**1,012,891**	**563,497**
Total liquidity generated/used in the period	-523,593	263,953
Cash and cash equivalents – effects of exchange rate fluctuations	-	-
Cash and cash equivalents at period-end	**489,298**	**827,450**

Legend
(+) Liquidity generated
(–) Liquidity used

Notes and Comments

PART A – ACCOUNTING POLICIES

Part A.1 – General

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

In particular, paragraphs 2, 3 and 4 of the Article require that, within three months from the end of the first half of the financial year, listed companies having Italy as their member state of origin publish a half-year financial report including:
> the **Condensed Half-year Financial Statements** prepared in a consolidated form, if the listed company is required to prepare Consolidated Financial Statements in compliance with the international accounting standards;
> an **Interim Report on Operations**, including a description of important events occurred during the half-year period and their impact on the condensed half-year financial statements, the main risks and uncertainties for the remaining six months of the year and information on related parties;
> an **Attestation by the Manager in charge** of preparing the Company's financial reports as per paragraph 5 of Article 154-*bis*;
> a **Report by the independent auditing firm** on the Condensed Half-year Financial Statements, to be published within the same time limit.

A.1.1 Statement of compliance with International Accounting Standards

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

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

It should be noted that, following the completion of the endorsement procedure, as of 1 January 2019, several amendments to the IASs/IFRSs, and IFRICs were adopted and new IFRICs were issued.

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN PREVIOUS YEARS AND EFFECTIVE AS OF 2019

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 16 — *Leases* (issued on 13 January 2016)	2017/1986	09.11.2017	01.01.2019
Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (issued on 12 October 2017)	2018/489	22.03.2018	01.01.2019
IFRIC 23 — *Uncertainty over Income Tax Treatments* (issued on 7 June 2017)	2018/1595	24.10.2018	01.01.2019

INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2019 AND EFFECTIVE AS OF 2019

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	2019/412	15.03.2019	01.01.2019
Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018)	2019/402	14.03.2019	01.01.2019
Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017)	2019/237	11.02.2019	01.01.2019

The date of entry into force of some of the already endorsed standards has been postponed until subsequent years. The early application option has not been exercised for those standards.

The effect of the first-time adoption as of 1 January 2019 of IFRS 16 is briefly outlined here below.

The other standards and interpretations that entered into force in 2019 did not have a significant impact on the Group's balance sheet and profit and loss account.

A.1.2 Preparation criteria

The Condensed Consolidated Half-Year Financial Statements are comprised of:
- a **Balance Sheet** as of the end of the interim period under review and a comparative balance sheet as of the end of the previous financial year;
- a **Profit and Loss Account** for the interim reporting period, with a comparative profit and loss account for the same interim period of the previous financial year;
- the **Other Comprehensive Income (OCI) statement**, which includes the profit and loss items for the period recognised directly in net equity, for the interim reporting period as compared to the same period of the previous year;
- a **Statement of Changes in Net Equity** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the previous year;
- a **Cash Flow Statement** for the period extending from the beginning of the financial year to the end of the half-year period under review, with a comparative statement for the same period of the previous year;
- **Notes and Comments** containing references to the accounting standards used and other notes explaining transactions carried out during the period.

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

In detail, IAS 34 on interim financial reporting states that, in the interest of time, the interim financial statements can contain a condensed version of the information provided in the annual report ("condensed financial statements") that provides an update to the latest complete annual report.
In application of this principle, the option to prepare the financial statements for the period in a condensed form has been therefore exercised instead of presenting the complete financial statements as those prepared for the year.

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

The measurement standards have been adopted on a going-concern basis and are shaped by the principles of accrual-basis accounting and the relevance and meaningfulness of accounting disclosures. Economic substance takes precedence over legal form.
In further detail, the directors are reasonably certain that the Bank will continue to operate in its current form for the foreseeable future (for at least 12 months) and have prepared the Financial Statements on a going-concern basis. Any uncertainty detected has not been deemed material and does not cast doubt on the Group's ability to operate as a going concern.

Content of the Financial Statements and the Notes and Comments

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

Accounts that do not include items pertaining to the period under review or the previous period are not stated in the balance sheet and profit and loss account. In the consolidated profit and loss account, profit attributable to minority interests is presented with a negative sign, whereas losses attributable to minority interests are presented with a positive sign.
The Notes and Comments include only the most significant sections and tables. Sections or tables which include no values are not included in the Notes and Comments.

The Statement of Other Comprehensive Income consists of items that present changes in the value of assets reported during the half-year through valuation reserves, net of the associated tax effect and distinguishing between any income attributable to the Parent Company and minority interests.
The amendment to IAS 1 - *Presentation of Items of Other Comprehensive Income* also requires the separate recognition in the Statement of the components and the relevant taxes that may or may not be reclassified to profit or loss.
As for the Balance Sheet and Profit and Loss Account, items with nil amounts in both the reporting period and previous period are not presented.

The Statement of Changes in Consolidated Net Equity is presented by inverting the rows and columns with respect to the presentation requested by the Bank of Italy's Circular No. 262/2005.
The statement presents changes in total consolidated net equity, showing separately the final carrying amounts of the net equity attributable to the Group and minority interests and aggregate changes in those items.

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

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

Specifically, sections 2 and 3 include only cash generated by (used for) the decrease (increase) in financial assets or the increase (decrease) in financial liabilities resulting from new transactions or reimbursements related to existing transactions.
Accordingly, these sections do not include items such as changes in value (adjustments, reversal values), amortisation and depreciation, the net balance of unpaid taxes (current and deferred), interest and unpaid or uncollected fees; these items have been disclosed separately and classified under operating activities.
Moreover, these cash flows do not include changes in operating assets and liabilities, but include those relating to financing activities, such as changes in operating loans and amounts payable to Financial Advisors and employees and any related advance payments.

A.1.3 Scope of consolidation and business combinations

1. Scope of consolidation

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

COMPANY NAME	REGISTERED OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP INVESTOR	SHAREHOLDING RELATIONSHIP % HELD	% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
A. Companies in consolidated accounts					
A.1 Recognised using the line-by-line method					
- BG Fund Management Luxembourg S.A.	Luxembourg	1	Banca Generali	100.00	100.00
- Generfid S.p.A.	Milan	1	Banca Generali	100.00	100.00

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

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 June 2019, reclassified and adjusted where necessary to take account of consolidation requirements. The most important intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

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

2.1 Subsidiaries

Entities, including structured entities, over which the Group has a direct or indirect control, are subsidiaries.
Control over an entity exists when the Group has the power to influence the variable returns to which the Group is exposed from its involvement with the investee.

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

Where relevant activities are directed through voting rights, the following factors are evidence of control:
> ownership, direct or indirect through subsidiaries, of more than half of the voting rights of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control;
> ownership of half or less of the votes that can be exercised in the General Shareholders' Meeting and the effective power to unilaterally govern significant activities through:
  – control over more than half of the voting rights by virtue of an agreement with other investors;

- the power to govern the financial and operating policies of the entity under a statute or an agreement;
- the power to appoint or remove the majority of the members of the board of directors or equivalent governing body, and the entity is managed by that board or body;
- the power to cast the majority of votes at meetings of the board of directors or equivalent governing body, and the entity is controlled by that board or body.

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

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

Structured entities are considered as subsidiaries when:
> the Group has power arising from contractual rights to direct relevant activities;
> the Group is exposed to variable returns arising from such activities.

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

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

Investments in associates are valued using the equity method.

As of 30 June 2019, the only associative shareholding included in the scope of consolidation of the Banking Group is IOCA Entertainment Ltd., a company under the UK law, in which Banca Generali subscribed, in 2015, a 35% interest, equivalent at the acquisition date to approximately 2.2 million euros.

2.3 Joint arrangements
A joint arrangement is an arrangement of which two or more parties have joint control.
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, joint arrangements are classified as either a joint operation or a joint venture based on the Group's contractual rights or obligations:
> a joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement;
> a joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

Investments in joint arrangements are valued using the equity method.

It should be noted that, on 8 March 2018, the Banking Group entered into an agreement with the Danish Banking Group Saxo Bank to set up a joint arrangement for the development of online trading market and related digital services in Italy, through the incorporation of a new company, BG Saxo Sim, in which the Bank will hold a 19.9% interest.

The objective of the partnership, which has a duration of eight years and may be renewed upon expiry, is to offer clients, on an exclusive basis for the Italian market, access to an innovative platform for advanced trading based on Saxo Bank's technology.
Banca Generali will make available its banking platform and its leading market position in private banking to foster synergies and develop new opportunities for its Financial Advisors and clients, who will thus enjoy access to one of the most comprehensive suites of global trading tools.
The Bank will also provide outsourced services to the new brokerage firm (SIM), specifically various back-office activities relating to customer order receipt and execution services.

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

On 28 December 2018, the new SIM, incorporated by Saxo Bank and denominated BG Saxo SIM, received Consob's authorisation and was registered in the Register of securities brokerage firms.
Banca Generali's entry into the ownership structure of BG Saxo SIM is instead subject to the completion of all antitrust investigative procedures still underway in some non-EU countries and the final authorisation from the Bank of Italy.

After an initial test phase, in June 2019 the company officially began to operate with a first group of Banca Generali customers who have access to the new account BG Extra, associated with the new contract with BG Saxo SIM for own account trading services, execution of orders on account of customers and order receipt and transmission.
The company is expected to complete its range of trading services, with the launch of CFDs and derivatives trading, in the second half of 2019, following the completion of the ongoing integration of the IT platform for online trading and related services into Banca Generali's technological infrastructure.

According to the assessment conducted, it is believed that when the brokerage firm becomes operational it will qualify under IFRS 11 as a joint arrangement, and in particular as a joint venture. As a result, in accordance with paragraphs 24 and 26 of IFRS 11, Banca Generali will have to recognise its 19.90% equity investment in the company's share capital as follows:
a) in the consolidated financial statements by applying the equity method in accordance with IAS 28;
b) in the separate financial statements, in accordance with IAS 27, paragraph 10, using the cost method as provided for by IFRS 9, or by applying the equity method as provided for by IAS 28.

3. Equity investments in wholly owned subsidiaries with significant non-controlling interests

As of 30 June 2019, all the Group's equity investments were wholly owned and there were no non-controlling interests.

4. Significant restrictions

As of 30 June 2019, there were no significant restrictions of a legal, contractual, or statutory nature on the Parent Company's ability to access or use the Group's assets and settle the Group's liabilities.

A.1.4 Consolidation methods

Full consolidation method

Subsidiaries are included in the accounts using the full consolidation method, whereby the balance sheet and profit and loss items are consolidated on a line-by-line basis.
After the attribution to minority interests of their portion of net equity and profit and loss results, if any, the value of the equity investment is cancelled due to the residual value of the subsidiary's net equity.
The resulting differences are allocated to the assets or liabilities — including intangible assets — of the subsidiary in question and any remaining balances, if positive, are recorded as goodwill under Intangible Assets. Negative differences are charged to the profit and loss account.

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

Equity method

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

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

The carrying amount is then increased or decreased to recognise the investor's share of the profits or losses of the investee recorded after the acquisition date under item 250 "Gains (losses) from equity investments" of the profit and loss account.

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

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

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

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

Translation of financial statements denominated in currencies other than the euro

The financial statements of companies operating in areas other than the Euro Area are translated into euro by applying the current exchange rates at period-end to assets and liabilities and average exchange rates for the period to items of profit and loss.

The foreign exchange differences of the financial statements of such companies on the application of different exchange rates to assets and liabilities and profit and loss are recognised among valuation reserves in net equity. Foreign exchange differences on investees' net equity are also recognised among valuation reserves.

A.1.5 Events occurred after the reporting date

The Consolidated Half-Year Financial Statements were approved by the Board of Directors of Banca Generali on 30 July 2019 and its publication was authorised, pursuant to IAS 10, as of the same date.
No events occurred after 30 June 2019 and until the date of approval of the Consolidated Half-Year Financial Statements that would make it necessary to adjust the results presented in the consolidated half-year report at that date.

Banca Generali was authorised to acquire control of Nextam Partners S.p.A., the parent company of the brokerage group of the same name, by Bank of Italy's order No. 815284 of 26 June 2019. The acquisition was successfully closed on 25 July 2019.
Following completion of the acquisition, Banca Generali acquired indirect control of Nextam Partners SGR, Nextam Partners SIM and the UK subsidiary Nextam Partners Ltd.

A.1.6 Other information

Accounting standards endorsed that will enter into effect this year

Introduction of IFRS 16

IFRS 16 was issued by IASB on 13 January 2016 with the aim of improving the accounting treatment of leasing contracts, replacing the previous standards and interpretations (IAS 17 – *Leasing*, IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, SIC 15 – *Operating Leases - Incentives*, and SIC 27 – *Evaluating the Substance of Transactions in the Legal Form of a Lease*).
The Standard was endorsed by the European Commission by Regulation (EU) No. 2017/1986 and entered into effect on 1 January 2019.

IFRS 16 lays down the principles for recognition, measurement, presentation in the financial statements and disclosures regarding leases. It is designed to ensure that lessees and lessors provide appropriate information in a way that faithfully represents the transactions, in order to permit an understanding of the effect of the lease on the entity's financial position, operating result and cash flows.

In particular, IFRS 16 introduces:
> a new definition of leasing;
> a single accounting model applicable to lessees' transactions, similar to that already used to account for finance leases in accordance with IAS 17.

Accordingly, on the basis of the new standard, the distinction between operating and finance leases for accounting purposes is eliminated for the lessees.

However, the Standard provides for two exemptions from application of the model:
> lease contracts relating to low-value assets (indicatively, less than 5,000 US dollars/euros);
> short-term lease contracts with terms of less than twelve months.

A lease is defined as a contract the fulfilment of which depends on the use of an identified asset and which grants the right to control the asset's use for a period of time in exchange for consideration.

This standard applies to all the contracts that refer to the right of use of an asset over a determined period of time for a certain consideration, regardless of the contractual form adopted (finance or operating leases, rental or other).

With respect to the accounting model to be applied by the lessee, the new Standard provides that for all types of leases an asset must be recognised to represent the right of use of the leased property, alongside the lease payment due in accordance with the lease contract.

This results in a significant change in the treatment of lease transactions in the financial statements of the lessee, which recognises a liability in the balance sheet on the basis of the present value of the future lease payments and an asset consisting of the right to use the asset governed by the lease contract.
After initial recognition, the right of use is amortised over the term of the contract or the useful life of the leased asset, while the liability is progressively reduced due to lease payments made, and the interest on the liability is recognised in profit or loss.
Accordingly, rather than the previous accounting treatment in profit or loss, administrative expenses will decline due to the decrease in the lease payments item, offset by an increase in the amortisation and interest expense recognised in respect of the financial liabilities booked.

IFRS 16 implementation project

In 2018, the Banking Group carried out an assessment activity — within the framework of a broader project coordinated by the Assicurazioni Generali Group — aimed at identifying contracts governing leases of assets (real estate, operating assets, etc.) that fall within the scope of application of the new Standard and of impacts on accounting and operating processes.
A specific IT product was acquired for IFRS 16 accounting management, and the measurement and recognition of the right of use and associated lease liabilities — aspects that represent the main element of discontinuity from the IAS 17 accounting model.

With regard to the scope of application, the Banking Group only acts as lessee in operating lease transactions, previously classified as operating leases under IAS 17, involving a wide range of assets.

It should be emphasised that the Group's entire logistical structure — divided into head offices, bank branches and Financial Advisor offices — is based on leased properties and therefore falls within the scope of the new Standard.
Most of the lease contracts relating to the branch network have terms of six years, subject to automatic renewal for an additional six years, with an option to terminate with six months' notice, as well as a break option for the lessor at the end of the first period.
However, the contracts for the most prestigious properties and those in which the head offices are located have longer initial terms (up to ten years) and are subject to limitations on early termination or cancellation by the lessor.

The scope of application of the Standard also extends to the fleet of company cars, primarily granted to the Group's executives for personal and business use and, to a residual extent, the limited ATM fleet managed by the outsourcer CSE.
The scope does not include ICT equipment, consisting of hardware and network infrastructure, subject to the facility management contracts with the outsourcers CSE (legacy infrastructure) and GBS (servers, PCs, telephones, etc.), since the requirement of control of the right of use has been excluded for the assets subject to these contracts.
Within the office equipment category, it was opted to apply the exemption for low-value assets to the multifunction printer and fax pool managed directly by the Bank under lease contracts, which has an average value per asset of under 5,000 euros.

First-time adoption

On the basis of paragraphs C7 to C13 of the Appendix to IFRS 16, the Banking Group has decided to elect to apply the modified retrospective method on the basis of the cumulative approach upon first-time adoption.
According to this method, the lessee may apply the Standard retroactively, recognising the cumulative effect of initial application of the Standard at the date of initial application, i.e., 1 January 2019 (IFRS 16 C5 b), with an adjustment to retained earnings, where applicable, and **without restating the comparative information** (IFRS 16 C8).
Accordingly, the comparative figures have not been restated on a like-for-like basis in the financial statements in which the new Standard was applied upon first-time adoption.

In particular, at the date of initial application, the Banking Group, for contracts in which it acts as the lessee:
> measured **the leasing liability** at the present value of the remaining payments due for the lease, discounted according to the lessee's marginal financing rate at the date of initial application;
> recognised **the asset consisting of the right of use** (RoU) at the amount of the leasing liability, adjusted by the amount of prepayments relating to the lease recognised in the balance sheet immediately prior to the date of initial application;
> conducted an impairment test on the assets recognised on the basis of IAS 36.

