



# INTERIM REPORT

AS AT 30.09.2019





# **INTERIM REPORT**

## **as at 30.09.2019**

BOARD OF DIRECTORS  
31 OCTOBER 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 S.p.A.** **Administration and Control Bodies**

Board of Directors - 31 October 2019

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

# Contents

<b>Group Economic and Financial Highlights</b>	5
<b>Consolidated Financial Statements</b>	9
Consolidated balance sheet	10
Consolidated profit and loss account	11
Consolidated statement of comprehensive income	11
<b>Interim report</b>	13
1. Summary of operations for the first nine months of 2019	14
2. Macroeconomic context	16
3. Banca Generali's competitive positioning	18
4. Operating result	23
5. Balance sheet and net equity aggregates	38
6. Performance of Group companies	50
7. Basis of preparation	52
<b>Declaration pursuant to Article 154-bis, second paragraph, of Legislative Decree No. 58 of 24 February 1998</b>	59





---

## **GROUP ECONOMIC AND FINANCIAL HIGHLIGHTS**



## Group economic and financial highlights

### CONSOLIDATED FIGURES

(€ MILLION)	30.09.2019	30.09.2018	CHANGE %
Net interest income	53.9	44.2	21.8
Net income (loss) from trading activities and dividends	9.3	22.1	-57.8
<b>Net fees<sup>(b)</sup></b>	<b>345.2</b>	<b>265.5</b>	<b>30.0</b>
<b>Net banking income</b>	<b>408.4</b>	<b>331.8</b>	<b>23.1</b>
Staff expenses	-67.6	-62.8	7.7
Other net general and administrative expenses	-110.3	-113.5	-2.8
Amortisation and depreciation	-21.2	-6.3	238.3
Other operating income and expenses	43.4	39.2	10.7
<b>Net operating expenses</b>	<b>-155.7</b>	<b>-143.3</b>	<b>8.6</b>
<b>Operating result</b>	<b>252.7</b>	<b>188.5</b>	<b>34.1</b>
Provisions	-13.0	-14.6	-11.1
Adjustments	-2.3	-6.1	-62.6
<b>Profit before taxation</b>	<b>237.2</b>	<b>167.7</b>	<b>41.5</b>
<b>Net profit</b>	<b>196.0</b>	<b>135.8</b>	<b>44.3</b>

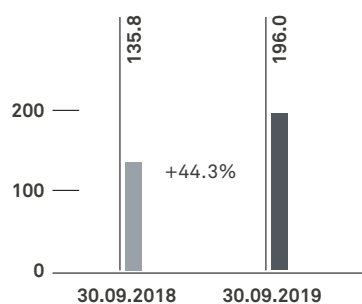
### PERFORMANCE INDICATORS

	30.09.2019	30.09.2018	CHANGE %
Cost income ratio <sup>(b)</sup>	32.9%	41.3%	-20.2
EBTDA <sup>(b)</sup>	273.8	194.7	40.6
ROE <sup>(a) (b)</sup>	34.2%	25.7%	33.3
EPS - Earning per share (euros)	1.683	1.169	43.9

(a) Ratio of net result to the arithmetic average of net equity, including net profit, at the end of the reporting period and the end of the previous period.

(b) The figures for the comparison period have been restated net of provisions.

### NET PROFIT (€ million)





## NET INFLOWS

(€ MILLION) (ASSORETI DATA)	30.09.2019	30.09.2018	CHANGE %
Funds and Sicavs	996	632	57.6
Financial wrappers	-350	130	-369.2
Insurance wrappers	226	895	-74.7
<b>Asset management</b>	<b>872</b>	<b>1,657</b>	<b>-47.4</b>
Insurance/Pension funds	995	358	177.9
Securities/Current accounts	1,909	2,099	-9.1
<b>Total</b>	<b>3,776</b>	<b>4,114</b>	<b>-8.2</b>

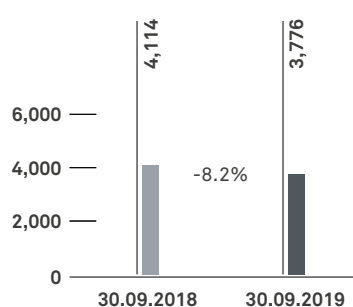
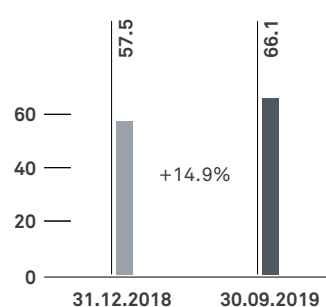
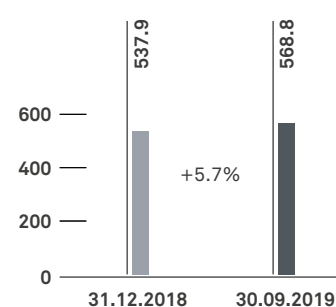
## ASSETS UNDER MANAGEMENT &amp; CUSTODY (AUM/C)