In view of the Bank's consolidated practice of entering into and retaining property lease contracts for an extended period, when determining the term of such contracts, as necessary to determine the present value of the future lease payments, account has generally been taken of the initial term of the contract and the subsequent period of automatic renewal, without considering the break option for the lessee, unless cancellation of the contract is already certain.
Lease payments have been discounted on the basis of the Bank's estimated marginal financing rate according to the swap rate curve, plus a spread equal to the Insurance Group's credit spread, based on the quoted prices of CDSs referring to the parent company, Assicurazioni Generali.
In particular, at 1 January 2019 the discount rate applicable to each contract was determined on the basis of the adjusted swap rate applicable to a maturity equal to the residual term of the contract.
As of 1 January 2019, weighted average discount rate used was 2.54%.

The adoption of the new Standard resulted in an increase in both property and equipment and amounts due to customers, as a consequence of the recognition of the aforementioned rights of use and associated liabilities.
In particular, the new accounting Standard entailed the recognition at 1 January 2019 of new intangible assets, consisting of rights of use, in the amount of approximately **136 million euros**, net of lease prepayments, already recognised in the 2018 Financial Statements. Financial liabilities associated with the aforementioned lease transactions were recognised in a symmetrical manner.
On the basis of the method adopted upon first-time application, no financial effects on retained earnings were recognised.

Given that for prudential purposes rights of use (RoUs) are subject to the same weighting applied to items of property and equipment, the impact on the requirement for credit risk upon FTA amounted to 10.9 million euros and resulted in an effect on prudential ratios at 1 January 2019 of at least **87 bps** at the level of the consolidated TCR and of **80 bps** at the level of consolidated CET1.

FTA – Statement of reconciliation of the balance sheet

The following is a statement of reconciliation of assets and liabilities as at 31 December 2018 and as at 1 January 2019 due to the first-time application of IFRS 16.

ASSETS (€ THOUSAND)	31.12.2018	IFRS 16 FTA	01.01.2019
Financial assets at fair value through profit or loss	90,640	-	90,640
Financial assets at fair value through other comprehensive income	1,987,315	-	1,987,315
Financial assets measured at amortised cost:	7,166,172	-	7,166,172
a) loans to banks (*)	1,434,533	-	1,434,533
b) loans to customers	5,731,639	-	5,731,639
Equity investments	1,661	-	1,661
Property, equipment and intangible assets	101,834	138,828	240,662
Tax receivables	52,799	-	52,799
Other assets	335,473	-2,909	332,564
Total Assets	**9,735,894**	**135,919**	**9,871,813**

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	31.12.2018	IFRS 16 FTA	01.01.2019
Financial liabilities at amortised cost:	8,675,596	-	8,675,596
a) due to banks	128,725	-	128,725
b) due to customers	8,546,871	135,919	8,682,790
Financial liabilities held for trading and hedging	384	-	384
Tax liabilities	18,018	-	18,018
Other liabilities	142,176	-	142,176
Special purpose provisions	164,845	-	164,845
Valuation reserves	-11,636	-	-11,636
Reserves	414,368	-	414,368
Share premium reserve	57,889	-	57,889
Share capital	116,852	-	116,852
Treasury shares (–)	-22,724	-	-22,724
Net profit (loss) for the period (+/–)	180,126	-	180,126
Total Net equity and Liabilities	**9,735,894**	**135,919**	**9,871,813**

Breakdown of rights of use at 1 January 2019

	NO.	AMOUNT (€ THOUSAND)	AVERAGE RESIDUAL LIFE (YEARS)
Rights of use of the head offices	4	47,352	11.64
Rights of use of the commercial network offices	202	90,686	6.90
Rights of use of company cars and guest residences	52	636	1.83
Rights of use of ATMs and other equipment	11	154	9.63
	269	**138,828**	

The highest-value contract refers to the lease of the administrative offices in the Hadid Tower within the Citylife complex in Milan, which is associated with an RoU asset of 41.1 million euros, equal to nearly 30% of the total value of the contract, in view of the estimated term of the contract of 13 years (initial period of nine years and four-year automatic extension). The other contracts relating to administrative offices refer to the properties in Trieste, on Piazza S. Alessandro in Milan and in Luxembourg.

Lease liabilities: breakdown by remaining contractual maturity (discounted amounts)

	LEASE LIABILITIES - FTA			
(€ THOUSAND)	1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Lease of real estate and commercial network	14,816	51,319	68,994	135,129
Lease of company guest residences and of employees' vehicles	296	315	25	636
Lease of ATMs and other equipment	27	46	81	154
	15,139	**51,680**	**69,100**	**135,919**

Total payments relating to lease liabilities amounted to approximately 6.6 million euros in the first half of 2019.

At 30 June 2019, the adoption of IFRS 16 had a total impact on the consolidated financial statements of 1.0 million euros in terms of greater expenses, gross of the tax effect.

(€ THOUSAND)	30.06.2019
Interest expense on lease liabilities	-1,705
Right-of-use depreciation charge	-8,787
Reversal of lease payments	9,484
Contingent assets related to administrative expenses	30
Total impact of transition to IFRS 16	**-978**

At 30 June 2019, lease payments related to contracts of low value or with terms of less than 12 months recognized through profit or loss and costs of non-leasing services (ancillary charges, VAT) amounted to 2.0 million euros.

	30.06.2019
Lease payments relating to low-value transactions	82
Lease payments for leases of less than 12 months	44
Charges for other ancillary services included in leases and taxes	1,913
Total	**2,039**

Accounting Standards (effective 1 January 2019)

Leases

As lessee

At the inception of a contract, the Group must assess whether it is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration for a period of time.
In addition to lease contracts, recognised as such, the definition of "lease contract" also includes rental, loans for use and all other contracts that may contain a lease.

For each contract that is, or contains, a lease, the Group allocates the agreed consideration to the following, on the basis of the individual prices of each transaction:
> the lease components (pure lease payment);
> the components relating to other services to be recognised according to other standards (e.g., condominium fees, non-deductible VAT, late payment interest, duty stamps, insurance expenses, vehicle maintenance costs, etc.).

The Group settles the lease components separately from the other service components, unless it is not readily feasible to do so.

The Group recognises a right of use and related lease liability for all lease contracts in which it is the lessee, except for:
> short-term contracts (i.e., lease contracts with a term of 12 months or less); and
> leases of low-value assets (assets with a value of less than 5,000 euros when new).

The Group accounts for payments relating to the latter as operating expenses on a straight-line basis over the term of the contract, unless another method is more representative.

Lease liabilities

Lease liabilities are initially recognised at the present value of the lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Since most lease contracts entered into by the Group do not include an implicit interest rate, the discount rate to be applied to future lease payments is generally based on the risk-free rate for the currency in which the contracts are denominated, applicable by maturity, commensurate to the term of the contract concerned, plus a specific credit spread applicable to the lessee.
In particular, the risk-free rate curve (swap curve) is used, with the addition of a spread representative of the Insurance Group's credit risk, calculated periodically on the basis of the quoted prices of credit default swaps (CDSs) referring to the parent company, Assicurazioni Generali.

The lease payments accounted for in the value of the lease liability include:
> fixed payments, including lease payments contractually structured as variable but essentially fixed (in-substance fixed payments), less any incentives received from the lessor;
> variable lease payments that depend on an index or a rate (e.g., inflation), initially measured using the index or rate as at the commencement date of the contract;
> amounts expected to be payable by the lessee under residual value guarantees, where provided for by contract;
> the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
> payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease, and exercise of the option is deemed reasonably certain.

After initial recognition of the lease liability at amortised cost, the carrying amount of the liability is increased by the interest on the lease (according to the effective interest method) and decreased to reflect the payments made under the lease contract.

The Group remeasures the balance of the lease liability (and applies an adjustment to the corresponding value of the right of use, where significant, if either:
> there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset, in which case the lease liability is remeasured by discounting the revised lease payments at the revised discount rate; or
> there is a change in future lease payments resulting from a change in an index or a rate or there is a change in the amounts expected to be payable under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments at the initial discount rate (unless the change in lease payments results from a change in floating interest rates, in which case a revised discount rate is used);

> a lease contract has been modified and the modification does not qualify for recognition as a separate contract, in which case the lease liability is remeasured by discounting the revised lease payments at the revised interest rate.

Rights of use

The Group recognises rights of use and the related lease liability at the commencement date of the contract.

Right-of-use assets are initially measured at cost, including:
> the initial measurement of the lease liability;
> the lease payments made at or before the commencement date of the contract;
> initial direct costs incurred to obtain the contract (legal, notarial, real-estate agency, etc.).

A provision for risks is recognised and measured according to IAS 37 when the Group is obligated to bear the costs of returning an asset in a condition required by the terms of the contract. This cost is included in the value of the right of use.

The right of use is then recognised net of amortisation and any impairment losses.

The right of use is amortised on a straight-line basis over the period from the commencement date of the contract to the sooner of the end of the lease term and of the residual useful life of the underlying asset.

If the lease contract transfers ownership of the relevant asset or the cost of the right of use reflects the Group's intention to exercise the purchase option, the right of use is amortised over the useful life of the asset.

The Group applies IAS 36 – Impairment of Assets to identify the presence of any impairment losses.

Variable lease payments that do not depend on an index or a rate are not included in the value of the lease liability or the value of the right of use. The related payments are recognised on an accrual basis and are included in the item "Other operating costs" of the profit and loss account.

As lessor
The Group does not act as lessor in lease transactions.

Accounting standards endorsed that will enter into effect after 31 December 2018

There are no international accounting standards and related interpretations endorsed but not effective yet as of 30 June 2019.

Effects of changes of accounting estimates

Recognition of the costs of obtaining and fulfilling a contract
Beginning from 2018, the amortisation period for acquisition and fulfilment costs for contracts with customers was modified from a time horizon based on the payback criterion to a time horizon more consistent with the average duration of contractual relationships with customers, determined to be five years.
These changes, implemented in part owing to the greater flexibility of the accounting standard IFRS 15, made it possible to align the accounting treatment of incremental costs paid to Financial Advisors in relation to the organic growth of assets under management with the treatment of recruitment incentives tied to the acquisition of new customers (amortised over five years), thereby ensuring a more effective correlation between total fee expense and the fee income generated by customer investments.
In particular, the modification affected the accounting treatment of ordinary sales incentives tied to the net inflows targets paid to the Financial Advisor network, which had been previously accounted for according to the practical expedient of taking them in full to the profit and loss account for the year.
The modification, which qualifies as a change in accounting estimate in respect of the amortisation period for incentives, was applied prospectively in accordance with IAS 8.

Measurement

The preparation of the Interim Report requires the use of estimates and assumptions that could influence the amounts reported in the balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.
The estimates and assumptions used are based on the information available on operations and subjective judgements, which may also be based on historical trends.
Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:
> determining the amount of provisions for liabilities and contingencies;
> determining the expenses of personnel productivity bonuses;
> determining the amount of incentive fees to be paid to the sales network as an annual incentive and of incentives related to recruitment plans;
> determining the deferred incentives granted to the sales network, when linked to defined net inflow targets;
> determining the fair value of cash financial instruments and derivatives to be used in financial statement disclosures, when not based on current prices drawn from active markets;
> determining the analytical and collective impairment of financial instruments;
> determining the value adjustments and reversals of non-performing loans and the collective provision for performing loans;
> preparing estimates and assumptions underlying the determination of current taxes, which may differ from the effective tax liability computed in conjunction with the payment of the balance of taxes for the year and the filing of the income tax return;
> preparing estimates and assumptions on the recoverability of deferred tax assets;
> the quantification of provisions for administrative expenses and stamp duty;
> evaluating the appropriateness of the amounts of goodwill and other intangible assets.

Measurement of goodwill

During the preparation of the 2018 Financial Statements, goodwill was tested for impairment and the carrying value was determined to be accurate. Since all required information is only available when drafting the annual report and there currently are no significant indicators of impairment that would require an immediate assessment of loss, it was decided not to conduct an impairment test as of 30 June 2019. For further information on this subject, the reader is referred to the 2018 Financial Statements.

Non-recurring significant events and transactions

During the half year, there were no non-recurring transactions or events outside the scope of ordinary operations that had a significant impact on the aggregate items of the balance sheet and profit and loss account (Consob Communication No. DEM/6064293 of 28 July 2006), except as illustrated in the Consolidated Interim Report on Operations.
"Atypical and unusual transactions" are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and/or timing of occurrence (near the end of the reporting period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

National Tax Consolidation option

In 2004, the Parent Company, Assicurazioni Generali, and some Italian companies belonging to the Assicurazioni Generali Group, including Banca Generali S.p.A., began participating in the National Tax Consolidation governed by Articles 117-129 of the TUIR (Italy's income tax code), which was introduced into Italy's fiscal legislation by Italian Legislative Decree No. 344/2003.
Under the scheme, Banca Generali transfers its taxable profit (or tax losses) to the Parent Company, Assicurazioni Generali S.p.A., which computes a single taxable profit (or a single tax loss) for the Group as the sum of the profits and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Authorities.

Audit

The Consolidated Half-Year Financial Statements were subjected to limited review by BDO Italia S.p.A.

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

During the first half of 2019, the accounting policies adopted by the Banking Group underwent no significant amendments and supplementations, except as illustrated in paragraph A.1.6 of Part A.1 of these Notes and Comments in relation with the adoption of the new international accounting standard IFRS 16 - *Leases*.
Accordingly, the remaining accounting policies used for preparing the Consolidated Condensed Half-year Financial Statements at 30 June 2019, with particular reference to the classification, recognition, measurement and derecognition of assets and liabilities, as well as the methods used for recognising revenues and expenses, are the same as those adopted for the Consolidated Financial Statements at 31 December 2018, to which the reader is referred to for comprehensive details. The accounting statements and the Notes and Comments presented herein must therefore be read together with the Accounting Standards listed in the Annual Report.

Part A.3 Information on fair value

IFRS 13 requires that entities that apply IASs/IFRSs make adequate disclosure of the fair value measurements used for each class of financial instruments, and in particular:
1) the level in the fair value hierarchy into which the fair value measurements are categorised, segregating instruments belonging to different categories;
2) any significant transfers between Level 1 and Level 2 during the year;
3) for instruments measured in Level 3, a reconciliation from the opening balances to the closing balances, disclosing separately changes in profit and loss (in the profit and loss account and net equity), purchases and sales, and transfers out of Level 3 due to the use of market data.

The criteria and procedures for determining fair value used to measure portfolios of financial assets and liabilities in these Consolidated Half-Year Financial Statements are the same as those applied in the preparation of the Consolidated Financial Statements at 31 December 2018, as illustrated in Part A, Section 4, of the Notes and Comments to those Financial Statements.

Fair value hierarchy

IFRS 13 requires that financial assets be classified according to a hierarchy of levels (the "fair-value hierarchy") that reflects the significance of the inputs used in valuation.
> **Level 1:** quoted prices in active markets, as defined in IFRS 13, for identical instruments;
> **Level 2:** inputs other than the price quotations indicated above, observable on the market either directly (prices) or indirectly (price-derived data);
> **Level 3**: inputs not based on observable market data.

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

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

	30.06.2019				
ASSETS/LIABILITIES AT FAIR VALUE	L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss					
a) HFT financial assets	2,922	17,176	-	-	20,098
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	8,523	49,688	-	-	58,211
2. Financial assets measured at fair value through other comprehensive income	2,405,170	18,021	122	12,536	2,435,849
3. Hedging derivatives	-	-	-	-	-
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**2,416,615**	**84,885**	**122**	**12,536**	**2,514,158**
1. HFT financial liabilities	-	314	-	-	314
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	3,176	-	-	3,176
Total	**-**	**3,490**	**-**	**-**	**3,490**

ASSETS/LIABILITIES AT FAIR VALUE	31.12.2018 L1	L2	L3	AT COST	TOTAL
1. Financial assets measured at fair value through profit or loss					
a) HFT financial assets	958	32,929	-	-	33,887
b) financial assets designated at fair value	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	903	53,512	2,338	-	56,753
2. Financial assets measured at fair value through other comprehensive income	1,966,451	11,863	214	8,787	1,987,315
3. Hedging derivatives	-	-	-	-	-
4. Property and equipment	-	-	-	-	-
5. Intangible assets	-	-	-	-	-
Total	**1,968,312**	**98,304**	**2,552**	**8,787**	**2,077,955**
1. HFT financial liabilities	-	384	-	-	384
2. Financial liabilities designated at fair value	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-
Total	**-**	**384**	**-**	**-**	**384**

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

	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
	TOTAL	OF WHICH: A) HFT FINANCIAL ASSETS	OF WHICH: B) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	OF WHICH: C) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
1. Amount at period-start	**2,338**	**-**	**-**	**2,338**	**9,001**
2. Increases	**-**	**-**	**-**	**-**	**3,750**
2.1 Purchases	-	-	-	-	3,750
2.2 Gains through:	-	-	-	-	-
2.2.1 Profit and loss	-	-	-	-	-
- *of which: capital gains*	-	-	-	-	-
2.2.2 Net equity	-	X	X	X	-
2.3 Transfers from other levels	-	-	-	-	-
2.4 Other increases	-	-	-	-	-
3. Decreases	**2,338**	**-**	**-**	**2,338**	**93**
3.1 Disposals	-	-	-	-	-
3.2 Redemptions	-	-	-	-	93
3.3 Losses through:	2,338	-	-	2,338	-
3.3.1 Profit and loss	2,338	-	-	2,338	-
- *of which: capital losses*	*2,338*	-	-	*2,338*	-
3.3.2 Net equity	-	X	X	X	-
3.4 Transfers to other levels	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-
4. Amount at period-end	**-**	**-**	**-**	**-**	**12,658**