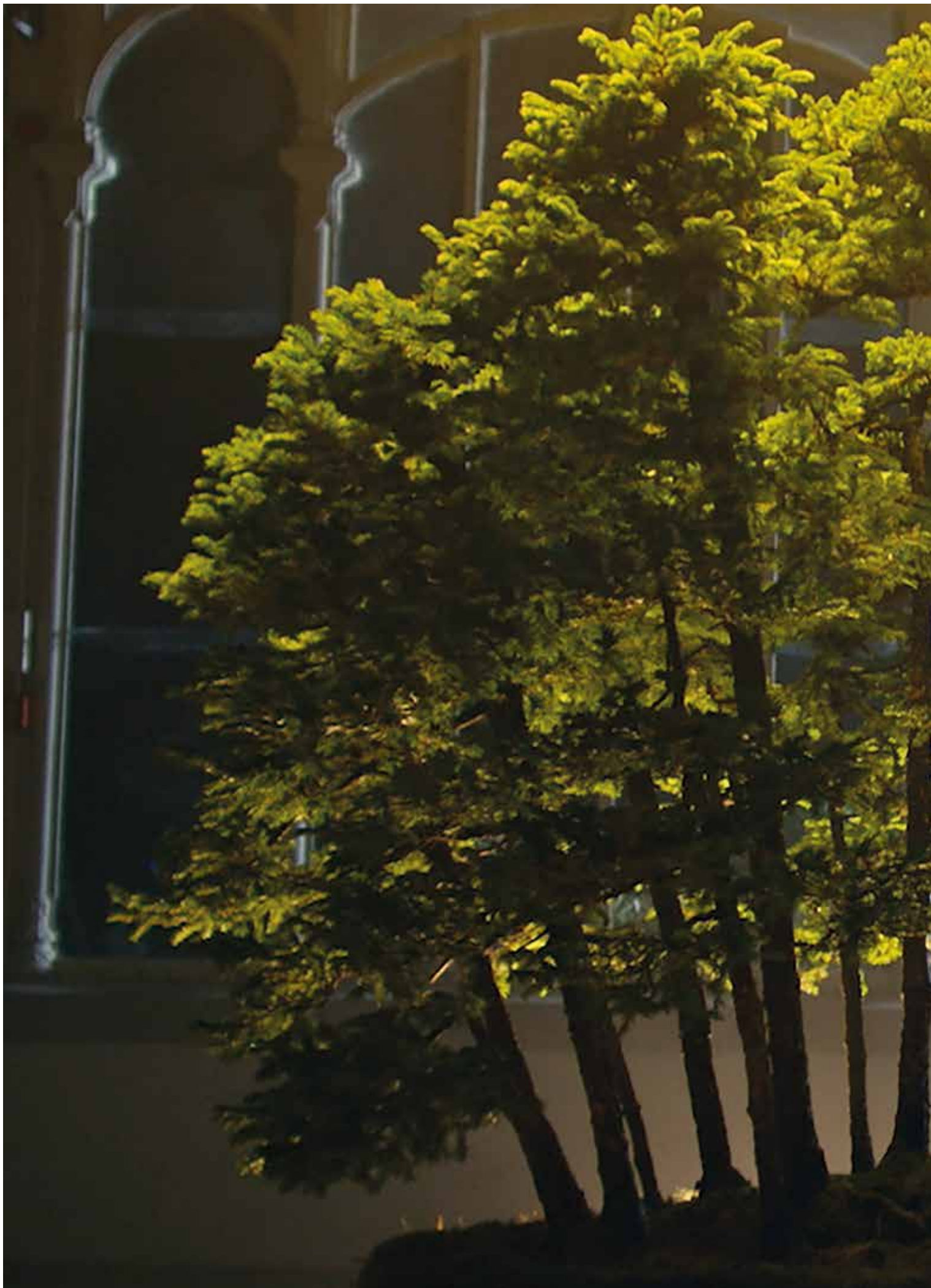
(€ BILLION) <sup>(c)</sup>	30.09.2019	31.12.2018	CHANGE %
Funds and Sicavs	15.8	13.2	19.4
Financial wrappers	7.3	6.4	3.5
Insurance wrappers	8.3	7.7	7.4
<b>Asset management</b>	<b>30.2</b>	<b>27.3</b>	<b>10.6</b>
Traditional life insurance policies	16.5	15.4	6.9
AUC	18.3	14.8	23.6
<b>Total</b>	<b>66.1</b>	<b>57.5</b>	<b>14.9</b>

(c) Figures at 30 September 2019 include the AUM of Assoreti and the Nextam group, for a total of 1.1 billion euros overall.

## NET EQUITY

(€ MILLION)	30.09.2019	31.12.2018	CHANGE %
Net equity	791.5	734.9	7.7
Own funds	568.8	537.9	5.7
Excess capital	190.8	249.1	-23.4
Total Capital Ratio	17.8%	19.0%	-6.1

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





---

# **CONSOLIDATED FINANCIAL STATEMENTS**



# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

ASSETS (€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	75,912	90,640	-14,728	-16.2%
Financial assets at fair value through other comprehensive income	3,221,993	1,987,315	1,234,678	62.1%
Financial assets at amortised cost	7,782,394	7,166,172	616,222	8.6%
a) Loans to banks (*)	1,329,225	1,434,533	-105,308	-7.3%
b) Loans to customers	6,453,169	5,731,639	721,530	12.6%
Equity investments	1,587	1,661	-74	-4.5%
Property, equipment and intangible assets	272,476	101,834	170,642	167.6%
Tax receivables	44,806	52,799	-7,993	-15.1%
Other assets	392,787	335,473	57,314	17.1%
<b>Total assets</b>	<b>11,791,955</b>	<b>9,735,894</b>	<b>2,056,061</b>	<b>21.1%</b>

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Financial liabilities at amortised cost	10,568,557	8,675,596	1,892,961	21.8%
a) Due to banks	94,205	128,725	-34,520	-26.8%
b) Due to customers	10,474,352	8,546,871	1,927,481	22.6%
Financial liabilities held for trading and hedging	15,484	384	15,100	n.a.
Tax liabilities	20,106	18,018	2,088	11.6%
Other liabilities	238,696	142,176	96,520	67.9%
Special purpose provisions	157,634	164,845	-7,211	-4.4%
Valuation reserves	6,766	-11,636	18,402	-158.1%
Reserves	451,610	414,368	37,242	9.0%
Share premium reserve	57,591	57,889	-298	-0.5%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-37,371	-22,724	-14,647	64.5%
Net profit (loss) for the period (+/-)	196,030	180,126	15,904	8.8%
<b>Total net equity and liabilities</b>	<b>11,791,955</b>	<b>9,735,894</b>	<b>2,056,061</b>	<b>21.1%</b>

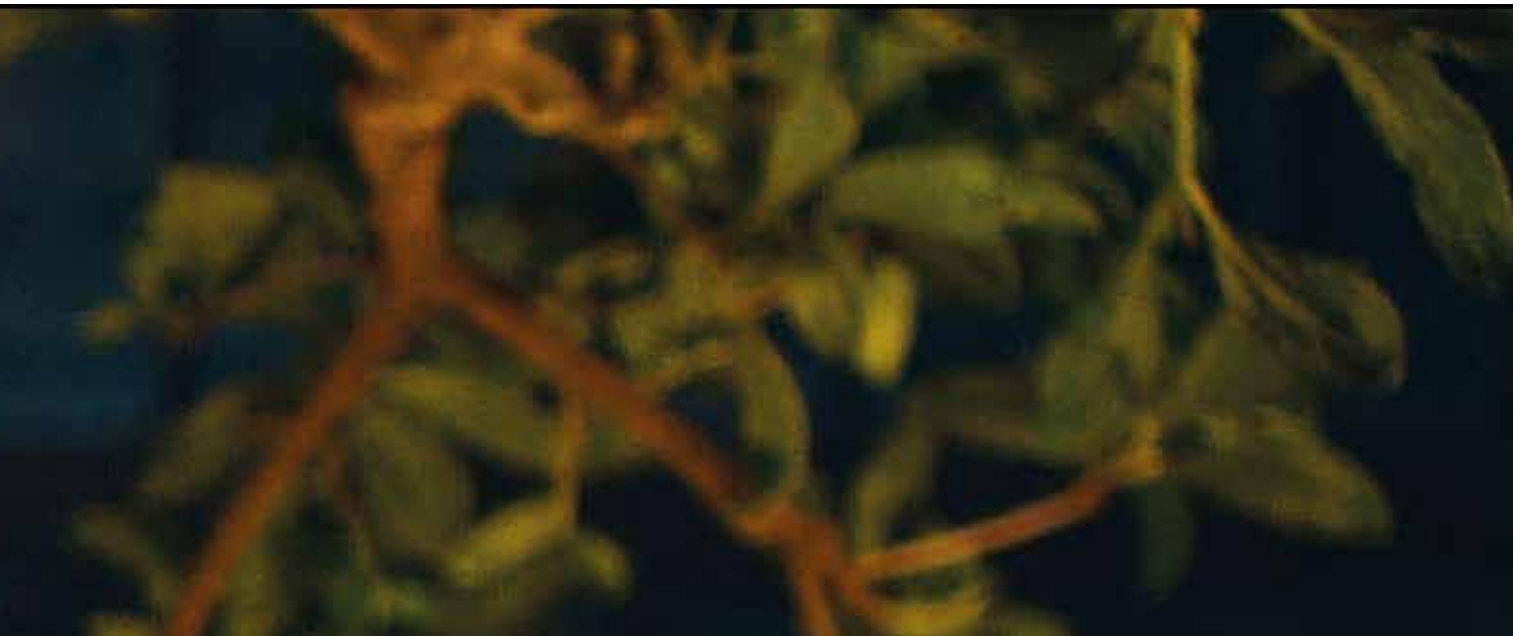
## CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Net interest income	53,866	44,236	9,630	21.8%
Net income (loss) from trading activities and dividends	9,307	22,063	-12,756	-57.8%
<b>Net financial income</b>	<b>63,173</b>	<b>66,299</b>	<b>-3,126</b>	<b>-4.7%</b>
Fee income	633,113	566,659	66,454	11.7%
Fee expense	-287,900	-301,127	13,227	-4.4%
<b>Net fees</b>	<b>345,213</b>	<b>265,532</b>	<b>79,681</b>	<b>30.0%</b>
<b>Net banking income</b>	<b>408,386</b>	<b>331,831</b>	<b>76,555</b>	<b>23.1%</b>
Staff expenses	-67,619	-62,768	-4,851	7.7%
Other general and administrative expenses	-110,300	-113,494	3,194	-2.8%
Net adjustments of property, equipment and intangible assets	-21,152	-6,253	-14,899	238.3%
Other operating expenses/income	43,372	39,178	4,194	10.7%
<b>Net operating expenses</b>	<b>-155,699</b>	<b>-143,337</b>	<b>-12,362</b>	<b>8.6%</b>
<b>Operating result</b>	<b>252,687</b>	<b>188,494</b>	<b>64,193</b>	<b>34.1%</b>
Net adjustments for non-performing loans	-2,268	-6,062	3,794	-62.6%
Net provisions for liabilities and contingencies	-12,973	-14,598	1,625	-11.1%
Gains (losses) from equity investments	-239	-166	-73	44.0%
<b>Operating profit before taxation</b>	<b>237,207</b>	<b>167,668</b>	<b>69,539</b>	<b>41.5%</b>
Income taxes for the period	-41,177	-31,821	-9,356	29.4%
<b>Net profit</b>	<b>196,030</b>	<b>135,847</b>	<b>60,183</b>	<b>44.3%</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
<b>Net profit (loss)</b>	<b>196,030</b>	<b>135,847</b>	<b>60,183</b>	<b>44.3%</b>
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	4	-8	12	-150.0%
Financial assets at fair value through other comprehensive income	18,921	-37,280	56,201	-150.8%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-369	-151	-218	144.4%
<b>Total other income, net of income taxes</b>	<b>18,556</b>	<b>-37,439</b>	<b>55,995</b>	<b>-149.6%</b>
<b>Comprehensive income</b>	<b>214,586</b>	<b>98,408</b>	<b>116,178</b>	<b>118.1%</b>





---

# **INTERIM REPORT**

## **as at 30.09.2019**

BOARD OF DIRECTORS  
31 OCTOBER 2019



## 1. Summary of operations for the first nine months of 2019

The Banca Generali Group closed the first nine months of 2019 with consolidated net profit of 196.0 million euros and total net inflows of over 3.8 billion euros, bringing the total volume of the assets entrusted by customers to the Banking Group for management to 65 billion euros, up 13% compared to the end of 2018.

The acquisition of the Nextam Partners group closed in July also contributed additional AUM of 1.1 billion euros, along with a vast portfolio of assets under advisory (AuA) to be further developed.

Assets growth continued to focus primarily on AUC (1.9 billion euros) and traditional insurance policies (1.0 billion euros), which best mirrored the persistently extremely prudent customer attitude.

The significant increase in the liquid component of net inflows (1.5 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 sub-funds of the Luxembourg-based Sicav Lux IM, launched in April 2018, which has now reached an AUM volume of 9.4 billion euros, marking an increase of nearly 72% on the end of the 2018. In addition, Assets under Advisory amounted to over 4.4 billion euros, with an increase exceeding 2.2 billion euros in the current year.