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

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	30.06.2019			
	BOOK VALUE	L1	L2	L3
1. Financial assets at amortised cost	7,184,919	4,363,136	1,986,382	857,894
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**7,184,919**	**4,363,136**	**1,986,382**	**857,894**
1. Financial liabilities at amortised cost	9,767,443	-	9,723,328	44,631
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**9,767,443**	**-**	**9,723,328**	**44,631**

FINANCIAL ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31.12.2018			
	BOOK VALUE	L1	L2	L3
1. Financial assets at amortised cost	6,174,298	3,509,405	1,725,126	875,023
2. Property and equipment held as investments	-	-	-	-
3. Non-current assets available for sale and disposal groups	-	-	-	-
Total	**6,174,298**	**3,509,405**	**1,725,126**	**875,023**
1. Financial liabilities at amortised cost	8,675,595	-	8,632,314	44,210
2. Liabilities associated to assets held for sale	-	-	-	-
Total	**8,675,595**	**-**	**8,632,314**	**44,210**

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

1. Assets

1.1 Cash and deposits - Item 10

1.1.1 Breakdown of cash and deposits

ITEMS/VALUES	30.06.2019	31.12.2018
a) Cash	21,535	21,017
b) Demand deposits with Central Banks	467,763	991,874
Total	**489,298**	**1,012,891**

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

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

1.2.1 HFT financial assets: debtors/issuers/counterparties

ITEMS/VALUES	30.06.2019	31.12.2018
A. Cash assets		
1. Debt securities	**19,779**	**33,387**
a) Central Banks	-	-
b) Public administration bodies	50	-
c) Banks	18,731	32,383
d) Other financial companies	998	1,004
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
2. Equity securities	**-**	**1**
a) Banks	-	-
b) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
c) Non-financial companies	-	1
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Financing	**-**	**-**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**19,779**	**33,388**
B. Derivatives		
a) Central counterparties	-	-
b) Other	319	499
Total B	**319**	**499**
Total (A + B)	**20,098**	**33,887**

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

ITEMS/VALUES	30.06.2019	31.12.2018
1. Equity securities	**1,023**	**3,241**
of which:		
– *Banks*	-	-
– *other financial companies*	*1,023*	*903*
– *other Non-financial companies*	-	*2,338*
2. Debt securities	**3,083**	**3,031**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	3,083	3,031
d) Other financial companies	-	-
of which:		
– *insurance companies*	-	-
e) Non-financial companies	-	-
3. UCITS units	**36,520**	**32,822**
4. Financing	**17,585**	**17,659**
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	17,585	17,659
of which:		
– *insurance companies*	*17,585*	*17,659*
e) Non-financial companies	-	-
f) Households	-	-
Total	**58,211**	**56,753**

The UCITS portfolio included 20,104 thousand euros related to an interest of about 8% in Tyndaris European Real Estate Finance S.A. (TEREF), an alternative fund under Luxembourg law, which invests in financial instruments linked to the European business real estate market, particularly in mezzanine instruments, through the master/feeder fund.

The residual UCITS portfolio is comprised for 3,606 thousand euros of the investment in the Luxembourg vehicle Algebris, for 5,310 thousand euros of the units of the Tenax Italian Credit Fund, managed by the Irish firm Tenax Capital Ltd., and for the remainder 7,500 thousand euros of investments in the Sicav Lux IM.

Equity securities include all equity shares of the parent company, Assicurazioni Generali (1,023 thousand euros).

Capital contribution made to the Interbank Deposit Protection Fund (FITD) for the purchase of the junior tranche and a portion of the mezzanine tranche of the securitisation of the Caricesena NPLs, as part of the second rescue intervention for this latter bank, and for the intervention targeting Banca Carige, amounting to 2,338 thousand euros at 31 December 2018, were written off at the end of the half year.

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

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

ITEMS/VALUES	30.06.2019	31.12.2018
1. Debt securities	**2,423,190**	**1,978,314**
a) Central Banks	-	-
b) Public administration bodies	1,984,054	1,736,525
c) Banks	257,092	156,790
d) Other financial companies	151,122	72,033
of which:		
- *insurance companies*	-	-
e) Non-financial companies	30,922	12,966
2. Equity securities	**12,659**	**9,001**
a) Banks	-	-
b) Other issuers:	12,659	9,001
- other financial companies	2,231	2,323
of which:		
- *insurance companies*	-	-
- non-financial companies	10,421	6,671
- other	7	7
3. Financing	-	-
a) Central Banks	-	-
b) Public administration bodies	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which:		
- *insurance companies*	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**2,435,849**	**1,987,315**

The equity securities portfolio included for 11,481 thousand euros “minor equity investments” and largely related to service agreements concluded by the Group (CSE, GBS Tosetti Value Sim, Caricese, SWIFT, etc.), usually non-negotiable. Those interests are measured at cost in the absence of reliable estimates of fair value.
In the first half of 2019, Banca Generali increased its equity interest in CSE from 7% to 10% through an investment of 3,750 thousand euros.
The capital contributions relating to film partnership contracts with no expiry date are also classified in this portfolio. The contributions are covered by a film tax credit and fully secured by collateral and so have not been subject to impairment. The total amount of the contributions in portfolio as at 30 June 2019 amounted to 1,055 thousand euros, unchanged compared to the figure at 31 December 2018.

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

	GROSS VALUE		TOTAL ADJUSTMENTS	
	STAGE 1 AND STAGE 2	STAGE 3	STAGE 1 AND STAGE 2	STAGE 3
Debt securities	2,424,413	-	1,223	-
Financing	-	-	-	-
Total at 30 June 2019	**2,424,413**	**-**	**1,223**	**-**
Total at 31 December 2018	**1,981,552**	**-**	**3,238**	**-**

1.4 Financial assets measured at amortised cost - Item 40

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

TYPE OF TRANSACTIONS/VALUES	30.06.2019 BOOK VALUE	31.12.2018 BOOK VALUE
A. Loans to Central Banks	**97,227**	**82,714**
1. Term deposits	-	-
2. Mandatory reserve	97,227	82,714
3. Repurchase agreements	-	-
4. Other	-	-
B. Loans to banks	**573,090**	**359,945**
1. Loans	464,905	280,513
1.1 Current accounts and demand deposits	268,148	261,421
1.2 Term deposits	26,496	17,611
1.3 Other loans:	170,261	1,481
- repurchase agreements	163,774	-
- finance lease	-	-
- other	6,487	1,481
2. Debt securities	108,185	79,432
2.1 Structured securities	-	-
2.2 Other debt securities	108,185	79,432
Total	**670,317**	**442,659**

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

	30.06.2019	31.12.2018
Loans	**2,054,842**	**2,028,163**
Current accounts	1,015,504	985,906
Mortgages and personal loans	829,382	840,147
Other financing and loans not in current accounts	2,205	2,173
Repurchase agreements	207,751	199,937
Debt securities	**4,294,671**	**3,549,695**
Other transactions	**165,089**	**153,781**
Operating loans to management companies	126,597	117,126
Sums advanced to Financial Advisors	14,667	19,395
Stock exchange interest-bearing daily margin	17,650	13,088
Charges to be debited and other loans	6,175	4,172
Total	**6,514,602**	**5,731,639**

1.4.3 Doubtful loans

(€ THOUSAND)	GROSS EXPOSURE	VALUE ADJUST-MENTS	NET EXPOSURE 2019	NET EXPOSURE 2018	CHANGE		SECURED EXPOSURE SUBJECT TO INDEMNITY 2019	EXPOSURE NET OF INDEMNITY 2019	SECURED EXPOSURE SUBJECT TO INDEMNITY 2018
					AMOUNT	%			
Bad loans	52,213	-21,073	31,140	22,623	8,517	37.6%	20,017	11,123	19,787
Financing	32,182	-10,713	21,469	21,467	2	0.0%	20,017	1,452	19,787
Debt securities	17,692	-9,191	8,501	6	8,495	n.a.	-	8,501	-
Operating loans	2,339	-1,169	1,170	1,150	20	1.7%	-	1,170	-
Unlikely to pay	5,994	-807	5,187	10,555	-5,368	-50.9%	-	5,187	-
Past-due exposures - over 90 days	3,385	-538	2,847	4,793	-1,946	-40.6%	-	2,847	-
Total non-performing loans	**61,592**	**-22,418**	**39,174**	**37,971**	**1,203**	**3.2%**	**20,017**	**19,157**	**19,787**
Performing debt securities	4,290,170	-4,000	4,286,170	3,549,689					
Performing financing and loans	2,191,345	-2,087	2,189,258	2,143,979					
Total loans to customers	**6,543,107**	**-28,505**	**6,514,602**	**5,731,639**					

Net non-performing loans amounted to 39.2 million euros, equal to 0.6% of total loans to customers, and up compared to the previous year (+1.2 million euros).

They are attributable to:
> 29,503 thousand euros of financing;
> 8,501 thousand euros of debt securities;
> 1,170 thousand euros of operating loans.

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

During the first half of 2019, the exposure decreased by 7.3 million euros compared to the figure at 31 December 2018; the most remarkable change concerned unlikely-to-pay positions (-5.4 million euros) and was substantially attributable to collections occurred in the reporting period.

At the end of the period, non-performing loans included 20.0 million euros referring to exposures originating in the portfolio of Banca del Gottardo Italia, fully covered by the loan indemnity granted by former BSI S.A. (now EFG Bank AG) upon the sale of the said company and mainly secured to that end by cash collateral payments by the counterparty. Net of this portfolio, which accounted for over 67% of net non-performing exposures, the weight of non-performing exposures to total loans to customers decreased to 9.5 million euros (0.46%).

At the end of the first half of the year, net positions with forbearance measures stood at approximately 80.2 million euros, of which 3.1 million euros referring to non-performing positions.

Debt securities
The item relating to non-performing debt securities referred for 8,495 thousand euros to the Tyndaris security, and for the remaining 6 thousand euros to the Alitalia bond known as “Dolce Vita”.

The Tyndaris security is a 14.0 million euro convertible bond issued on 16 December 2015 by Tyndaris LLP, an English fund management company. The bond has a term of six years and may be converted into an interest in Tyndaris LLP at the end of the second year and at final maturity, in an amount not to exceed 2 million pounds sterling at each maturity, and in any event, up to maximum share of 9.9% of Tyndaris LLP’s capital. The bond provides for an interest of 3% for the first two years and subsequently of 7.5%. It may be redeemed in advance by the issuer.
At the end of the reporting period, the security was subjected to analytical impairment for an amount of 6.6 million euros.

The Alitalia bond “Dolce Vita” instead, amounting to 2,642 thousand euros, was fully written off in 2017 due to the airline’s serious state of crisis, which resulted in a court declaration of the company’s insolvency and the commencement of the extraordinary administration procedure. In 2018, it was subjected to a reversal of 6 thousand euros.

Operating loans
Net non-performing exposures relating to operating loans amounted to 1,170 thousand euros and referred primarily to litigation or pre-litigation positions of former Financial Advisors.

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

	GROSS VALUE		TOTAL ADJUSTMENTS	
	STAGE 1 AND STAGE 2	STAGE 3	STAGE 1 AND STAGE 2	STAGE 3
Debt securities - banks	108,365	-	180	-
Debt securities - customers	4,290,170	17,692	4,000	9,191
Loans to banks	562,247	-	116	-
Loans to customers	2,191,345	43,900	2,087	13,227
Total at 30 June 2019	**7,152,127**	**61,592**	**6,383**	**22,418**
Total at 31 December 2018	**6,147,691**	**51,945**	**10,214**	**15,124**

In respect of the new model for assessing expected credit losses (ECLs) provided for in IFRS 9, at 30 June 2019 performing loans at amortised cost, classified to Stage 1 and Stage 2, are recognised net of the collective reserves for a total of 6,383 thousand euros, of which:
> 4,180 thousand euros relating to the debt securities portfolio;
> 2,203 thousand euros relating to other loans.

Within this item, adjustments to exposures to banks amounted to 296 thousand euros, of which 180 thousand euros on debt securities and 116 thousand euros on other loans.

By contrast, the provision for expected losses on debt securities refers to the government bond portfolio in the amount of 3,525 thousand euros.

1.5 Equity investments - Item 70

1.5.1 Equity investments: disclosure on type of relations

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

Reference is made to IOCA Entertainment Ltd., a company based in the United Kingdom, in which Banca Generali subscribed 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 approximately 2.2 million euros at the acquisition date, 19 October 2015.
The company is an e-commerce/social-networking start-up currently engaged in the commercial development of an app for smartphones and tablets, named “dringle”.
At 30 June 2019, the portion of loss for the period recognised by Banca Generali amounted to approximately 52 thousand euros, whereas the exchange differences on the equity investment in foreign currency amounted to 130 thousand euros.

1.5.2 Non-significant investments: accounting information

COMPANY NAME	BOOK VALUE OF EQUITY INVEST-MENTS	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL REVENUES	NET PROFIT (LOSS) FROM OPERATING ACTIVITIES	INCOME (LOSS) OF DISPOSAL GROUPS	NET PROFIT (LOSS) FOR THE PERIOD (1)	OTHER INCOME COMPO-NENTS (2)	COMPRE-HENSIVE INCOME (3) = (1) + (2)
B. Companies subject to significant influence									
1. IOCA Entertainment Limited	1,610	489	19	-	-151	-	-151	-	-151
Total	**1,610**	**489**	**19**	**-**	**-151**	**-**	**-151**	**-**	**-151**

1.5.3 Equity investments: year changes

	30.06.2019	31.12.2018
A. Amount at period-start	**1,661**	**1,820**
B. Increases	**1**	**-**
B.1 Purchases	-	-
B.2 Reversals	-	-
B.3 Revaluations	1	-
B.4 Other changes	-	-
C. Decreases	**52**	**159**
C.1 Sales	-	-
C.2 Adjustments	52	149
C.3 Write-downs	-	10
C.4 Other changes	-	-
D. Amount at period-end	**1,610**	**1,661**
E. Total revaluations	**1**	**-**
F. Total adjustments	**52**	**159**

1.6 Property, equipment and intangible assets — Items 90 and 100

1.6.1 Breakdown of property, equipment and intangible assets

			CHANGE	
(€ THOUSAND)	30.06.2019	31.12.2018	AMOUNT	%
A. Property and equipment				
1. Operating	**141,514**	**6,724**	**134,790**	**n.a.**
1.1 Owned assets:	**6,454**	**6,724**	**-270**	**-4.0%**
- furniture and fittings	5,316	5,464	-148	-2.7%
- EAD machines and equipment	190	264	-74	-28.0%
- miscellaneous machines and equipment	948	996	-48	-4.8%
1.2 Leased assets:	**135,060**	**-**	**135,060**	**n.a.**
- buildings	134,236	-	134,236	n.a.
- other	824	-	824	n.a.
Total property and equipment	**141,514**	**6,724**	**134,790**	**n.a.**
B. Intangible assets				
With unspecified maturity:	**66,065**	**66,065**	**-**	**0.0%**
- goodwill	66,065	66,065	-	0.0%
With specified maturity – at cost:	**24,789**	**29,045**	**-4,256**	**-14.7%**
- relationship with former CSI customers	11,904	12,480	-576	-4.6%
- charges for legacy systems	11,715	10,713	1,002	9.4%
- other software costs	17	7	10	142.9%
- other intangible assets	-	102	-102	-100.0%
- assets in progress	1,153	5,743	-4,590	-79.9%
Total intangible assets	**90,854**	**95,110**	**-4,256**	**-4.5%**
Total property, equipment and intangible assets	**232,368**	**101,834**	**130,534**	**128.2%**

Following the entry into force of the new standard IFRS 16 – *Leases* on 1 January 2019, right-of-use assets on leased assets (administrative offices, commercial network offices, company vehicles and ATMs) have been recognised under property and equipment. Upon first-time application of the Standard, the value of these assets amounted to 138,828 thousand euros.