**Net banking income** reached 408.4 million euros, up by 23.1% 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 (+59.8 million euros).

**Net financial income** – the sum of net interest income and net income from trading activities and dividends – declined (-9.6 million euros) compared to the same period of 2018, which however had benefited from the banking book de-risking strategy. The decline in net income from trading activities was however offset by the significant improvement in net interest income (+27.8%, gross of the effects of the transition to IFRS 16), which was achieved thanks to a portfolio expansion that, in a scenario of decreasing interest rates, slightly improved the average yield by applying an investment diversification strategy.

**Operating expenses** amounted to 155.7 million euros, increasing compared to the same period of the previous year (+8.6%).

This item includes the impact of some one-off components relating to the office relocation and the recent acquisitions for a total of 3.8 million euros, partially offset by the application of the new IFRS 16, which contributed 1.2 million euros in terms of operating expenses. Net of these effects, operating expenses – comprised of the expenses associated with Saxo's operations – recorded a 5.8% change, which is however in line with the Bank's guidance, calling for an increase of 3%-5% in core operating expenses<sup>1</sup> in the three-year period 2019-2021.

With reference to capital, Banca Generali confirmed the soundness of its regulatory aggregates. CET1 ratio reached 16.4% and Total Capital Ratio was 17.8%.

On a related note, the transition to IFRS 16 entailed an adverse impact on the TCR ratio of around 93 bps, attributable to the recognition of the new RWAs associated with the rights of use, whereas the acquisition of the Nextam group yielded a further impact of 65 bps, mainly owing to the deduction of the new intangibles from consolidated own funds.

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 65 billion euros at 30 September 2019. In addition, managed assets also included 0.9 billion euros in AUC of the Generali Group and 3.6 billion euros in funds and Sicavs distributed directly by management firms, as well as AUM of the Nextam Group (1.1 billion euros) for an overall total of 70.6 billion euros.

<sup>1</sup> Total operating expenses net of sales staff expenses.



## Significant corporate events

On 25 July 2019, Banca Generali closed the acquisition of a 100% interest in Nextam Partners S.p.A., the parent company of the group of the same name of brokerage firms that also includes the following fully-owned subsidiaries:

- › Nextam Partners SGR S.p.A., which engages in individual portfolio management and collective management of Italian UCITS and the AIFs of the Luxembourg Sicav promoted by the group, in addition to outsourced management of third-party products;
- › Nextam Partners Sim S.p.A., which primarily provides advice and order receipt, transmission and execution services;
- › Nextam Partners Ltd, based in London, which provides advice and manages the sub-funds of the Luxembourg Sicav promoted by the group.

Nextam Partners is a prestigious boutique firm that has been assisting private-banking and institutional clients in Italy with their asset, wealth management and advisory needs since 2001. The deal is part of Banca Generali's wider private-banking growth strategy launched with a view to strengthening the Bank's range of services and its distinctive asset management and advisory expertise. Through this transaction, Banca Generali acquires new professionals – strengthened by the successful results achieved over the past 18 years by the Nextam Partners Group – expands the Bank's HNWI client base and accelerates the development of new operating opportunities.

On 15 October 2019, Banca Generali finalised the acquisition of a 90.1% interest in the private-banking boutique based in Lugano, Switzerland, Valeur Fiduciaria S.A. (a company under Swiss law). The remaining 9.9% continues to be held by the Sellers – who are also members of Valeur's new governance structure – without prejudice to Banca Generali's option to acquire the minority interest.

The deal is part of Banca Generali's wider private-banking internationalisation and growth strategy launched with a view to strengthening the range of services offered, now complemented by Valeur Fiduciaria's distinctive wealth management expertise (a sector the company has been operating in since 2009).

The acquisition of a 19.9% interest in BG Saxo Sim has been postponed until 31 October.

## 2. Macroeconomic context

The third quarter of 2019 saw two distinct market phases. Whereas July was marked by horizontal market movement, in August the main global exchanges underwent a correction driven by weaker macroeconomic data than expected and concerns of a possible escalation of the trade tensions between China and the United States. Trump announced new tariffs on Chinese imports worth approximately 300 billion dollars, primarily targeting fast-moving consumer goods.

The political situation in Argentina, where Mauricio Macri suffered a severe defeat in the primary elections, also contributed to increased market volatility. This took operators by surprise, and they reacted with massive sell-offs of Argentine stocks, bonds and currency. In particular, the country's main stock index, the Merval, plunged 48%, the second-largest one day drop of all time anywhere in the world.

Bull markets returned in mid-August, buoyed above all by the ultra-accommodating monetary policies of central banks, the expectation that various European countries might enact tax reforms designed to stimulate the economy, and more conciliatory statements by the U.S. president on the trade war, involving a deferral of the entry into force of tariffs on Chinese goods.

There was cause for concern at the macroeconomic level, with the market consensus calling for global growth of just 2.9% in 2019, down from 3.6% in the previous year. In August, the German business confidence index reached a seven-year low, leading investors to fear that a recession might be imminent. European industry confidence levels reached six-year lows, whereas confidence in the economy is at its lowest level since February 2015 – all within a scenario with no sign of a return of inflation, despite the enormous amount of liquidity injected into the system by central banks. In most countries, manufacturing PMI (Purchasing Manager Index) figures are falling. In the United States in particular, the manufacturing index reached a two-year low. In China, gross domestic product is expected to grow by 6.2% this year: the country's lowest growth rate of the last 17 years, accompanied by signs of slowing production and retail consumption.

Ten-year German government bond yields fell, reaching -0.70% in the wake of weak macro data. In the United States, the yield curve inverted for both the two- and ten-year maturities, evidence that the outlook for the coming months does not appear to offer particular grounds for optimism regarding the conditions of the global economy. Meanwhile, in Italy the BTP-Bund spread fell to 131 bps following the formation of the second government led by Prime Minister Conte.

Turning to monetary policies, at its most recent meeting the European Central Bank announced the resumption of quantitative easing as of 1 November, at a rate of 20 billion euros a month, without a predetermined end date, together with a 10 bps reduction in deposit rates from -0.40% to -0.50%. It also outlined a tiering mechanism for banks that would allow them to deposit their surplus reserves at favourable conditions, so as to avoid an excessive adverse impact on their net interest margin. An analysis by McKinsey found that the largest European private banks are suffering from negative rates, with an 8% average decline in profits compared to 2018. In the United States, the Federal Reserve also cut interest rates by 25 bps, announcing that, where necessary, it would act as appropriate to sustain the expansion of the US economy. As a result, the main investment firms are forecasting a further 50 basis point cut by year-end.

In geopolitical affairs, in addition to the trade war, the impeachment accusations levelled against Trump and the Brexit situation are also causes for uncertainty. In detail, the last-minute Brexit agreement reached on 17 October between the new British government and the European Commission will need to be ratified by both the European Parliament and its British counterpart. Accordingly, a further extension, that will not resolve the situation of uncertainty in which the matter remains cloaked, is now likely.

On currency markets, the dollar appreciated against the euro during the period. The euro went from 1.12 to 1.09 to the dollar due to the difference in the efficacy of the monetary policies of the Federal Reserve and ECB and concerns regarding growth in the Eurozone.

In the third quarter of the year, commodities fluctuated, trending downwards, essentially due to the cyclical component of the segment (energy and industry), whereas the precious metals sub-sector, and gold in particular, bucked the trend, appreciating sharply. Agricultural commodities were also weak. On oil markets, prices shot up in September following the attack on the Saudi Arabian company Aramco by pro-Iranian Houthi rebels.

## Outlook

In the fourth quarter of 2019, particular emphasis will be placed on the flow of news regarding possible expansionary tax measures proposed by various governments around the world. The main central banks are also expected to continue to pursue expansionary monetary policies. A particular focus will also be devoted to macroeconomic data. In the United States, the efficacy of the Federal Reserve's expansionary monetary policy will have to be verified. In geopolitical affairs, the course of negotiations between the USA and China and Brexit discussions will need to be carefully monitored. These two external factors could in fact have a significant impact on the markets. At present, both sets of negotiations still seem far from a turning point.

### 3. Banca Generali's competitive positioning

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

#### 3.1 The asset management market

According to the most recent sector data available (August 2019), the value of net inflows from the asset management industry was negative for approximately 1.3 billion euros. In the funds segment, net inflows were concentrated in foreign funds, amounting to approximately 8.1 billion euros, whereas Italian funds continued to record negative net inflows of approximately 9.1 billion euros.

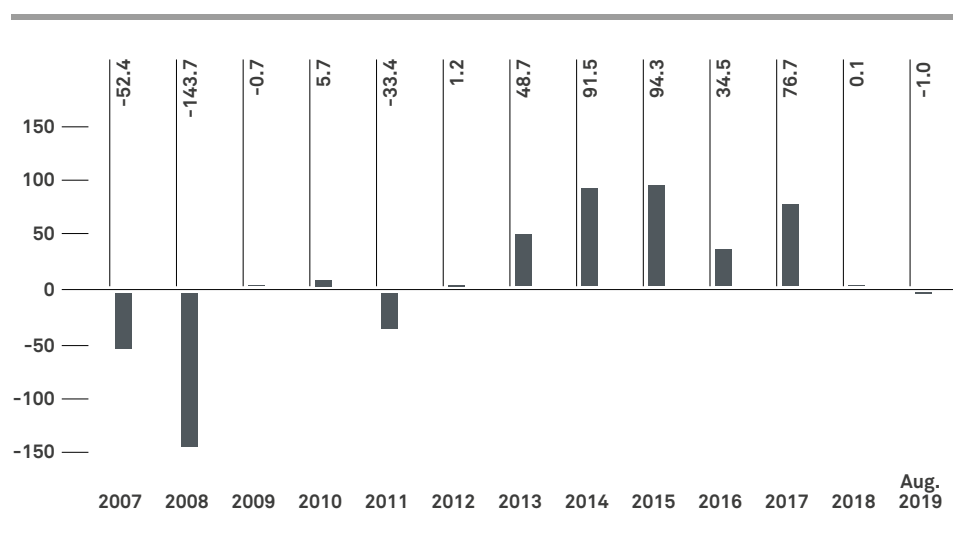
##### EVOLUTION OF NET INFLOWS AND ASSETS UNDER MANAGEMENT (€ million)

	NET INFLOWS		ASSETS	
	AUGUST 2019	AUGUST 2018	AUGUST 2019	AUGUST 2018
Italian funds	-9,082	1,221	243,292	253,347
Foreign funds	8,098	8,356	793,052	744,182
<b>Total open-ended funds</b>	<b>-984</b>	<b>9,577</b>	<b>1,036,344</b>	<b>997,529</b>
GP Retail	-400	-1,098	128,500	128,152
<b>Total</b>	<b>-1,384</b>	<b>8,479</b>	<b>1,164,844</b>	<b>1,125,681</b>

Source: Assogestioni data updated August 2019 (€ million).

The role played by financial advisor networks authorised to make off-premises offers was and remains very important: within the open-ended UCITS system, from January to August 2019, financial advisor networks raised 5.3 billion euros, whereas the other channels had a negative contribution of approximately 6.3 billion euros.

##### THE UCITS MARKET IN ITALY SINCE 2007 (€ billion)



Source: Assogestioni data updated August 2019.

### 3.2 The Assoreti market

In the first eight months of 2019, Assoreti market's net inflows (which relate to the distribution activity of FA networks) were in line with the figure reported in 2018 (+1%). Approximately 42% of net resources invested (9.6 billion euros) regarded asset management and insurance products, whereas the remainder was invested in AUC.

(€ MILLION)	31.08.2019	31.08.2018	CHANGE
Asset management	2,358	5,710	-3,352
Insurance products	7,259	6,535	724
AUC	13,289	10,482	2,807
<b>Total</b>	<b>22,906</b>	<b>22,727</b>	<b>179</b>

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

In the asset management market, the first eight months of 2019 saw the positive performance of the UCITS segment for approximately 1,553 million euros and net inflows of 805 million euros generated by discretionary mandates. The insurance sector continued to attract a significant share of investments with net inflows of 7,259 million euros, of which 2,740 million euros related to unit-linked and multi-line policies.