1.6.2 Changes in property, equipment and intangible assets

	GOODWILL	INTANGIBLE ASSETS	PROPERTY AND EQUIPMENT - OWNED	RIGHTS OF USE ACQUIRED THROUGH LEASES	30.06.2019	31.12.2018
Net amount at period-start	**66,065**	**29,045**	**6,724**	**-**	**101,834**	**98,380**
Increases	**-**	**11**	**476**	**143,848**	**144,335**	**12,953**
Purchases	-	11	476	4,953	5,440	12,953
Other changes	-	-	-	138,895	138,895	-
of which:						
- *adjustment for IFRS 16 FTA*	-	-	-	*138,828*	*138,828*	-
Decreases	**-**	**4,267**	**746**	**8,788**	**13,801**	**9,499**
Sales	-	-	-	-	-	-
Adjustments	-	4,267	737	8,788	13,792	9,301
of which:						
a) amortisation/depreciation	-	*4,267*	*737*	*8,788*	*13,792*	*9,301*
b) write-downs	-	-	-	-	-	-
Other changes	-	-	9	-	9	198
Amount at period-end	**66,065**	**24,789**	**6,454**	**135,060**	**232,368**	**101,834**

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

1.7.1 Breakdown of item 110 (Assets): tax assets

TYPE OF TRANSACTIONS/VALUES	30.06.2019	31.12.2018
Current taxation	**80**	**81**
Sums due for taxes to be refunded	78	78
IRES	1	-
IRAP	1	3
Deferred tax assets	**43,939**	**52,718**
With impact on profit and loss account	**42,021**	**46,581**
IRES	34,966	38,970
IRAP	7,055	7,611
With impact on net equity	**1,918**	**6,137**
IRES	1,717	5,318
IRAP	201	819
Total	**44,019**	**52,799**

1.7.2 Breakdown of item 60 (Liabilities): tax liabilities

TYPE OF TRANSACTIONS/VALUES	30.06.2019	31.12.2018
Current taxation	**21,590**	**11,734**
IRES arising on National Tax Consolidation scheme	14,231	6,893
IRES and other income taxes	2,328	4,543
IRAP	5,031	298
Deferred tax liabilities	**6,236**	**6,284**
With impact on profit and loss account	**4,650**	**5,200**
IRES	4,002	4,565
IRAP	648	635
With impact on net equity	**1,586**	**1,084**
IRES	1,357	927
IRAP	229	157
Total	**27,826**	**18,018**

1.7.3 Breakdown of deferred tax assets

	30.06.2019	PURSUANT TO LAW NO. 214/2011	31.12.2018	PURSUANT TO LAW NO. 214/2011
With impact on Profit and Loss Account	**42,021**	**7,784**	**46,581**	**8,107**
Provisions for liabilities and contingencies	32,138	-	36,618	-
Write-downs of loans to customers before 2015	2,546	2,546	2,735	2,735
Redeemed goodwill (pursuant to Article 15, para. 10, of Legislative Decree 185/08)	2,948	2,948	3,024	3,024
Redeemed goodwill of former BG SGR (Article 176, para. 2-*ter*, of TUIR)	945	945	1,379	1,379
Consolidated goodwill of BG Fiduciaria (Article 15, para. 10-*ter*, of Legislative Decree No. 185/2008)	1,345	1,345	969	969
Alitalia analytical impairment reserve (IRAP only)	123	-	123	-
Collective reserve for loans to customers arising from IFRS 9 FTA	797	-	981	-
Write-downs of items for disputed positions in other assets	697	-	681	-
IFRS 9-related revaluation of Financial Advisors' policies	472	-	61	-
Other expenses for the period	10	-	10	-
With impact on Net Equity	**1,918**	**-**	**6,137**	**-**
Measurement at fair value of HTCS financial assets	1,393	-	5,660	-
Actuarial losses IAS 19	525	-	477	-
Total	**43,939**	**7,784**	**52,718**	**8,107**

1.7.4 Breakdown of deferred tax liabilities

TYPE OF TRANSACTIONS/VALUES	30.06.2019	31.12.2018
With impact on Profit and Loss Account	**4,650**	**5,200**
Residual value of capital contribution to FITD	-	752
Goodwill	3,229	2,984
Provision for post-employment benefits (IAS 19)	155	153
IFRS 9 FTA - Revaluation of equity securities and policies	673	539
IFRS 15 FTA - Prepayments for recruitment incentives	593	772
With impact on Net Equity	**1,586**	**1,084**
Measurement at fair value of HTCS financial assets	1,586	1,084
Total	**6,236**	**6,284**

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

	30.06.2019	31.12.2018
1. Amount at period-start	**46,581**	**43,672**
2. Increases	**6,104**	**18,686**
2.1 Deferred tax assets for the period:	6,104	16,753
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversals	-	-
d) other	6,104	16,753
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1,933
of which:		
- *adjustment for IFRS 9 FTA*	-	*1,817*
3. Decreases	**10,664**	**15,777**
3.1 Deferred tax assets eliminated in the period:	10,664	15,777
a) transfers	10,448	15,399
b) write-downs for non-recoverability	216	378
c) change in accounting criteria	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	-
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	-	-
4. Amount at period-end	**42,021**	**46,581**

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

	30.06.2019	31.12.2018
1. Amount at period-start	**8,107**	**8,107**
2. Increases	**-**	**-**
3. Decreases	**323**	**-**
3.1 Transfers	323	-
3.2 Conversion into tax credits:	-	-
a) due to losses for the period	-	-
b) due to fiscal losses	-	-
3.3 Other decreases	-	-
4. Amount at period-end	**7,784**	**8,107**

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

	30.06.2019	31.12.2018
1. Amount at period-start	**5,200**	**2,731**
2. Increases	**402**	**5,010**
2.1 Deferred tax liabilities recognised in the period:	398	1,233
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	398	1,233
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4	3,777
of which:		
- *adjustment for IFRS 9 FTA-IFRS 15*	-	*3,777*
3. Decreases	**952**	**2,541**
3.1 Deferred tax liabilities eliminated in the period:	952	2,541
a) transfers	936	2,514
b) change in accounting criteria	-	-
c) other	16	27
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at period-end	**4,650**	**5,200**

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

	30.06.2019	31.12.2018
1. Amount at period-start	**6,137**	**1,287**
2. Increases	**111**	**7,402**
2.1 Deferred tax assets for the period:	62	7,383
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	62	7,383
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	49	19
3. Decreases	**4,330**	**2,552**
3.1 Deferred tax assets eliminated in the period:	447	1
a) transfers	447	1
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	3,883	2,551
of which:		
- *adjustment for IFRS 9 FTA*	-	*756*
4. Amount at period-end	**1,918**	**6,137**

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

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

	30.06.2019	31.12.2018
1. Amount at period-start	**1,084**	**11,809**
2. Increases	**4,386**	**409**
2.1 Deferred tax liabilities recognised in the period:	4,386	409
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	4,386	409
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**3,884**	**11,134**
3.1 Deferred tax liabilities eliminated in the period:	-	5,166
a) transfers	-	5,166
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	3,884	5,968
of which:		
- *adjustment for IFRS 9 FTA*	-	*4,173*
4. Amount at period-end	**1,586**	**1,084**

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

1.8 Other assets - Item 130

1.8.1 Breakdown of other assets

	30.06.2019	31.12.2018
Fiscal items	**54,500**	**61,602**
Advances paid to fiscal authorities – current account withholdings	653	829
Advances paid to fiscal authorities – stamp duty	44,122	43,305
Advances of substitute tax on capital gains	7,787	15,127
Excess payment of substitute tax for tax shield	634	634
Other advances paid to and sums due from fiscal authorities	903	914
Sums due from fiscal authorities for VAT	21	115
Sums due from fiscal authorities for other taxes to be refunded	380	678
Leasehold improvements	**6,174**	**6,558**
Operating loans not related to financial transactions	**511**	**155**
Sundry advances to suppliers and employees	**10,806**	**1,540**
Cheques under processing	**12,832**	**7,312**
Money orders and other amounts receivable	12,832	7,312
Other amounts to be debited under processing	**115,311**	**30,774**
Amounts to be settled in the clearing house (debits)	1,016	6,095
Clearing accounts for securities and funds procedure	94,016	22,187
Other amounts to be debited under processing	20,279	2,492
Amounts receivable for legal disputes related to non-credit transactions	**65**	**446**
Trade receivables from customers and banks that cannot be traced back to specific items	**19,017**	**32,407**
Other amounts	**177,309**	**173,662**
Prepayments for the supplementary fees for sales network	113,487	123,585
Prepayments of exclusive portfolio management fees	256	333
Prepayments for ordinary incentives	37,269	26,346
Prepayments of segregated asset management fees	12,149	14,611
Other accrued income and deferred charges that cannot be traced back to specific items	13,974	8,644
Sundry amounts	174	143
Total	**396,525**	**314,456**

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

Incremental costs of obtaining a contract or incurred to fulfil a contract with customers

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

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

Prepayments for ordinary incentives to the sales network constitute incremental costs of obtaining a contract or costs incurred to fulfil a contract and consist of fees paid annually to the existing sales network based on the achievement of net inflows targets, irrespective of whether they have been achieved by acquiring new customers or by strengthening relationships already in place with existing customers.
This latter class of assets includes a portion of incentives paid to the management in respect of the recruitment of new Financial Advisors, essentially based on net inflows targets and akin to recruitment incentives, subject to recognition upon FTA of IFRS 15.

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

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

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

	31.12.2018	AMORTISATION	OF WHICH RELATED TO PRIOR YEARS	INCREASES	OTHER CHANGES	30.06.2019
Supplementary fees	123,585	-23,573	-20,938	13,475	-	113,487
Ordinary incentives	26,346	-7,215	-3,478	18,690	-552	37,269
Up-front fees on segregated accounts	14,611	-2,440	-2,440	-	-22	12,149
Total network incentives	**164,542**	**-33,228**	**-26,856**	**32,165**	**-574**	**162,905**
Entry bonus on BG Solution portfolio management	2,414	-462	-394	1,115	-	3,067
Bonus on JPM funds	1,031	-291	-286	36	-	776
Total other acquisition costs	**3,445**	**-753**	**-680**	**1,151**	**-**	**3,843**
Total	**167,987**	**-33,981**	**-27,536**	**33,316**	**-574**	**166,748**

Other unallocated prepaid expenses of 10,387 thousand euros consist primarily of prepaid expenses not accrued during the half year and refer in particular to lease prepayments, insurance premiums and other general and administrative expenses.

2. Net Equity and Liabilities

2.1 Financial liabilities measured at amortised cost - Item 10

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

TYPE OF TRANSACTIONS/VALUES	30.06.2019 BOOK VALUE	31.12.2018 BOOK VALUE
1. Due to Central Banks	**-**	**-**
2. Due to banks	**100,087**	**128,725**
2.1 Current accounts and demand deposits	79,843	108,850
2.2 Term deposits	-	-
2.3 Loans:	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Liabilities for repurchase commitments of own equity instruments	-	-
2.5 Lease liabilities/debts	-	-
2.6 Other debts	20,244	19,875
Total	**100,087**	**128,725**

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

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

TYPE OF TRANSACTIONS/VALUES	30.06.2019 BOOK VALUE	31.12.2018 BOOK VALUE
1. Current accounts and demand deposits	9,347,676	8,187,790
2. Term deposits	17,800	25,939
3. Financing	44,115	173,824
3.1 Repurchase agreements	-	130,542
3.2 Other	44,115	43,282
4. Liabilities for repurchase commitments of own equity instruments	-	-
5. Lease liabilities/debts	136,076	-
6. Other debts	121,689	159,318
Total	**9,667,356**	**8,546,871**

Item 6 "Other debts" refers for 6,711 thousand euros to the stock of money orders issued by the parent company Banca Generali in relation to claims payment of insurance companies of the Generali Group, for 22,941 thousand euros to amounts available to customers and, for the remaining amount, to trade payables to the sales network.

The item 3.2 "Financing – Other", amounting to 44,115 thousand euros, exclusively refers to a subordinated loan in the amount of 43 million euros from the German company Generali Beteiligungs GmbH to fund the acquisition of the Credit Suisse (Italy) S.p.A. business unit. The loan, entered into on 30 October 2014, has a ten-year term and is repayable on maturity in one instalment. Provision is also made for an early repayment option, as from the sixth year, subject to the supervisory authority's prior approval. The interest rate for the first 5 years is fixed and equal to 3.481% per annum, corresponding to the 5-year mid swap rate identified at the contract execution date, plus a spread of 300 bps; from the start of the sixth year the rate will be reparameterised to the 3-month Euribor, plus the same spread identified when the original fixed rate was determined. The loan is subordinated in the event of a default by the Bank.
Item 5 "Lease liabilities/debts" includes the liability relating to lease payments determined on the basis of the new IFRS 16 - *Leases*, which entered into force on 1 January 2019.

2.2 Financial liabilities held for trading - Item 20

2.2.1 Breakdown of HFT financial liabilities

	30.06.2019					31.12.2018				
		FAIR VALUE					FAIR VALUE			
TYPE OF TRANSACTIONS/VALUES	NV	L1	L2	L3	FV (*)	NV	L1	L2	L3	FV (*)
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds:	-	-	-	-	-	-	-	-	-	-
3.1.1 structured	-	-	-	-	X	-	-	-	-	X
3.1.2 other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities:	-	-	-	-	-	-	-	-	-	-
3.2.1 structured	-	-	-	-	X	-	-	-	-	X
3.2.2 other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial	-	-	314	-	-	-	-	384	-	-
1.1 Trading	X	-	314	-	X	X	-	384	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**314**	**-**	**X**	**X**	**-**	**384**	**-**	**X**
Total (A + B)	**X**	**-**	**314**	**-**	**X**	**X**	**-**	**384**	**-**	**X**

(*) FV: fair value measured without taking account of changes in value due to theissuer's creditworthiness changes compared to issue date.

HFT financial liabilities consist for 314 thousand euros of trading transactions relating to currency outrights with customers as counterparty. This item has its balancing entry in assets classified under Item 20.

2.3 Hedging derivatives – Item 40

2.3.1 Hedging derivatives: breakdown by type of hedge and hierarchy levels

	30.06.2019				31.12.2018			
	FAIR VALUE			NOMINAL VALUE	FAIR VALUE			NOMINAL VALUE
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**3,176**	**-**	**160,000**	**-**	**-**	**-**	**-**
1) Fair value	-	3,176	-	160,000	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**3,176**	**-**	**160,000**	**-**	**-**	**-**	**-**

2.3.2 Hedging derivatives: breakdown of portfolios hedged and type of hedge

	FAIR VALUE							CASH FLOWS		
	SPECIFIC						GENERAL			
HEDGING TRANSACTIONS/TYPE	DEBT SECURITIES AND INTEREST RATES	EQUITY SECURITIES AND EQUITY INDICES	CURRENCIES AND GOLD	CREDIT	GOODS	OTHER		SPECIFIC	GENERAL	FOREIGN INVEST-MENTS
1. Financial assets at fair value through other comprehensive income	1,542	-	-	-	X	X	X	-	X	X
2 Financial assets at amortised cost	1,634	X	-	-	X	X	X	-	X	X
3 Portfolio	X	X	X	X	X	X	-	X	-	X
4 Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**3,176**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1 Financial liabilities	-	X	-	-	-	-	X	-	X	X
2 Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1 Expected transactions	X	X	X	X	X	X	X	-	X	X
2 Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

2.4 Tax liabilities - Item 60

2.4.1 Breakdown of tax liabilities – Item 60

The relevant analysis is given in Section 1.7 (Assets).

2.5 Other liabilities - Item 80

2.5.1 Breakdown of other liabilities

	30.06.2019	31.12.2018
Trade payables	**18,688**	**29,722**
Due to suppliers	18,022	29,083
Due for payments on behalf of third parties	666	639
Due to staff and social security institutions	**15,684**	**20,088**
Due to staff for accrued holidays, etc.	4,344	3,074
Due to staff for productivity bonuses to be paid out	5,723	10,001
Contributions to be paid to social security institutions	1,761	2,711
Contributions to Financial Advisors to be paid to Enasarco	3,856	4,302
Tax authorities	**38,186**	**18,026**
Withholding taxes to be paid to tax authorities on behalf of employees and contract workers	4,880	4,876
Withholding taxes to be paid to tax authorities on behalf of customers	4,678	2,485
Notes to be paid into collection services	23,018	10,284
VAT payables	5,026	279
Tax payables - other (stamp duty and substitute tax on medium-/long-term loans)	584	102
Amounts to be debited under processing	**95,002**	**68,756**
Bank transfers, cheques and other sums payable	6,312	11,677
Amounts to be settled in the clearing house (credits)	25,015	29,033
Liabilities from reclassification of portfolio subject to collection (SBF)	785	3,724
Other amounts to be debited under processing	62,890	24,322
Sundry items	**7,940**	**5,584**
Accrued expenses and deferred income that cannot be traced back to specific items	4,295	1,867
Sums made available to customers	1,296	1,182
Sundry items	1,884	1,606
Amounts to be credited	465	929
Total	**175,500**	**142,176**

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

Opening balance at 1 January 2019	**1,573**
Increases	45
Decreases due to the transfer to profit and loss	-436
of which:	
- *relating to prior years*	*-432*
Closing balance at 30 June 2019	**1,182**

2.6 Provisions for termination indemnity — Item 90

2.6.1 Breakdown of provisions for termination indemnity

ITEMS/VALUES	30.06.2019	31.12.2018
Provision for termination indemnity	4,925	4,831
Total	**4,925**	**4,831**

2.6.2 Provisions for termination indemnity: changes

	30.06.2019	31.12.2018
A. Amount at period-start	**4,831**	**4,859**
Change in opening balance	**-**	**-**
B. Increases	**209**	**142**
B.1 Provisions for the period	32	71
B.2 Other increases	177	71
C. Decreases	**115**	**170**
C.1 Amounts paid	115	170
C.2 Other decreases	-	-
D. Amount at period-end	**4,925**	**4,831**

2.6.3 Other information

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

The provision was measured based on the actuarial value using the methods described in Part. A.2 of the Notes and Comments to the Consolidated Financial Statements as of 31 December 2018.

The following table shows the main actuarial assumptions and the breakdown of the provisions for the period and actuarial gains/(losses):

	30.06.2019	31.12.2018
Discount rate (*)	0.87%	1.44%
Annual inflation rate	1.10%	2.00%
Salary increase rate	1.80%	2.00%
Average duration (years)	10	10

(*) Rate applied to Banca Generali.

	30.06.2019	31.12.2018
1. Provisions:	32	71
Current service cost	4	14
Interest cost	28	57
2. Actuarial gains and losses	177	71
- based on financial assumptions	272	-79
- based on actuarial demographic assumptions	-95	150
Total provisions for the period	**209**	**142**
Actuarial value	**4,925**	**4,831**
Value calculated re. Article 2120 of the Italian Civil Code	**4,509**	**4,520**

2.7 Provisions for liabilities and contingencies - Item 100

2.7.1 Breakdown of provisions for liabilities and contingencies

ITEMS/COMPONENTS	30.06.2019	31.12.2018
1. Provisions for credit risk relating to commitments and financial guarantees issued	52	86
2. Provisions for other commitments and other guarantees issued	-	-
3. Company provisions for pensions	-	-
4. Other provisions for liabilities and contingencies	148,947	159,928
4.1 Legal and tax disputes	12,097	14,287
4.2 Staff	14,280	15,131
4.3 Other	122,570	130,510
Total	**148,999**	**160,014**

2.7.2 Provisions for liabilities and contingencies: year changes

ITEMS/COMPONENTS	PROVISIONS FOR COMMITMENTS AND GUARANTEES ISSUED	PROVISIONS FOR PENSIONS	OTHER PROVISIONS FOR LIABILITIES AND CONTINGENCIES	TOTAL
A. Amount at period-start	**86**	**-**	**159,928**	**160,014**
B. Increases	**-**	**-**	**22,247**	**22,247**
B.1 Provisions for the period	-	-	21,960	21,960
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to different discount rates	-	-	-	-
B.4 Other changes	-	-	287	287
C. Decreases	**34**	**-**	**33,228**	**33,262**
C.1 Use in the period	-	-	28,611	28,611
C.2 Changes due to different discount rates	-	-	-	-
C.3 Other changes	34	-	4,617	4,651
D. Amount at period-end	**52**	**-**	**148,947**	**148,999**

2.7.3 Other provisions for liabilities and contingencies - details of movements

	31.12.2018	OTHER CHANGES	USES	SURPLUS	PROVISIONS	30.06.2019
Provision for staff expenses	**15,131**	**-82**	**-3,321**	**-349**	**2,901**	**14,280**
Provision for restructuring plan	1,369	-	-256	-	-	1,113
Provision for staff expenses – other	13,762	-82	-3,065	-349	2,901	13,167
Provisions for legal disputes	**14,287**	**-**	**-3,144**	**-891**	**1,845**	**12,097**
Provision for risks related to legal disputes connected with sales network's embezzlements	6,784	-	-260	-133	710	7,101
Provision for risks related to legal disputes with sales network	980	-	-	-100	-	880
Provision for other legal disputes	6,523	-	-2,884	-658	1,135	4,116
Provision for termination indemnity of Financial Advisors	**81,595**	**287**	**-949**	**-647**	**7,318**	**87,604**
Provision for termination indemnity of sales network	55,117	-	-619	-491	3,380	57,387
Provision for managerial development indemnity	7,057	-	-244	-29	1,168	7,952
Provision for portfolio overfee indemnities	3,530	-	-41	-27	57	3,519
Provision for pension bonuses	8,601	287	-45	-100	126	8,869
Provisions for Framework Loyalty Programme	7,290	-	-	-	2,587	9,877
Provisions for risks related to network incentives	**46,131**	**-26**	**-21,049**	**-2,562**	**9,518**	**32,012**
Provision for network development plans	32,603	-	-12,982	-2,377	7,717	24,961
Provision for deferred bonus	1,212	-26	-313	-	33	906
Provisions for managers with access gate	3,972	-	-2,219	-	-	1,753
Provision for sales incentives	4,713	-	-2,089	-	-	2,624
Provision for fees – travel incentives	3,251	-	-3,066	-185	1,600	1,600
Provision for fee plans	380	-	-380	-	168	168
Other provisions for liabilities and contingencies	**2,784**	**-60**	**-148**	**-**	**378**	**2,954**
Total	**159,928**	**119**	**-28,611**	**-4,449**	**21,960**	**148,947**

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

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Commitments to disburse funds	-	-	-	**-**
Financial guarantees issued	41	11	-	**52**
Total	**41**	**11**	**-**	**52**

2.7.5 Provisions for liabilities and contingencies — other provisions

2.7.5.1 Provisions for staff expenses

Provisions for staff expenses include the following amounts:

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

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

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

2.7.5.2 Restructuring provisions — Redundancy incentives plan

The voluntary redundancy plan covered by the specific company restructuring provision was launched at the end of 2015 to encourage the rotation of resources through incentives for voluntary departure granted to groups of employees nearest to retirement age, and the filling of the resulting vacant positions with professional and/or managerial profiles more suited to the specific skills now required from a business standpoint.
The redundancy incentives plan was prolonged by the Board of Directors on 11 December 2018 until 31 December 2019, with a limited amount of resources of 1.3 million euros.

2.7.5.3 Provisions for legal disputes

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

2.7.5.4 Provisions for contractual indemnities for the sales network

These include provisions for termination indemnities paid to the sales network, the portfolio development indemnity, the social-security bonus, the provisions associated with the Framework Loyalty Programme (approved by the General Shareholders' Meeting on 20 April 2017) and the provisions for manager development indemnity.
Provisions covering the cost of the **termination indemnity** of Financial Advisors with an agency agreement is valued as provided for by the law (Article 1751 of the Italian Civil Code) and the specific disbursement criteria defined by Banca Generali. Further details on the latter are provided in Part A.2 of the Notes and Comments of the Consolidated Financial Statements for the year ended on 31 December 2018.
The expenses associated with obligations extant at period-end relating to Financial Advisors are valued using the statistical-actuarial method, with the advice of independent professionals.

The following are the main actuarial assumptions:

TERMINATION INDEMNITY	30.06.2019	31.12.2018
Discount rate (Eur IRS + 210 bps)	2.5%	2.5%
Turnover rate (professionals)	1.30%	1.30%
Average duration (years)	13 years	13 years
DBO IAS 37/Indemnity provision at the measurement date	60.29%	59.54%

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

The increase in the provision for termination indemnities accrued by Financial Advisors during the period was mainly due to higher basic fees as a result of the increase in the number of active Financial Advisors and the ongoing development of business, and the adjustment of demographic and statistical parameters.

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

The DBO already accrued by Financial Advisors formerly employed by Credit Suisse, totalling 2.8 million euros, is still based on the payment criteria established by the previous employer and was recognised as a debt payable to the acquired sales network. The DBO they have accrued with Banca Generali will be due only for the amount exceeding that accrued with Credit Suisse, if any.

The portfolio development indemnity is instead a scheme (further details are provided in Part A.2 of the Notes and Comments of the Consolidated Financial Statements as at 31 December 2018) that calls for Financial Advisors with at least five years of service who leave service permanently to be entitled to an indemnity commensurate to the profitability of the portfolio previously managed, in case of reallocation of the latter.
The indemnity due to the outgoing FA is entirely borne by the incoming FA identified by the Company, except for a residual guarantee by the Bank — equal to 25% of the total indemnity — in the event of termination for death or permanent disability.
Even in this case, the charge is determined based on the statistical actuarial method, with the support of independent experts and with reference to the percentage of the Bank's residual risk, i.e., 25% of the indemnity due in case of death or permanent disability.

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

Within the framework of provisions for contractual indemnities, on 21 March 2017 the Board of Directors granted its final approval for a **Framework Loyalty Programme for the Sales Network** aimed at improving the retention of the network and the customers acquired over time, and creating value for the Group by attracting stable, high-quality net inflows.
The Framework Loyalty Program is divided into eight separate plans, all set to expire on 31 December 2026 and of decreasing lengths, which may be activated from one year to the next, with the authorisation of the Banca Generali Group's company bodies and in accordance with its remuneration policies.
The individual plans of the Framework Loyalty Program for the Sales Network will all expire on 31 December 2026, after decreasing lengths, and each will allow part of the bonus to be paid in cash and part in shares of Banca Generali (max 50%), after having assessed their effects at the level of capital ratios and free float. The Banca Generali shares for each of the eight plans will be purchased on the market after authorisation is granted, from one year to the next, by the company bodies (Board of Directors and Shareholders' Meeting) and the Regulator.
2019 saw the launch of the third annual cycle (2019-2026).

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

2.7.5.5 Provisions for sales network incentives

This aggregate includes:

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

2.7.5.6 Other provisions for liabilities and contingencies

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

Tax dispute

In the tax dispute relating to 2014, there were new contacts with the Italian Agency of Revenue during the second quarter, without however achieving a final definition of the dispute. Accordingly, the reader is referred to the information previously disclosed in the 2018 Annual Integrated Report.

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

2.8.1 Breakdown of share capital and treasury shares

	UNIT VALUE	NUMBER	NOMINAL VALUE (€)	BOOK VALUE (€ THOUSAND)
Share capital				
- Ordinary shares	1.00	116,851,637	116,851,637	116,852
Treasury shares				
- Ordinary shares	1.00	-843,321	-843,321	-20,677
		116,008,316	**116,008,316**	**96,175**

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

ITEMS/TYPES	ORDINARY	OTHER
A. Existing shares at period-start	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-
A.1 Treasury shares (-)	-929,090	-
A.2 Outstanding shares: at period-start	**115,922,547**	**-**
B. Increases	**125,885**	**-**
B.1 Newly issued shares		
- against payment:	-	-
- business combinations	-	-
- bonds conversion	-	-
- exercise of warrants	-	-
- other	-	-
- for free:	-	-
- to staff	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	125,885	-
B.3 Other changes	-	-
C. Decreases	**-40,116**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-40,116	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: at period-end	**116,008,316**	**-**
D.1 Treasury shares (+)	843,321	-
D.2 Existing shares at period-end	**116,851,637**	**-**
- paid up	116,851,637	-
- partially paid	-	-

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

PART C – INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

1. Interests - Items 10 and 20

1.1 Breakdown of interest income and similar revenues

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	FINANCING	OTHER TRANSACTIONS	30.06.2019	30.06.2018
1. Financial assets measured at fair value through profit or loss	**63**	**-**	**-**	**63**	**98**
1.1 HFT financial assets	33	-	-	33	50
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	30	-	-	30	48
2. Financial assets at fair value through other comprehensive income	**1,854**	**-**	**X**	**1,854**	**2,473**
3. Financial assets at amortised cost	**25,045**	**10,606**	**-**	**35,651**	**27,474**
3.1 Loans to banks	723	380	X	1,103	1,002
3.2 Loans to customers	24,322	10,226	X	34,548	26,472
4. Hedging derivatives	X	X	**-**	**-**	**-**
5. Other assets	X	X	-	**-**	**-**
6. Financial liabilities	X	X	X	**938**	**1,174**
Total	**26,962**	**10,606**	**-**	**38,506**	**31,219**
of which:					
- *interest income on impaired financial assets*	-	-	-	*230*	*300*

By convention, interest on “Financial liabilities” includes the negative interest expense accrued on funding transactions and refers in part to funding repurchase agreements with banks and customers and in part to the negative interest applied to the captive balances of the Generali Group and Banking Group.

1.2 Interest income and similar revenues: further information

	30.06.2019	30.06.2018
Interest income on bank deposits and current accounts	3	13
Repurchase agreements with banks	-	87
Repurchase agreements with customers	53	332
Interest income on customer deposits and current accounts	882	742
Total interest income on other liabilities	**938**	**1,174**

1.3 Breakdown of interest expense and similar charges

ITEMS/TECHNICAL TYPES	DEBTS	SECURITIES	OTHER TRANSACTIONS	30.06.2019	30.06.2018
1. Financial liabilities at amortised cost:	3,844	X	X	**3,844**	**1,452**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	308	X	X	308	248
1.3 Due to customers	3,536	X	X	3,536	1,204
1.4 Securities issued	X	-	X	-	-
2. HFT financial liabilities	-	-	-	**-**	**-**
3. Financial liabilities designated at fair value	-	-	-	**-**	**-**
4. Other liabilities and funds	X	X	-	**-**	**-**
5. Hedging derivatives	X	X	-	**-**	**-**
6. Financial assets	X	X	X	**1,080**	**1,708**
Total	**3,844**	**-**	**-**	**4,924**	**3,160**
of which:					
- *interest expense relating to lease debts/liabilities*	-	-	*1,705*	*1,705*	-

The Item 1.3 “Financial liabilities at amortised cost - due to customers” includes amounts due to customers amounting to 1.7 million euros referring to interest accrued on lease payment debts/liabilities determined according to the new IFRS 16, which entered into force on 1 January 2019.

By convention, interest on “Financial assets” includes the negative interest income accrued on lending transactions and primarily refers to demand deposits with the Central Bank.

1.4 Interest expense and similar charges: further information

	30.06.2019	30.06.2018
Interest expense on deposits with the ECB	996	1,656
Interest expense on deposits with banks	60	33
Repurchase agreements with customers	8	1
Interest expense on customer deposits	16	18
Total interest expense on other assets	**1,080**	**1,708**

1.5 Hedging differentials

ITEMS	30.06.2019	30.06.2018
A. Hedging gains	20	-
B. Hedging losses	20	-
C. Total (A – B)	**-**	**-**

2. Fees - Items 40 and 50

2.1 Breakdown of fee income

TYPE OF SERVICE/VALUES	30.06.2019	30.06.2018
a) Guarantees issued	281	284
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	419,853	371,897
1. trading of financial instruments	8,037	6,659
2. currency trading	-	-
3. portfolio management	225,479	189,452
3.1 individual	*37,988*	*41,248*
3.2 collective	*187,491*	*148,204*
4. custody and administration of securities	140	135
5. depository bank	-	-
6. placement of securities	55,913	52,095
7. order receiving and collection	3,602	5,806
8. consultancy activities	10,685	7,307
8.1 investment advice	*10,685*	*7,307*
8.2 advice on financial structure	-	-
9. distribution of third-party services	115,997	110,443
9.1. portfolio management	391	377
9.1.1 individual	-	-
9.1.2 collective	*391*	*377*
9.2 insurance products	115,394	109,759
9.3 other products	212	307
d) Collection and payment services	2,054	2,102
e) Servicing related to securitisations	-	-
f) Factoring-related services	-	-
g) Tax collection services	-	-
h) Management of multilateral exchange facilities	-	-
i) Keeping and management of current accounts	943	1,011
j) Other services	1,338	1,310
all-inclusive fees on credit lines	*937*	*869*
Total	**424,469**	**376,604**

2.2 Breakdown of fee expense

SERVICES/VALUES	30.06.2019	30.06.2018
a) Guarantees received	-	10
b) Credit derivatives	-	-
c) Management and brokerage services:	181,869	185,199
1. trading of financial instruments	1,940	3,288
2. currency trading	-	-
3. portfolio management	13,548	14,711
3.1 own portfolio	13,548	14,711
3.2 third-party portfolio	-	-
4. custody and administration of securities	910	856
5. placement of financial instruments	-	-
6. off-premises offer of financial instruments, products and services	165,471	166,344
d) Collection and payment services	2,056	1,917
e) Other services	514	414
Total	**184,439**	**187,540**

3. Dividends and similar income - Item 70

3.1 Breakdown of dividends and similar income

ITEMS/INCOME	30.06.2019 DIVIDENDS	30.06.2019 SIMILAR INCOME	30.06.2018 DIVIDENDS	30.06.2018 SIMILAR INCOME
A. HFT financial assets	-	-	38	-
B. Other financial assets mandatorily measured at fair value	56	721	52	625
C. Financial assets measured at fair value through other comprehensive income	1,380	-	824	-
D. Equity investments	-	-	-	-
Total	**1,436**	**721**	**914**	**625**

4. Net income from trading - Item 80

4.1 Breakdown of net income from trading

TRANSACTIONS/INCOME COMPONENTS	CAPITAL GAINS	INCOME FROM TRADING	CAPITAL LOSSES	LOSSES FROM TRADING	NET RESULT 30.06.2019	NET RESULT 30.06.2018
1. HFT financial liabilities	**430**	**215**	**10**	**71**	**564**	**256**
1.1 Debt securities	430	158	10	22	556	154
1.2 Equity securities	-	55	-	42	13	105
1.3 UCITS units	-	2	-	7	-5	-3
1.4 Loans	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. HFT financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-	-
2.2 Debts	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**2,663**	**2,836**
3. Derivatives	**-**	**-**	**-**	**2**	**-1**	**-51**
3.1 Financial:	-	-	-	2	-1	-51
- on debt securities and interest rates	-	-	-	-	-	-
- *interest rate swaps*	-	-	-	-	-	-
- *government bond forwards*	-	-	-	-	-	-
- on equity securities and stock indexes	-	-	-	2	-2	-56
- *options*	-	-	-	-	-	*-39*
- *futures*	-	-	-	*2*	*-2*	*-17*
- on currency and gold (1)	X	X	X	X	1	5
- other	-	-	-	-	-	-
3.2 Credit	-	-	-	-	-	-
of which:						
- *of which natural hedging related to the fair value option*	*X*	*X*	*X*	*X*	-	-
Total	**430**	**215**	**10**	**73**	**3,226**	**3,041**

(1) It includes currency options and currency outrights.