Net inflows generated by AUC amounted to 13,290 million euros, thanks to the significant influx of cash (9.4 billion euros).

### 3.3 Banca Generali

Against this background, Banca Generali continues to be one of the market leaders in terms of net inflows through Financial Advisors, with 3,467 million euros at the end of August 2019 (latest available figure for Assoreti comparison), with a market share of 15.1%. Financial Advisors' per-capita net inflows were 1.7 million euros, 73% above the market average (1.0 million euros).

TOTAL NET INFLOWS – 22.9 BILLION EUROS – AND MARKET SHARE %  
(August 2019, € million)

FINECOBANK	3,614	15.8%
<b>BANCA GENERALI</b>	<b>3,467</b>	<b>15.1%</b>
ISP	3,317	14.5%
BANCA FIDEURAM	3,246	14.2%
BANCA MEDIOLANUM	2,228	9.7%
ALLIANZ BANK	1,898	8.3%
AZIMUT	1,552	6.8%
CHEBANCA! S.P.A.	1,050	4.6%
DEUTSCHE BANK	807	3.5%
BNL LIFE BANKER	557	2.4%
CREDEM	530	2.3%
IW BANK	516	2.3%
BANCA EUROMOBILIARE	91	0.4%
CONSULTINVEST	34	0.1%
MPS	-	-

Source: Assoreti

Banca Generali was the top player in the industry in terms of net inflows into asset management and insurance products, with a 17.5% market share and net inflows into asset management and insurance products of 0.83 million euros per capita, significantly above the market average (0.41 million euros).

NET INFLOWS FROM AUM AND INSURANCE PRODUCTS – 9.6 BILLION EUROS –  
AND MARKET SHARE %  
(August 2019, € million)

<b>BANCA GENERALI</b>	<b>1,681</b>	<b>17.5%</b>
ALLIANZ BANK	1,485	15.4%
BANCA MEDIOLANUM	1,402	14.6%
FINECOBANK	1,308	13.6%
BANCA FIDEURAM	1,112	11.6%
ISPB	-65	-
AZIMUT	903	9.4%
CHEBANCA! S.P.A.	717	7.5%
BNL LIFE BANKER	453	4.7%
DEUTSCHE BANK	353	3.7%
CREDEM	309	3.2%
IW BANK	86	0.9%
CONSULTINVEST	41	0.4%
BANCA EUROMOBILIARE	-36	-
MPS	-133	-

Source: Assoreti

With specific reference to the September figures, the Bank's net inflows further increased to 3,776 million euros. This result reflected the households' high demand for financial advice, in a context marked by the growing importance of risk and volatility control and diversification potential. 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 bespoke investment solutions. The figure is even more significant when considering that it only includes net inflows from Banca Generali's Financial Advisors and Private Bankers.

NET INFLOWS OF BANCA GENERALI

(€ MILLION)	BG GROUP		CHANGE VS 30.09.2018	
	30.09.2019	30.09.2018	AMOUNT	%
BG Group Funds and Sicavs	996	632	364	58%
Financial wrappers	-350	130	-480	-369%
Insurance wrappers	226	895	-669	-75%
<b>Total assets under management</b>	<b>872</b>	<b>1,657</b>	<b>-785</b>	<b>-47%</b>
<b>Total traditional life insurance policies</b>	<b>995</b>	<b>358</b>	<b>637</b>	<b>178%</b>
<b>Total AUC</b>	<b>1,909</b>	<b>2,099</b>	<b>-190</b>	<b>-9%</b>
<b>Total net inflows placed by the network</b>	<b>3,776</b>	<b>4,114</b>	<b>-338</b>	<b>-8.2%</b>

In terms of Assets Under Management, in June 2019 Banca Generali was once again one of the five top competitors in the Assoreti market (distribution activity carried out through Financial Advisors), with 62.9 billion euro AUM and a market share of 10.8%.

ASSORETI TOTAL AUM – 584 BILLION EUROS –  
AND MARKET SHARE %  
(June 2019, € billion)

BANCA FIDEURAM	115.1	19.7%
ISPB	106.0	18.1%
BANCA MEDIOLANUM	72.9	12.5%
FINECOBANK	65.8	11.3%
<b>BANCA GENERALI</b>	<b>62.9</b>	<b>10.8%</b>
ALLIANZ BANK	48.9	8.4%
AZIMUT	41.2	7.0%
CREDEM	22.1	3.8%
DEUTSCHE BANK	14.7	2.5%
BANCA EUROMOBILIARE	9.6	1.6%
IW BANK	9.5	1.6%
MPS	6.4	1.1%
BNL LIFE BANKER	5.0	0.9%
CHEBANCA! S.P.A.	3.1	0.5%
CONSULTINVEST	1.1	0.2%

Source: Assoreti

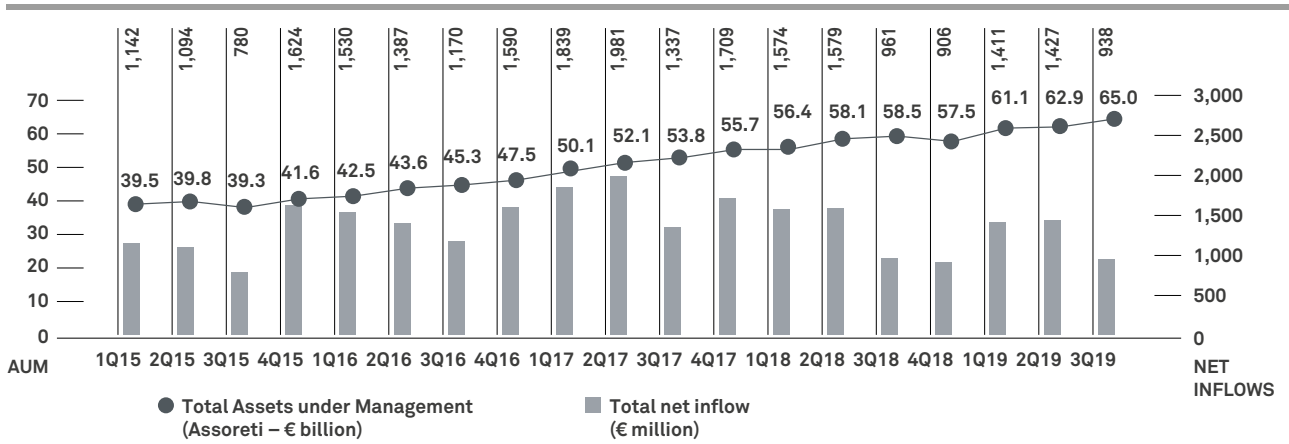
With specific reference to the September figures, Banca Generali's assets under management figures – as illustrated in the table below – showed a 13.0% increase in the first nine months of 2019 compared to December 2018.