5. Net income from hedging - Item 90

5.1 Breakdown of net income from hedging

INCOME COMPONENTS/VALUES	30.06.2019	30.06.2018
A. Income from:		
A.1 Fair-value hedge derivatives	158	-
A.2 Hedged financial assets (fair value)	1,804	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedge derivatives	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total income from hedging (A)	**1,962**	**-**
B. Charges from:		
B.1 Fair-value hedge derivatives	1,785	-
B.2 Hedged financial assets (fair value)	161	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedge derivatives	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total charges from hedging (B)	**1,946**	**-**
C. Net income from hedging (A – B)	**16**	**-**

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

6.1 Breakdown of gains (losses) on disposal/repurchase

	30.06.2019			30.06.2018		
ITEMS/INCOME COMPONENTS	GAINS	LOSSES	NET RESULT	GAINS	LOSSES	NET RESULT
Financial assets						
1. Financial assets at amortised cost:	60	-	60	6	-	6
1.1 Loans to banks	12	-	12	6	-	6
1.2 Loans to customers	48	-	48	-	-	-
2. Financial assets at fair value through other comprehensive income	2,696	1,386	1,310	17,425	1,976	15,449
2.1 Debt securities	2,696	1,386	1,310	17,425	1,976	15,449
2.2 Loans	-	-	-	-	-	-
Total assets	**2,756**	**1,386**	**1,370**	**17,431**	**1,976**	**15,455**
Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

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

	POSITIVE	NEGATIVE	NET
Debt securities	-	-1,386	-1,386
Total	**-**	**-1,386**	**-1,386**

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

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

	30.06.2019					30.06.2018				
ITEMS/INCOME COMPONENTS	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT	CAPITAL GAINS	GAINS ON DISPOSAL	CAPITAL LOSSES	LOSSES ON DISPOSAL	NET RESULT
1. Financial assets	3,170	821	3,001	1,713	-723	1,952	112	644	873	547
1.1 Debt securities	22	-	-	-	22	-	96	75	-	21
1.2 Equity securities	120	-	2,338	-	-2,218	-	-	493	-	-493
1.3 UCITS units	2,533	806	278	1,713	1,348	1,952	16	76	873	1,019
1.4 Loans	495	15	385	-	125	-	-	-	-	-
2. Financial assets: exchange differences	X	X	X	X	-	X	X	X	X	-
Total assets	**3,170**	**821**	**3,001**	**1,713**	**-723**	**1,952**	**112**	**644**	**873**	**547**

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

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

	ADJUSTMENTS			REVERSALS			
		STAGE 3					
TRANSACTIONS/INCOME COMPONENTS	STAGE 1 AND STAGE 2	WRITE-OFF	OTHER	STAGE 1 AND STAGE 2	STAGE 3	30.06.2019	30.06.2018
A. Loans to banks	**-**	**-**	**-**	**83**	**-**	**83**	**-38**
Loans	-	-	-	82	-	82	-
Debt securities	-	-	-	1	-	1	-38
of which:							
- *acquired or originated impaired loans*	-	-	-	-	-	-	-
B. Loans to customers	**211**	**12**	**7,067**	**3,899**	**877**	**-2,514**	**-2,218**
Loans	211	12	512	-	877	142	-342
Debt securities	-	-	6,555	3,899	-	-2,656	-1,876
of which:							
- *acquired or originated impaired loans*	-	-	-	-	-	-	-
Total	**211**	**12**	**7,067**	**3,982**	**877**	**-2,431**	**-2,256**

Adjustments to loans to customers classified under “Stage 3” amounted to 512 thousand euros and included 367 thousand euros for positions past due by more than 90 days, 72 thousand euros for unlikely-to-pay positions, and, for the remainder, to other operating loans and loans to sales network.

These write-downs were offset through reversals relating to positions past due at the end of the previous year (100 thousand euros) and reclassified out of the non-performing category, to unlikely-to-pay exposures (569 thousand euros), to bad loans (201 thousand euros) and, for the remainder, to operating loans and loans to sales network.

Portfolio net reversals on debt securities classified under “Stage 1” and “Stage 2” amounted to 3,900 thousand euros and refer to the adjustments of the collective reserve allocated to account for potential impairment of the bond portfolio.

During the transition to IFRS 9, the method for calculating impairment was modified from PD based on historical series of default rates surveyed globally by issuer rating class and residual maturity of the security to a new forward-looking method based on market price trends, from which the credit-risk component has been isolated.

The 6,555 thousand euro analytical impairment was attributable exclusively to the Tyndaris security.

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

	ADJUSTMENTS			REVERSALS			
		STAGE 3					
TRANSACTIONS/INCOME COMPONENTS	STAGE 1 AND STAGE 2	WRITE-OFF	OTHER	STAGE 1 AND STAGE 2	STAGE 3	30.06.2019	30.06.2018
A. Debt securities	-	-	-	1,288	-	1,288	-1,350
B. Loans	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
of which:							
- *acquired or originated impaired financial assets*	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**1,288**	**-**	**1,288**	**-1,350**

Portfolio reversals on debt securities classified under “Stage 1” and “Stage 2” amounted to 1,288 thousand euros and refer to the adjustments of the collective reserve allocated to account for potential impairment of the bond portfolio.

During the transition to IFRS 9, the method for calculating impairment was modified from PD based on historical series of default rates surveyed globally by issuer rating class and residual maturity of the security to a new forward-looking method based on market price trends, from which the credit-risk component has been isolated.

9. General and administrative expenses - Item 190

9.1 Breakdown of general and administrative expenses

	30.06.2019	30.06.2018
190 a) staff expenses	45,011	42,309
190 b) other general and administrative expenses	71,422	74,215
Total	**116,433**	**116,524**

9.2 Breakdown of staff expenses

TYPE OF EXPENSES/SECTORS	30.06.2019	30.06.2018
1) Employees	**44,269**	**41,530**
a) Wages and salaries	24,935	23,430
b) Social security charges	6,347	5,862
c) Termination indemnity	270	266
d) Retirement benefit plans	-	-
e) Provision for termination indemnity	33	24
f) Provision for pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Amounts paid to supplementary external pension funds:	2,310	2,077
- defined contribution	2,310	2,077
- defined benefit	-	-
h) Costs related to payment agreements based on own equity instruments	1,390	1,137
i) Other employee benefits	8,984	8,734
2) Other staff	**33**	**172**
3) Directors and Auditors	**694**	**711**
4) Retired personnel	**15**	**15**
5) Recovery of expenses for staff seconded to other companies	**-**	**-119**
6) Repayments of expenses for third-party staff seconded to the Company	**-**	**-**
Total	**45,011**	**42,309**

9.3 Breakdown of personnel

	30.06.2019	30.06.2018
Employees	**917**	**884**
a) Managers	53	48
b) Total executives	285	267
of which:		
- *3rd and 4th level*	*162*	*150*
c) Employees at other levels	579	569
Other personnel	**1**	**-**
Total	**918**	**884**

9.4 Other employee benefits

	30.06.2019	30.06.2018
Short-term productivity bonuses	**5,515**	**5,284**
Long-term benefits	**617**	**821**
Deferred variable remuneration	617	821
Other benefits	**2,852**	**2,629**
Charges for staff supplementary pensions	1,436	1,336
Amounts replacing cafeteria indemnities	519	527
Training expenses	181	287
Allowances and charitable gifts	61	157
Transfer incentives and other indemnities	19	52
Other expenses	636	270
Total	**8,984**	**8,734**

Short-term productivity bonuses include the portion of non-deferred variable remuneration payable in cash (MBO) for office and sales managers and portfolio managers, the performance bonus envisaged in company supplementary contracts and allocations in service of the plan for measures for the first half of 2019.

9.5 Breakdown of other general and administrative expenses

	30.06.2019	30.06.2018
Administration	**8,388**	**6,182**
Advertising	2,319	1,685
Expenses for advisors and professionals	3,774	2,096
Corporate boards and auditing firms	221	200
Insurance	1,432	1,529
Entertainment expenses	124	148
Membership contributions	456	446
Charity	62	78
Operations	**10,819**	**18,573**
Rent and usage of premises and management of property	2,160	9,480
Outsourced administrative services	2,812	2,795
Post and telephone	1,035	1,333
Print material	560	813
Other expenses for sales network management	1,172	1,534
Other expenses and purchases	1,975	1,464
Other indirect staff expenses	1,105	1,154
Information system and equipment	**20,990**	**20,240**
Expenses related to outsourced IT services	14,700	14,835
Fees for IT services and databases	3,827	3,626
Software maintenance and servicing	2,033	391
Fees for equipment hired and software used	89	974
Other maintenance	341	414
Indirect taxation	**27,691**	**25,425**
Stamp duty on financial instruments	27,078	24,760
Substitute tax on medium/long-term financing	201	341
Other indirect taxes to be paid by the Bank	412	324
Contributions to the Italian National Resolution Fund and the Interbank Protection Fund	**3,534**	**3,795**
Total	**71,422**	**74,215**

The item's performance was directly affected by the first-time adoption of IFRS 16, which in the first half of 2019 entailed the recognition of greater depreciation of right-of-use assets associated to operating lease agreements for real estate, motor vehicles and other company equipment of 8.8 million euros, against a decrease in lease payments and rental fees of 9.5 million euros, resulting in a net positive impact of 0.7 million euros.

The remaining lease payments related to contracts of low value or with terms of less than 12 months or to costs of non-lease services (additional charges, VAT).

10. Net provisions for liabilities and contingencies - Item 200

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

	30.06.2019			30.06.2018		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provisions for commitments and guarantees issued	-	-34	**-34**	-	-86	**-86**
Total	**-**	**-34**	**-34**	**-**	**-86**	**-86**

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

	30.06.2019			30.06.2018		
	PROVISIONS	SURPLUS	NET	PROVISIONS	SURPLUS	NET
Provision for staff expenses	**1,635**	**-268**	**1,367**	**2**	**-676**	**-674**
Provision for staff expenses – other [1]	1,635	-268	1,367	2	-676	-674
Provision for legal disputes	**1,845**	**-891**	**954**	**1,753**	**-755**	**998**
Provision for risks related to legal disputes with subscribers	710	-133	577	940	-178	762
Provision for risks related to legal disputes with Financial Advisors	-	-100	-100	254	-	254
Provision for risks related to legal disputes with other parties	1,135	-658	477	559	-577	-18
Provisions for termination indemnity – Financial Advisors	**7,318**	**-647**	**6,671**	**11,287**	**-1,417**	**9,870**
Provisions for risks related to termination indemnity - Financial Advisors	3,380	-491	2,889	4,014	-946	3,068
Provision for manager incentive indemnity	1,168	-29	1,139	3,746	-	3,746
Provision for portfolio overfee indemnities	57	-27	30	-	-423	-423
Provision for pension bonuses	126	-100	26	91	-48	43
Provisions for Framework Loyalty Programme	2,587	-	2,587	3,436	-	3,436
Provisions for network incentives	**9,518**	**-2,562**	**6,956**	**17,218**	**-2,897**	**14,321**
Provision for network development plans	7,717	-2,377	5,340	15,270	-2,836	12,434
Provision for deferred bonus	33	-	33	83	-	83
Provision for sales incentives	-	-	-	391	-	391
Provision for incentive travels	1,600	-185	1,415	1,474	-57	1,417
Provision for fee plans	168	-	168	-	-4	-4
Other provisions for liabilities and contingencies	**378**	**-**	**378**	**503**	**-**	**503**
Total	**20,694**	**-4,368**	**16,326**	**30,763**	**-5,745**	**25,018**

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

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

11.1 Breakdown of net adjustments of property and equipment

ASSETS/INCOME COMPONENTS	DEPRECIATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 30.06.2019	NET RESULT 30.06.2018
A. Property and equipment					
1. Operating	9,525	-	-	9,525	750
- owned	737	-	-	737	750
- rights of use acquired through leases	8,788	-	-	8,788	-
2. Held as investments	-	-	-	-	-
- owned	-	-	-	-	-
- rights of use acquired through leases	-	-	-	-	-
3. Inventories	-	-	-	-	-
Total	**9,525**	**-**	**-**	**9,525**	**750**

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

12.1 Breakdown of net adjustments of intangible assets

ASSETS/INCOME COMPONENTS	AMORTISATION	ADJUSTMENTS FOR IMPAIRMENT	REVERSALS	NET RESULT 30.06.2019	NET RESULT 30.06.2018
A. Intangible assets					
A.1 Owned	4,267	-	-	4,267	3,409
- generated in-house	-	-	-	-	-
- other	4,267	-	-	4,267	3,409
A.2 Rights of use acquired through leases	-	-	-	-	-
Total	**4,267**	**-**	**-**	**4,267**	**3,409**

13. Other operating income and expenses - Item 230

13.1 Breakdown of other operating expenses

	30.06.2019	30.06.2018
Adjustments of leasehold improvements	1,048	872
Indemnities and compensation for litigation and claims	106	247
Charges from accounting adjustments with customers	1,402	619
Charges for card compensation and guarantees	-	12
Costs associated with tax disputes, penalties and fines	10	7
Other contingent liabilities and non-existent assets	1,241	475
Other operating expenses	-	133
Total	**3,807**	**2,365**

13.2 Breakdown of other operating income

	30.06.2019	30.06.2018
Recovery of taxes from customers	26,875	24,799
Recovery of expenses from customers	382	351
Fees for outsourced services	25	28
Charge-back of portfolio development indemnity to incoming Financial Advisors	1,879	693
Indemnities for Financial Advisors' termination without notice	207	367
Other recoveries of repayments and costs from Financial Advisors	846	668
Contingent assets related to provisions for staff expenses	1,486	698
Contributions to provision for employment in the banking sector (FOC) and the fund for staff training	30	50
Other contingent assets and non-existent liabilities	760	1,650
Insurance compensation and indemnities	399	72
Other income	281	54
Total	**33,170**	**29,430**
Total other net income	**29,363**	**27,065**

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

14.1 Breakdown of gains (losses) from equity investments

INCOME COMPONENTS/SECTORS	30.06.2019	30.06.2018
2) Companies subject to significant influence		
A. Gains	**-**	**-**
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversals	-	-
4. Other gains	-	-
B. Charges	**-52**	**-99**
1. Write-downs	-52	-99
2. Adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	**-52**	**-99**

Write-downs on equity investments amounted to 52 thousand euros and related to the measurement using the equity method of the associate company IOCA Entertainment Ltd.

15. Gains (losses) on disposal of investments - Item 280

15.1 Breakdown of gains (losses) on disposal of investments

INCOME COMPONENTS/SECTORS	30.06.2019	30.06.2018
A. Buildings	**-**	**-**
Gains on disposal	-	-
Losses on disposal	-	-
B. Other assets	**-33**	**-42**
Gains on disposal	-	-
Losses on disposal	-33	-42
Net result	**-33**	**-42**

16. Income tax for the period for current operations - Item 300

16.1 Breakdown of income tax for the period for current operations

INCOME COMPONENTS/SECTORS	30.06.2019	30.06.2018
1. Current taxation (–)	-24,475	-24,058
2. Change in prior years' current taxes (+/–)	14	39
3. Reduction of current taxes for the period (+)	-	-
3.*bis* Reduction of current taxes for the period arising on tax credits, pursuant to Law No. 214/2011 (+)	-	-
4. Changes of prepaid taxation (+/–)	-4,566	-739
5. Changes of deferred taxation (+/–)	551	1,916
6. Taxes for the period (-)	**-28,476**	**-22,842**

16.2 Reconciliation between theoretical and actual tax expense

The following table reconciles the total amount of taxes due for the period, including both current and deferred taxes, as indicated in Item 300 of the Profit and Loss Account, and the theoretical corporate income tax IRES calculated by applying the 27.5% current applicable tax rate to profit before taxation.
It should be noted that the effects of the reduction of the IRES tax rate from 27.50% to 24% with effect from 1 January 2017 for tax periods after that in progress at 31 December 2016, as per the "2016 Stability Law" were neutralised for the Bank as a result of the introduction by that same Law of a surtax of 3.5 percentage points on credit and financial institutions in respect of the same tax periods.

The reconciliation statement is therefore expressed based on higher or lower current and deferred taxes debited or credited to the Profit and Loss Account compared to the theoretical taxation.

	30.06.2019	30.06.2018
Current taxation	**-24,475**	**-24,058**
IRES	-19,745	-19,337
IRAP	-4,730	-4,721
Other	-	-
Prepaid and deferred taxation	**-4,015**	**1,177**
IRES	-3,539	841
IRAP	-476	336
Prior years' taxes	**14**	**39**
IRES	14	39
IRAP	-	-
Income taxes	**-28,476**	**-22,842**
Theoretical tax rate	**27.5%**	**27.5%**
Profit (loss) before taxation	**161,276**	**115,408**
Theoretical taxation	**-44,351**	**-31,737**
Non-taxable income (+)		
Dividends	375	229
ACE	-	351
Deductible IRAP and other	110	94
Non-deductible charges (-)		
Double taxation on 5% of Group's dividends	-1,535	-1,151
Impairment of equity securities PEX	-	-167
Other non-deductible costs	-1,163	-920
IRAP	-5,205	-4,385
Rate change of companies under foreign law	23,294	14,835
Prior years taxes	14	39
Not related deferred tax assets and liabilities	1	-
Other consolidation adjustments	-16	-30
Actual tax expense	**-28,476**	**-22,842**
Total actual tax rate	**17.7%**	**19.8%**
Actual tax rate (IRES)	**14.4%**	**16.0%**
Actual tax rate (IRAP)	**3.2%**	**3.8%**

17. Earnings per Share

17.1 Average number of ordinary shares with diluted capital

	30.06.2019	30.06.2018
Net profit for the period (€ thousand)	132,800	92,566
Earnings attributable to ordinary shares (€ thousand)	132,800	92,566
Average number of outstanding shares (thousand)	116,482	116,067
EPS - Earning per share (euros)	**1.14**	**0.80**
Average number of outstanding shares with diluted capital (thousand)	116,482	116,614
EPS - Diluted earnings per share (euros)	**1.14**	**0.79**

PART D – CONSOLIDATED COMPREHENSIVE INCOME

Analytical Consolidated Statement of Comprehensive Income

ITEMS	30.06.2019	30.06.2018
10. Net profit (loss) for the period	**132,800**	**92,566**
Other income, without transfer to Profit and Loss Account	**-129**	**-116**
20. Equity securities at fair value through other comprehensive income:	**-**	**-**
a) fair value changes	-	-
b) transfers to other net equity components	-	-
30. Financial liabilities at fair value through profit or loss (change in the own creditworthiness):	**-**	**-**
a) fair value changes	-	-
b) transfers to other net equity components	-	-
40. Equity security hedges at fair value through other comprehensive income:	**-**	**-**
a) fair value changes (hedged instrument)	-	-
b) fair value changes (hedging instrument)	-	-
50. Property and equipment	**-**	**-**
60. Intangible assets	**-**	**-**
70. Defined benefit plans	**-178**	**-160**
80. Non-current assets available for sale and disposal groups	**-**	**-**
90. Share of valuation reserves of equity investments valued at equity	**-**	**-**
100. Income taxes on other income, without transfer to Profit and Loss Account	**49**	**44**
Other income, with transfer to Profit and Loss Account	**10,066**	**-33,284**
110. Hedges of foreign investments:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
120. Exchange differences:	**1**	**-5**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	1	-5
130. Cash-flow hedges:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
of which: result of net positions	-	-
140. Hedging instruments (non-designated items):	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-
150. Financial assets (other than equity securities) at fair value through other comprehensive income:	**14,835**	**-49,048**
a) fair value changes	15,464	-35,783
b) transfer to Profit and Loss Account	-629	-13,265
- adjustments due to credit risk	-2,015	588
- gains (losses) on disposal	1,386	-13,853
c) other changes	-	-
160. Non-current assets available for sale and disposal groups:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
c) other changes	-	-

ITEMS	30.06.2019	30.06.2018
170. Share of valuation reserves of equity investments valued at equity:	**-**	**-**
a) fair value changes	-	-
b) transfer to Profit and Loss Account	-	-
- adjustments due to impairment	-	-
- gains (losses) on disposal	-	-
c) other changes	-	-
180. Income taxes on other income, with transfer to Profit and Loss Account	**-4,770**	**15,769**
190. Total other income components	**9,937**	**-33,400**
200. Comprehensive income (Items 10+190)	**142,737**	**59,166**
210. Consolidated comprehensive income attributable to minority interests	**-**	**-**
200. Consolidated comprehensive income attributable to the Parent Company	**142,737**	**59,166**

PART E – INFORMATION ON CONSOLIDATED NET EQUITY

1. Information on Consolidated Net Equity

1.1 Breakdown of net equity

The Banca Generali Group's net equity amounted to 734.7 million euros at 30 June 2019 and may be broken down as follows.

	30.06.2019	31.12.2018	CHANGE AMOUNT	CHANGE %
1. Share capital	116,852	116,852	-	-
2. Share premium reserve	57,591	57,889	-298	-0.5%
3. Reserves	449,846	414,368	35,478	8.6%
4. (Treasury shares)	-20,677	-22,724	2,047	-9.0%
5. Valuation reserves	-1,698	-11,636	9,938	-85.4%
6. Net profit (loss) for the period	132,800	180,126	-47,326	-26.3%
Total net equity	**734,714**	**734,875**	**-161**	**-**

In the first half of 2019, net equity was substantially unchanged compared to the end of the previous year. Here below are reported the changes occurred during the reporting period:

	30.06.2019
Net equity at period-start	**734,875**
Dividend paid	-144,907
Purchase and sale of treasury shares	-1,031
Matured IFRS 2 reserves (from stock option plans and remuneration policies)	2,689
Matured LTIP IFRS 2 reserves on AG shares	359
Change in valuation reserves	9,938
Consolidated net profit	132,800
Other effects	-9
Net equity at period-end	**734,714**
Change	**-161**

1.2 Valuation reserves

1.2.1 Breakdown of valuation reserves

Fair value valuation reserves for the portfolio of financial assets at fair value through other comprehensive income (HTCS) showed a net increase of 10.1 million euros primarily owing to the uptrend in the prices of debt securities on financial markets during the first half of the year.

	30.06.2019			31.12.2018	
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	CHANGE RESERVE	CHANGE
HTCS reserves - debt securities	3,348	-2,940	408	-9,657	10,065
Exchange differences	-	-130	-130	-131	1
Actuarial gains (losses) from defined benefit plans	-	-1,976	-1,976	-1,848	-128
Total	**3,348**	**-5,046**	**-1,698**	**-11,636**	**9,938**

1.2.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: change

Valuation reserves on the HTCS portfolio showed a net increase of 10.1 million euros for the first half of 2019, as a result of the following factors:

> an increase in net valuation capital gains totalling 13.4 million euros;
> the decrease of pre-existing net negative reserves due to re-absorption through profit or loss upon realisation (+1.4 million euros);
> the negative net tax effect (DTAs) associated with the above changes (-4.8 million euros).

	30.06.2019				
	DEBT SECURITIES				
	CORPORATE	GOVERNMENT	EQUITY SECURITIES	LOANS	TOTAL
1. Amount at period-start	**-3,477**	**-6,180**	**-**	**-**	**-9,657**
Adjustment of opening balances	-	-	-	-	-
1. Amount at period-start	**-3,477**	**-6,180**	**-**	**-**	**-9,657**
2. Increases	**6,984**	**10,706**	**-**	**-**	**17,690**
2.1 fair value increases	6,966	8,691	-	-	15,657
2.2 adjustments due to credit risk	-	-	X	-	-
2.3 transfer to Profit and Loss Account of negative reserves due to disposal	-	1,386	X	-	1,386
2.4 transfer to other net equity components (equity securities)	-	-	-	-	-
2.5 other changes	18	629	-	-	647
3. Decreases	**2,418**	**5,207**	**-**	**-**	**7,625**
3.1 fair value decreases	181	12	-	-	193
3.2 reversals for credit risk	56	1,958	-	-	2,014
3.3 transfer to Profit and Loss Account of positive reserves due to disposal	-	-	X	-	-
3.4 transfer to other net equity components (equity securities)	-	-	-	-	-
3.5 other changes	2,181	3,237	-	-	5,418
4. Amount at period-end	**1,089**	**-681**	**-**	**-**	**408**

1.3 Own funds

Own funds amounted to 532.9 million euros, down by 5 million euros compared to the end of the previous year.

			CHANGE	
	30.06.2019	31.12.2018 PHASE IN	AMOUNT	%
Common Equity Tier 1 capital (CET1)	490,034	494,915	-4,881	-1.0%
Additional Tier 1 capital (AT1)	-	-	-	n.a.
Tier 2 capital (T2)	42,887	43,000	-113	-0.3%
Total Own funds	**532,921**	**537,915**	**-4,994**	-0.9%

The composition of own funds is shown synthetically below, illustrating the effects of the prudential filters.
A detailed analysis including all the components of Own funds (CET1, Tier1, Tier2) is given in Pillar III (public disclosure) at 31 December 2018, to which reference is made.

OWN FUNDS BASEL 3	30.06.2019
CET1 instruments	132,914
Reserves	449,846
Net profit (loss) for the period	-
Other components of other comprehensive income (OCI)	-1,698
Share capital and reserves	**581,062**
Goodwill	-62,836
Intangible assets	-24,789
Other negative items (neutralisation of DTAs arising on multiple prepayment of taxes on goodwill)	-837
Intangible assets	**-88,462**
Significant investments: excess of AT1 items to be deducted from CET1	-52
Negative prudential filters	-2,514
Total	**490,034**
Portion exceeding non-significant investments (<10%) in CET1 instruments	-
Portion exceeding significant investments (>10%) in CET1 instruments	-
General deduction with threshold 17.65%	-
General deduction - portion exceeding DTAs	-
General deduction - portion exceeding significant investments	-
Total Common Equity Tier 1 capital (CET1)	**490,034**
Total Additional Tier 1 (AT1) Capital	**-**
T2 instruments (subordinated liabilities)	43,000
Deduction - T2 instruments	-113
Total Tier 2 capital	**42,887**
TOTAL OWN FUNDS	**532,921**

In the reporting period, the performance of the aggregate was influenced by the following factors:
> an increase in valuation reserves on debt securities classified as financial assets in the HTCS category (+10.1 million euros);
> the recognition, following authorisation from the competent authority, of the commitment to purchase treasury shares in service of the Remuneration Policies and the Loyalty Programme, up to a residual maximum of 20.9 million euros.

In accordance with the new dividend policy approved by the Board of Directors on 8 March 2019, for the first half of 2019 as well, none of the consolidated net profit for the current period was included in Own funds.

Own funds at 31.12.2018	**537,915**
Repurchase commitments of CET1 instruments	-20,851
Purchase and sale of treasury shares	-1,031
Change in reserves for share-based payments (IFRS 2)	3,048
Prior years' dividend payout	-7
Change in OCI reserves on HTCS	10,066
Change in OCI reserves pursuant to IAS 19	-199
Change in goodwill and intangibles	4,590
Negative prudential filters (prudent valuation)	-436
AT1 instruments excess over AT1	-52
Other effects	-9
Total changes in TIER 1 capital	**-4,881**
Other effects: significant investments T2	-113
Total changes in TIER 2 capital	**-113**
Own funds at 30.06.2019	**532,921**
Change	**-4,994**

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. 2017/2395 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.

2. Capital Adequacy

Supervisory provisions require banks to comply with specific capital adequacy ratios calculated by relating the corresponding category of Own funds (CET1, Tier 1, Total Capital) to the bank's overall risk exposure (RWAs - Risk Weighted Assets).
In particular, Own funds must represent at least 8% of total weighted assets in relation to the credit risk profile, valued based on the category of debtor counterparties, term, country risk and guarantees received (**credit and counterparty risk**).
Banks are also required to comply with regulatory capital requirements connected to trading activities. Related **market risks** are calculated on the entire trading book for each different type of risk: debt securities risk, equity securities risk, settlement risk, counterparty risk and concentration risk. Furthermore, exchange-rate risk and commodity-price risk must be determined for all financial statement items.
Internal models may be used to calculate capital requirements for market risk; however, the Banca Generali Group uses standard methods under all circumstances.
Lastly, banks are required to set aside part of their Own Funds to cover **operating risk**, taking into account the type and volumes of operations performed.

A minimum CET1 ratio of 4.5%, a Tier 1 ratio of 6% and a Total Capital Ratio of 8% were envisaged by the Prudential Supervisory Provisions for 2019. In addition to these minimum ratios, the new regulations state that banks must also hold a capital conservation buffer (CCB) equal to 2.5% of the bank's overall risk exposure, consisting of Common Equity Tier 1 capital, bringing the overall capital requirement to 10.5%.

Moreover, as part of the SREP Supervisory Review and Evaluation Process carried out annually by the competent Supervisory Authority, the Bank of Italy communicated to Banca Generali the following specific capital requirements to be applied to the Banking Group commencing with the reporting on Own funds at 30 June 2019:

> CET1 ratio at **7.75%**, consisting of:
  - an **Overall Capital Requirement** (OCR) of **5.25**% (of which 4.5% as minimum regulatory requirement and 0.75% as additional requirement following the SREP) and a capital conservation buffer for the remainder;

> Tier 1 ratio at **9.51%**, consisting of:
  - an **Overall Capital Requirement** (OCR) of **7.01%** (of which **6**% as minimum regulatory requirement and **1.01**% as additional requirement following the SREP) and a capital conservation buffer for the remainder;

> Total Capital Ratio at **11.84%,** consisting of:
  - an **Overall Capital Requirement** (OCR) of **9.34%** (of which **8**% as minimum regulatory requirement and **1.34**% as additional requirement following the SREP) and a capital conservation buffer for the remainder.

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

Total capital adequacy requirements for credit, market and operating risks set by the Supervisory Authority reached 249.9 million euros at period-end, with an increase of 23.4 million euros compared to the previous year (10.3%).

	30.06.2019	31.12.2018 PHASE IN	CHANGE AMOUNT	CHANGE %
Common Equity Tier 1 capital (CET1)	490,034	494,915	-4,881	-1.0%
Additional Tier 1 (AT1) capital	-	-	-	n.a.
Tier 2 capital (T2)	42,887	43,000	-113	-0.3%
Total Own funds	**532,921**	**537,915**	**-4,994**	**-0.9%**
Credit and counterparty risk	176,180	152,708	23,472	15.4%
Market risk	490	575	-85	-14.8%
Operating risk	73,274	73,274	-	-
Total absorbed capital (Pillar I)	**249,945**	**226,557**	**23,387**	10.3%
Total SREP minimum requirements (Pillar II)	**369,918**	**288,860**	**23,302**	28.1%
Excess over SREP minimum requirements	163,003	249,055	-86,052	-34.6%
Risk-weighted assets	3,124,308	2,831,965	292,343	10.3%
Tier 1 capital/Risk-weighted assets (Tier 1 Capital Ratio)	15.7%	17.5%	-1.8%	-10.3%
Total Own funds/Risk-weighted assets (Total Capital Ratio)	**17.1%**	**19.0%**	**-1.9%**	**-10.2%**

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 163 million euros in excess of the SREP minimum requirements for 2019.
CET1 ratio reached 15.7%, compared to a minimum regulatory requirement of 7.75%, and Total Capital ratio reached 17.0%, compared to a minimum requirement of 11.84% required by the Supervisory Authority following the SREP.

Absorbed capital for credit risk sharply increased compared to the previous year (+23.5 million euros), mostly due to the increase in exposures to supervised intermediaries (+8.7 million euros) and in the aggregate of other exposures (+10.8 million euros).
The growth of the latter aggregate was primarily due to the adoption with effect from 1 January 2019 of the new international accounting standard IFRS 16 – *Leases*, which entailed the recognition of new items of property, plant and equipment in the form of rights of use (RoUs), in the amount of approximately 136 million euros, and the ensuing effect on the relevant capital requirement of approximately 10.9 million euros.

Absorbed capital for market risks was substantially unchanged compared to the end of the previous year.

CREDIT RISK REGULATORY PORTFOLIO	30.06.2019 INITIAL EXPOSURE	30.06.2019 RISK-WEIGHTED ASSETS	30.06.2019 REQUIRE-MENT	31.12.2018 INITIAL EXPOSURE	31.12.2018 RISK-WEIGHTED ASSETS	31.12.2018 REQUIRE-MENT	CHANGE INITIAL EXPOSURE	CHANGE RISK-WEIGHTED ASSETS	CHANGE REQUIRE-MENT
Administrations and Central Banks	6,800,319	90,428	7,234	6,529,430	111,272	8,902	270,889	-20,844	-1,668
Multilateral development banks	4,448	-	-	4,355	-	-	93	-	-
Supervised intermediaries	1,139,085	327,808	26,225	899,492	218,644	17,492	239,593	109,164	8,733
Companies	1,307,850	854,892	68,391	1,223,405	830,972	66,478	84,445	23,920	1,914
Detail	1,325,673	351,116	28,089	1,231,771	339,777	27,182	93,902	11,339	907
Exposures secured by real property	377,876	133,005	10,640	377,688	133,435	10,675	188	-430	-34
Past-due exposures	57,871	22,485	1,799	51,726	19,713	1,577	6,145	2,772	222
UCITS	16,258	16,258	1,301	11,685	11,685	935	4,573	4,573	366
Equity exposures	33,630	34,049	2,724	36,385	36,385	2,911	-2,755	-2,336	-187
Other	553,586	366,212	29,297	318,873	206,967	16,557	234,713	159,245	12,740
Securitisation	-	-	-	-	-	-	-	-	-
Total requirements	**11,616,596**	**2,196,253**	**175,700**	**10,684,810**	**1,908,850**	**152,708**	**931,786**	**287,403**	**22,992**
Risk of credit valuation adjustment	-	6,002	480	-	-	-	-	6,002	480
Total credit risk	**11,616,596**	**2,202,255**	**176,180**	**10,684,810**	**1,908,850**	**152,708**	**931,786**	**293,405**	**23,472**

PART F – RELATED PARTY TRANSACTIONS

1. Disclosure of Related Party Transactions

As part of its normal business operations, Banca Generali carries out numerous financial and commercial transactions with related parties included in the scope of consolidation of the Generali Group.
Banca Generali is a direct subsidiary of Generali Italia S.p.A., the holding of all the Insurance Group's operations in Italy. However, the company engaging in management and coordination activities pursuant to Article 2497 of the Italian Civil Code continues to be the ultimate Parent Company, Assicurazioni Generali S.p.A. This is the reason why reference is made to the latter when speaking of the "Parent Company" of Banca Generali, in compliance with IAS 24.
In the banking area, such relationships include current accounts, the custody and administration of securities, stock brokerage and commercial portfolio collection.
As regard the distribution and sale of financial services, a number of agreements were established regarding the Financial Advisors network's placement of asset management and insurance products, as well as banking products and services.
To a lesser extent, advisory and wealth management activities are also carried out, with reference to underlying assets of insurance products placed by the companies of the Insurance Group.
Finally, as part of its normal operations, the Bank also maintains relationships pertaining to outsourcing, IT and administration, insurance and leasing relationships, as well as other minor relationships with Generali Group companies.
Transactions with related parties outside the Generali Group are mostly confined to direct and indirect net inflows activities and loans to Key Management Personnel (and their relatives) of the Bank and its Parent Company. These transactions are carried out at arm's length. Banca Generali's direct investments in activities on which such related parties exercise significant influence or control are absolutely not material.

1.1 Extraordinary and non-recurring transactions

Unusual, atypical or extraordinary transactions

There were no atypical and/or unusual transactions to be reported in the first half of 2019, nor were such transactions undertaken with parties other than related parties such as intra-group entities or third parties.
Pursuant to Consob Notices Nos. 98015375 of 27 February 1998 and 1025564 of 6 April 2001, atypical and unusual transactions are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and timing of occurrence (near the end of the period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders.

Highly significant transactions

In the first half of 2019, no transactions qualifying as "highly significant", non-ordinary transaction, entered into at non-market or non-standard conditions were carried out that, in accordance with the Procedure on Related Party Transactions, could have given rise to an obligation to publish the related market disclosure document.

Other significant transactions

In the first half of 2019, two transactions were approved qualifying as "moderately significant" transactions, which were subject to the prior non-binding opinion of the Audit and Risk Committee (the amount of which exceeded the materiality threshold); in this regard, reference should be made to the dedicated section of the Consolidated Report on Operations.

1.2 Ordinary or recurring transactions

The developments of ordinary transactions with related parties for the first half of 2019 are presented in the following sections.