AUM in asset management products rose by 10.7%. Assets in funds and Sicavs grew by 16.9%, whereas traditional life insurance policies increased by 6.9%. AUC rose by 23.6%, 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.

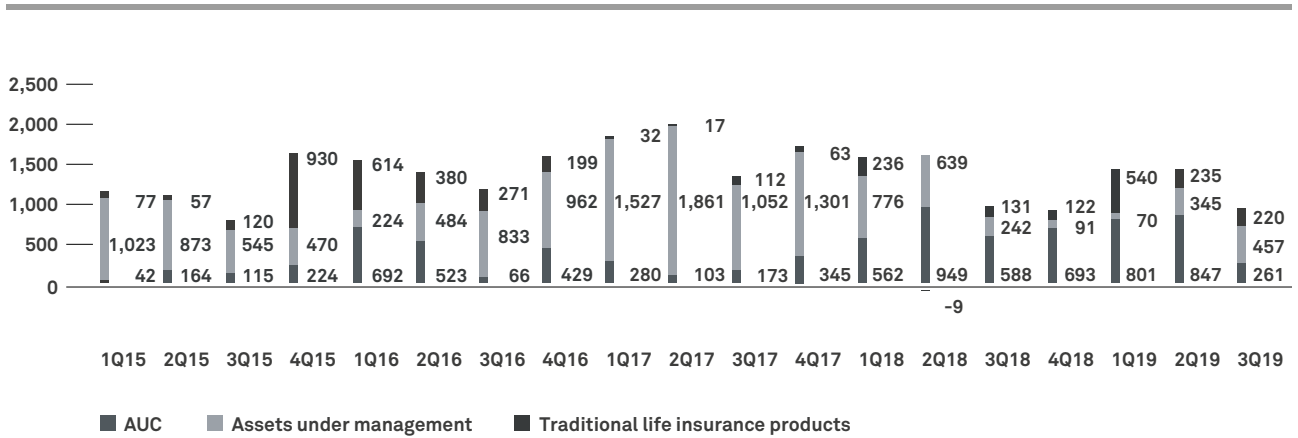
BANCA GENERALI'S ASSETS UNDER MANAGEMENT

(€ MILLION)	BG GROUP		CHANGE VS 31.12.2018	
	30.09.2019	31.12.2018	AMOUNT	%
BG Group Funds and Sicavs	15,454	13,219	2,235	16.9%
Financial wrappers	6,549	6,426	123	1.9%
Insurance wrappers	8,265	7,693	572	7.4%
<b>Total assets under management</b>	<b>30,268</b>	<b>27,338</b>	<b>2,931</b>	<b>10.7%</b>
<b>Total traditional life insurance policies</b>	<b>16,471</b>	<b>15,405</b>	<b>1,066</b>	<b>6.9%</b>
<b>Total AUC</b>	<b>18,280</b>	<b>14,791</b>	<b>3,489</b>	<b>23.6%</b>
<b>Total AUM placed by the network</b>	<b>65,019</b>	<b>57,534</b>	<b>7,485</b>	<b>13.0%</b>

EVOLUTION OF AUM AND NET INFLOWS



BREAKDOWN OF QUARTERLY NET INFLOWS (€ million)





## 4. Operating result

Upon first-time application of the new IFRS 16 – Leases, which lays down a single model for accounting for lease contracts, eliminating the distinction between operating and finance leases, Banca Generali opted to recognise the effect associated with the retroactive recalculation of net equity values at 1 January 2019, without restating the previous comparative years (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 September 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. 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.

The acquisition of the Nextam Partners Group was closed on 25 July 2019; the Nextam Partners Group's aggregates have therefore been included in the consolidated balance sheet at 30 September 2019 but not in the Group's comparative balance sheet at 30 September 2018.

The Nextam Partners Group's contribution to operating performance, relating to the months of August and September 2019 only, is not material to the Banking Group's main P&L aggregates (0.1% of consolidated result).

A preliminary review of the impacts of the acquisition of the above group on the Banca Generali Banking Group's accounts is nonetheless provided in Chapter 7.2.1 of this Consolidated Interim Report, Business Combinations – Acquisition of the Nextam Partners Group.

The Group's net profit at the end of the first nine months of 2019 was 196 million euros, up by 44.3% compared to the same period of the previous year.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Net interest income	53,866	44,236	9,630	21.8%
Net income (loss) from trading activities and dividends	9,307	22,063	-12,756	-57.8%
<b>Net financial income</b>	<b>63,173</b>	<b>66,299</b>	<b>-3,126</b>	<b>-4.7%</b>
Fee income	633,113	566,659	66,454	11.7%
Fee expense	-287,900	-301,127	13,227	-4.4%
<b>Net fees</b>	<b>345,213</b>	<b>265,532</b>	<b>79,681</b>	<b>30.0%</b>
<b>Net banking income</b>	<b>408,386</b>	<b>331,831</b>	<b>76,555</b>	<b>23.1%</b>
Staff expenses	-67,619	-62,768	-4,851	7.7%
Other general and administrative expenses	-110,300	-113,494	3,194	-2.8%
Net adjustments of property, equipment and intangible assets	-21,152	-6,253	-14,899	238.3%
Other operating expenses/income	43,372	39,178	4,194	10.7%
<b>Net operating expenses</b>	<b>-155,699</b>	<b>-143,337</b>	<b>-12,362</b>	<b>8.6%</b>
<b>Operating result</b>	<b>252,687</b>	<b>188,494</b>	<b>64,193</b>	<b>34.1%</b>
Net adjustments for non-performing loans	-2,268	-6,062	3,794	-62.6%
Net provisions for liabilities and contingencies	-12,973	-14,598	1,625	-11.1%
Gains (losses) from equity investments	-239	-166	-73	44.0%
<b>Operating profit before taxation</b>	<b>237,207</b>	<b>167,668</b>	<b>69,539</b>	<b>41.5%</b>
Income taxes for the period	-41,177	-31,821	-9,356	29.4%
<b>Net profit</b>	<b>196,030</b>	<b>135,847</b>	<b>60,183</b>	<b>44.3%</b>