Transactions with Assicurazioni Generali Group

Balance Sheet data

	PARENT COMPANY ASS. GENERALI	SUBSIDIARIES OF THE AG GROUP	30.06.2019	31.12.2018	WEIGHT % 2019
Financial assets measured at fair value through profit or loss:	1,023	-	1,023	903	1.3%
c) other financial assets mandatorily measured at fair value	1,023	-	1,023	903	1.8%
Financial assets at fair value through other comprehensive income	-	246	246	246	-
Financial assets at amortised cost:	-	30,412	30,412	29,456	0.4%
b) loans to customers	-	30,412	30,412	29,456	0.5%
Property, equipment and intangible assets	-	50,701	50,701	-	21.8%
Other assets	-	2,911	2,911	105	0.3%
Total assets	**1,023**	**84,270**	**85,293**	**30,710**	0.8%
Financial liabilities at amortised cost:	197,361	476,509	673,870	527,763	6.9%
b) due to customers	197,361	476,509	673,870	527,763	7.0%
Tax liabilities (AG tax consolidation)	14,231	-	14,231	6,893	51.1%
Other liabilities	-	16,458	16,458	11,541	9.4%
Total liabilities	**211,592**	**492,967**	**704,559**	**546,197**	**6.5%**
Guarantees issued	**1,596**	**858**	**2,454**	**2,705**	**2.6%**

The total exposure to the Parent Company, **Assicurazioni Generali**, of companies subject to its control, including the direct parent, Generali Italia S.p.A., and its associate companies, amounted to 85.3 million euros, compared to 30.7 million euros recognised at the end of 2018, equal to 0.8% of Banca Generali's total assets. The increase was mainly due to the recognition among tangible assets of the net value of rights of use (RoUs) of 50.7 million euros (relating primarily to the lease of the Milan and Trieste administrative offices and the commercial network offices), following the introduction of the new accounting standard IFRS 16 with effect from 1 January 2019.
By contrast, the total debt position reached 704.6 million euros, accounting for 6.5% of liabilities, up by 158.4 million euros (29.0%) compared to the end of the previous year. Following the introduction of IFRS 16 with effect from 1 January 2019, amounts due to customers increased by 51.1 million euros due to the recognition of the corresponding lease liabilities.
As part of assets, **financial assets mandatorily measured at fair value through other comprehensive income (OCI FV)** claimed from the parent company refer to shares of Assicurazioni Generali held in the corresponding portfolio of Banca Generali.
As part of the **financial assets measured at fair value through other comprehensive income (HTCS)** portfolio, shareholdings in subsidiaries of the Generali Insurance Group refer to the shares held in the consortia of the GBS Group (Generali Business Solutions).

Exposures to Generali Group companies recognised as **loans to customers** amounted to 30.4 million euros and refer to the following transactions:

			30.06.2019		31.12.2018	
COMPANY	RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT	REVENUES	AMOUNT	REVENUES
Genertellife	Subsidiary of the AG Group	Operating loans	28,248	-	27,512	-
Other companies of the Generali Group	Subsidiary of the AG Group	Operating loans	2,161	-	1,940	-
Other exposures with Group companies	Subsidiary of the AG Group	Temporary current account exposures	3	728	4	1,383
			30,412	**728**	**29,456**	**1,383**

Operating loans are comprised of transitional items including fees accrued over the last quarter for the distribution of insurance and financial products of Group companies.
Amounts due to customers attributable to Generali Group's related parties amounted to approximately 673.9 million euros at the end of the half year and included amounts due to the parent company Assicurazioni Generali S.p.A. for 197.4 million euros, and amounts due to Generali Italia S.p.A. for 125.1 million euros (of which 43.3 million euros relating to IFRS 16-related lease liabilities).
Amounts due to customers also included the **subordinated loan** with Generali Beteiligungs GmbH, taken up at the end of 2014 to acquire the Credit Suisse Italia S.p.A.'s business unit and amounting to 44.1 million euros, gross of accrued interest.
Finally, a total of 2.5 million euros in personal guarantees was issued for Generali Group companies, of which 1.6 million euros on behalf of Assicurazioni Generali S.p.A.
Amounts payable to Parent Company and classified as **tax liabilities** consisted of Banca Generali S.p.A.'s net tax debt resulting from the balance between tax prepayments, withholdings and credits and the IRES tax calculated at the end of the half year.

Profit and Loss Account data

At 30 June 2019, the profit and loss components recognised in the Financial Statements with regard to transactions with companies of the Generali Group amounted to 108.1 million euros, or 67% of operating profit before taxation.

	PARENT COMPANY ASS. GENERALI	SUBSIDIARIES OF THE AG GROUP	30.06.2019	30.06.2018	WEIGHT %2019
Interest income	142	586	728	733	1.9%
Interest expense	-	-1,550	-1,550	-827	31.4%
Net interest income	**142**	**-964**	**-822**	**-94**	**-2.4%**
Fee income	-	119,412	119,412	113,952	28.1%
Fee expense	-	-936	-936	-1,055	0.5%
Net fees	**-**	**118,476**	**118,476**	**112,897**	**49.4%**
Dividends	56	-	56	53	2.6%
Operating income	**198**	**117,512**	**117,710**	**112,856**	**42.1%**
Staff expenses	-	97	97	96	-0.2%
General and administrative expenses	-59	-6,679	-6,738	-8,103	9.4%
Net adjustments of property, equipment and intangible assets	-	-3,025	-3,025	-	21.9%
Other operating income and expenses	-	41	41	36	0.1%
Net operating expenses	**-59**	**-9,566**	**-9,625**	**-7,971**	**9.5%**
Operating result	**139**	**107,946**	**108,085**	**104,885**	**60.5%**
Operating profit	**139**	**107,946**	**108,085**	**104,885**	**67.0%**
Net profit (loss) for the period	**139**	**107,946**	**108,085**	**104,885**	**81.4%**

Overall **net interest income** accrued in dealings with members of the Insurance Group was negative at 0.8 million euros. By convention, interest income also includes the negative interest expense applied to the deposits of Generali Group companies starting in June 2016, calculated according to the average one-month Euribor for the month prior to the month of calculation.
Interest expense amounted to 1.5 million euros, equal to 31.4% of the total amount recognised in the Profit and Loss Account and refers to the subordinated loan of Generali Beteiligungs GmbH and to interest accrued on the IFRS 16-related liability, whereas the interest income from other companies of the Generali Group was absolutely negligible due to the persistence of negative short-term interest rates.

Fee income paid back by companies of the Insurance Group amounted to 119.4 million euros, equal to 28.1% of the aggregate amount and was broken down as follows:

	30.06.2019	30.06.2018	CHANGE ABSOLUTE	CHANGE %
Asset management fees	1,220	1,834	-614	-33.5%
Fees for distribution of insurance products	115,208	109,507	5,701	5.2%
Advisory fees	2,889	2,466	423	17.2%
Other banking fees	95	145	-50	-34.5%
Total	**119,412**	**113,952**	**5,460**	**4.8%**

The most significant component consists of fees for the **distribution of insurance products** by **Genertellife**, reaching 115.2 million euros, up by 5.2% compared to the same period of the previous year.
Fees for the placement of units of UCITS of the Insurance Group were largely related to the income on the distribution of BG Focus funds, promoted by Generali Insurance Asset Management S.p.A. SGR.
Furthermore, the parent company Banca Generali advises on, or directly manages through portfolio management, a portion of the underlying assets of the Group's insurance products. In this regard, in 2019 fee income for advisory service rendered to Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A. amounted to 2.9 million euros.
Other bank fees refer both to SDD collection activity on behalf of Group companies and current account keeping fees.
It should also be noted that Banca Generali renders trading and order receipt services to Italian and international UCITS administered by management companies that belong to the Banking and Insurance Group. Such fees are generally charged directly against the assets of the UCITS, which are considered entities beyond the scope of IAS 24.
The Bank also directly collects from customers — through the correspondent bank — subscription fees for the Sicavs promoted by the Group (BG Sicav, BG Selection Sicav, Generali Investments Sicav).
Net operating expenses reported by the Banca Generali Group in relation to transactions with related parties of the Generali Group amounted to 9.6 million euros and refer for 9.5% to outsourced services in the insurance, leasing, administrative and IT sector and to the depreciation of the IFRS 16-related rights of use.

	30.06.2019	30.06.2018	CHANGE ABSOLUTE	CHANGE %
Insurance services	1,180	1,275	-95	-7.5%
Property services	579	2,899	-2,320	-80.0%
Administration, IT and logistics services	4,938	3,893	1,045	26.8%
Staff services	-97	-96	-1	1.0%
Depreciation of property and equipment (rights of use acquired through leases)	3,025	-	3,025	n.a.
Total administrative expenses	**9,625**	**7,971**	**1,654**	**20.8%**

Real-estate services decreased sharply due to the change in the accounting treatment of lease and rental payments following the introduction of IFRS 16 and relate solely to additional costs of leases and rentals of motor vehicles and ATMs (former condominium fees, VAT and sundry additional expenses).
Administrative expenses incurred in relation to Generali Italia S.p.A. amounted to 1.2 million euros and refer almost exclusively to insurance services (1.1 million euros) and, for the remainder, to rentals for property leases.
Expenses relating to IT, administration and logistics related chiefly to services rendered by Generali Business Solutions S.r.l. (GBS) on the basis of current outsourcing agreements.
The 3.0 million euro amortisation refers to the depreciation of the IFRS 16-related right of use.

Transactions with other related parties

Exposure in respect of **Key Managers** of the Bank and its parent company Assicurazioni Generali mainly referred to residential mortgages subject to the same terms and conditions applied to similar mortgages held by other Executives of the Banking and Insurance Group.
Amounts due to such parties consist of the balances of correspondent accounts with Banca Generali and are regulated on the basis of conditions applicable to employees of the Banking and Insurance Group.

	KEY MANAGEMENT PERSONNEL	ENTITIES UNDER CONTROL OR SIGNIFICANT INFLUENCE
Loans to customers	3,307	-
Equity investments	-	1,610
Due to customers	5,041	-
Guarantees issued	45	-

Equity investments include the interest acquired by the Banking Group in 2015 in the UK-based firm IOCA Entertainment Ltd. In the first half of 2019, the share of the loss for the period attributable to Banca Generali amounted to approximately 52 thousand euros, whereas the exchange differences on the equity investment in foreign currency amounted to 130 thousand euros.

Direction and Coordination

Pursuant to Article 2497-*bis* of the Italian Civil Code, Banca Generali is subject to Assicurazioni Generali S.p.A.'s "management and coordination" activities.

PART G – SEGMENT REPORTING

In application of IFRS 8, Banca Generali Group's segment reporting is based on information that management uses to make its operating decisions (so-called "management approach").

With effect from 1 January 2018, the networks of non-employed Financial Advisors have been revised according to specialisation and reorganised into two macro-divisions on the basis of the total AUM managed by each Financial Advisor, with the introduction of the new Wealth Management network, which brings together Financial Advisors in the highest asset bracket (i.e., with AUM of more than 50 million euros).

The Wealth Management CGU ("WM CGU") consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of more than 50 million euros and the respective clients.

The Private Banking CGU ("PB CGU") consists of the assets attributable to the network of Financial Advisors identified within Banca Generali's sales network as managing total client assets of less than 50 million euros, as well as the assets attributable to Relationship Managers and the respective clients.

The interest expense incurred by the segments mentioned below was determined on the basis of the actual interest paid on each segment's direct inflows. Interest income for the segments includes the actual interest accrued on the loans issued to customers in each segment. Both components are recognised net of the share of the "notional interest" calculated on the basis of the TIT (Internal Transfer Rate) and attributed to the Corporate Center segment.

Performance fees have been directly allocated to the business areas which place the products. All the revenue components presented are measured using the same accounting principles adopted to prepare the Group's Consolidated Financial Statements so that segment data can be reconciled more easily with consolidated data.

In light of the refinements made to the TIT model, 2018 figures have been reclassified on a like-for-like basis.

The following table shows the consolidated profit and loss results of each of the three operating segments, stated net of intra-segment eliminations.

BANCA GENERALI GROUP PROFIT AND LOSS ACCOUNT BY BUSINESS SEGMENT (€ THOUSAND)	30.06.2019				30.06.2018			
	PB CGU	WM CGU	CORPORATE CENTER	TOTAL	PB CGU	WM CGU	CORPORATE CENTER	TOTAL
Net interest income	**6,323**	**3,086**	**24,174**	**33,583**	**3,027**	**1,146**	**23,885**	**28,059**
Fee income	268,396	118,412	37,661	424,469	258,237	89,128	29,239	376,604
of which:								
- *underwriting*	*10,169*	*2,312*	*316*	*12,797*	*9,863*	*1,520*	*133*	*11,516*
- *management*	*203,610*	*94,492*	*15,675*	*313,777*	*225,494*	*79,438*	*12,963*	*317,895*
- *performance*	*40,511*	*15,395*	*14,910*	*70,815*	*10,689*	*3,350*	*8,539*	*22,578*
- *other*	*14,106*	*6,213*	*6,760*	*27,080*	*12,190*	*4,821*	*7,604*	*24,615*
Fee expense	-122,848	-62,137	-6,410	-191,395	-139,284	-55,570	-7,007	-201,861
of which:								
- *reclassified provisions*	*-4,059*	*-2,897*	*-*	*-6,956*	*-10,590*	*-3,731*	*-*	*-14,321*
Net fees	**145,548**	**56,274**	**31,251**	**233,074**	**118,953**	**33,558**	**22,232**	**174,743**
Net income (loss) from trading activities	-	-	3,889	3,889	-	-	19,043	19,043
Dividends	-	-	2,156	2,156	-	-	1,539	1,539
Net banking income	**151,871**	**59,361**	**61,471**	**272,702**	**121,980**	**34,704**	**66,700**	**223,384**
Staff expenses	-	-	-	-45,011	-	-	-	-42,309
Other general and administrative expenses	-	-	-	-44,547	-	-	-	-49,416
Net adjustments/reversal of property, equipment and intangible assets	-	-	-	-13,792	-	-	-	-4,158
Other operating expenses/income	-	-	-	2,488	-	-	-	2,266
Net operating expenses	-	-	-	**-100,862**	-	-	-	**-93,618**
Operating result	-	-	-	**171,841**	-	-	-	**129,766**
Adjustments of other assets	-	-	-	-1,142	-	-	-	-3,607
Net provisions	-	-	-	-9,337	-	-	-	-10,610
Gains (losses) from the disposal of equity investments	-	-	-	-86	-	-	-	-141
Operating profit before taxation	-	-	-	**161,276**	-	-	-	**115,408**
Income taxes on operating activities for the period	-	-	-	-28,476	-	-	-	-22,842
Profit (loss) from AFS assets	-	-	-	-	-	-	-	-
Minority interests (+/–) for the period	-	-	-	-	-	-	-	-
Net profit	**-**	**-**	**-**	**132,800**	**-**	**-**	**-**	**92,567**

(€ MILLION)	30.06.2019				30.06.2018			
Assets Under Management	41,620	21,273	4,423	67,316	41,733	16,337	4,006	62,075
Net inflows	1,483	1,355	n.a.	2,838	2,412	741	n.a.	3,153
No. of FAs/RMs	1,698	324	n.a.	2,022	1,722	258	n.a.	1,980

Trieste, 30 July 2019

The Board of Directors

04

ATTESTATION TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS

Board of Directors
30 July 2019

BANCA GENERALI

Attestation to the Condensed Half-year Financial Statements Pursuant to Article 81-*ter* of Consob Regulation 11971 Dated 14 May 1999, as Amended

1. The undersigned Gian Maria Mossa in his capacity as Chief Executive Officer, and Tommaso Di Russo, in his capacity as Manager in charge of preparing the accounting documents of Banca Generali S.p.A., hereby declare, taking into account the provisions set out in article 154-*bis*, paragraphs 3 and 4 of the legislative decree dated 24 February 1998, No.58, that the administrative and accounting procedures adopted to prepare the condensed half-year report for the first half of 2019

   - are appropriate in light of the features of the company, and
   - have been applied.

2. The appropriateness of administrative and accounting procedures for preparing the condensed half-year financial statements at 30 June 2019 was assessed using a process established by Banca Generali S.p.A. based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is generally accepted as a reference framework worldwide.

3. The undersigned further declare that:

3.1 the condensed half-year financial statements at 30 June 2019:

   a) were prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, as well as the provisions of Legislative Decree No. 38 of 28 February 2005, and further applicable provisions, regulations and circular letters issued by the Supervisory Board;

   b) reflect the accounting books and records;

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and all consolidated companies.

3.2 The interim report includes a reliable analysis of references to important events occurred in the first six months of the year, and to their impact on the condensed half-year financial statements; it also includes a description of the main risks and uncertainties regarding the coming six months of the year. The interim report also includes a reliable analysis of information on significant related-party transactions.

Trieste, 30 July 2019

Dott. Gian Maria Mossa
Chief Executive Officer

BANCA GENERALI S.p.A.

Dott. Tommaso Di Russo
Manager in charge of preparing
the Company's Financial Documents
BANCA GENERALI S.p.A.

05

INDEPENDENT AUDITORS' REPORT

Board of Directors
30 July 2019

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the shareholders of
Banca Generali S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and the related explanatory notes, of Banca Generali Group as of June 30, 2019. Directors are responsible for the preparation of the interim condensed consolidated financial statements in compliance with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution No. 10867 of July 31, 1997. A review of an interim condensed consolidated financial statements consists of making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Generali Group as of June 30, 2019 are not prepared, in all material respects, in conformity with International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 5, 2019

BDO Italia S.p.A.

Signed by Rosanna Vicari
Partner

This report has been translated into English language solely for the convenience of international readers

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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, VAT No. and Trieste
register of companies
00833240328

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, coordination
Sege S.r.l. / zero3zero9 S.r.l.
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