Reclassified net banking income<sup>2</sup> amounted to 408.4 million euros, with an increase of 76.6 million euros (+23.1%) compared to 2018, determined by the following factors:

- › the resilience of **management fee income**, which reached a new high on a quarterly basis (163 million euros), thus completely overcoming the effects of the strong market correction occurred in the second half of 2018, despite a market scenario still characterised by a strong propensity towards deposits and defensive investments and a natural trend to lower margins;

<sup>2</sup> 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 9.2 million euros for 2019 and 22.2 million euros for 2018.

- › the increase in the most volatile components of the profit and loss account, namely **performance fees**, which rose by 59.8 million euros, including as a result of the sharp rise of the financial markets;
- › the **increase in net interest income**, which, gross of additional interest expense recognised pursuant to IFRS 16 on financial liabilities associated with lease contracts (2.7 million euros), rose by 27.8% compared to the same period of 2018, offsetting the lesser contribution of the **net income (loss) from trading activities and dividends** (-12.7 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 16.3 million euros.

**Operating expenses** amounted to 155.7 million euros, increasing compared to the same period of the previous year (+8.6%). The increase was tied to the Bank's pronounced efforts to expedite all of its current strategic projects. Moreover, this item includes the impact of some one-off components relating to the office relocation and the recent acquisitions for a total of 3.8 million euros, partially offset by the application of the new IFRS 16, which contributed 1.2 million euros in terms of operating expenses. Net of these effects, operating expenses – comprised of the expenses associated with Saxo's operations – recorded a 5.8% change, which is however in line with the Bank's guidance, which calls for an increase of 3%-5% in core operating expenses<sup>3</sup> in the three-year period 2019-2021.

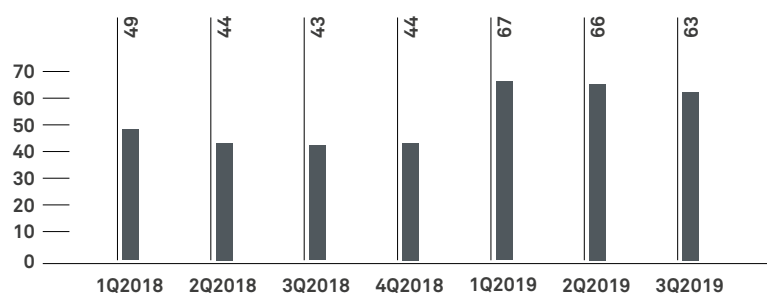
The **cost/income ratio**, which measures the ratio of operating expenses (gross of adjustments to property, equipment and intangible assets) to net operating income, amounted to an excellent 32.9%, whereas the adjusted cost/income ratio<sup>4</sup> stood at 39.9% (42.3% at year-end 2018), thus confirming the Bank's excellent operating efficiency.

**Provisions and net adjustments** amounted to 15.2 million euros, down by 5.4 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** was 237.2 million euros, up by 69.5 million euros compared to the same period of 2018. The tax burden for the reporting period instead declined, with an overall tax rate of 17.4%, due to the increased weight of profit generated abroad.

#### QUARTERLY NET PROFIT (€ million)



<sup>3</sup> Total operating expenses net of sales staff expenses.

<sup>4</sup> 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)	3Q2019	2Q2019	1Q2019	4Q2018	3Q2018	2Q2018	1Q2018
Net interest income	20,284	17,708	15,874	15,736	16,177	14,816	13,243
Net income (loss) from trading activities and dividends	3,261	2,051	3,995	2,056	1,481	5,355	15,227
<b>Net financial income</b>	<b>23,545</b>	<b>19,759</b>	<b>19,869</b>	<b>17,792</b>	<b>17,658</b>	<b>20,171</b>	<b>28,470</b>
Fee income	208,644	216,495	207,974	175,007	190,056	194,238	182,365
Fee expense	-96,505	-97,134	-94,261	-75,217	-99,267	-105,126	-96,734
<b>Net fees</b>	<b>112,139</b>	<b>119,361</b>	<b>113,713</b>	<b>99,790</b>	<b>90,789</b>	<b>89,112</b>	<b>85,631</b>
<b>Net banking income</b>	<b>135,684</b>	<b>139,120</b>	<b>133,582</b>	<b>117,582</b>	<b>108,447</b>	<b>109,283</b>	<b>114,101</b>
Staff expenses	-22,608	-23,221	-21,790	-21,459	-20,459	-21,173	-21,136
Other general and administrative expenses	-38,878	-36,246	-35,176	-49,000	-39,279	-36,914	-37,301
Net adjustments of property, equipment and intangible assets	-7,360	-7,000	-6,792	-3,048	-2,094	-2,113	-2,046
Other operating expenses/income	14,009	15,641	13,722	20,259	12,113	13,125	13,940
<b>Net operating expenses</b>	<b>-54,837</b>	<b>-50,826</b>	<b>-50,036</b>	<b>-53,248</b>	<b>-49,719</b>	<b>-47,075</b>	<b>-46,543</b>
<b>Operating result</b>	<b>80,847</b>	<b>88,294</b>	<b>83,546</b>	<b>64,334</b>	<b>58,728</b>	<b>62,208</b>	<b>67,558</b>
Net adjustments for non-performing loans	-1,125	-5,132	3,989	-1,224	-2,456	-3,798	192
Net provisions	-3,637	-3,215	-6,121	-10,753	-3,987	-5,828	-4,783
Gains (losses) from equity investments	-154	-26	-59	-265	-25	-53	-88
<b>Operating profit before taxation</b>	<b>75,931</b>	<b>79,921</b>	<b>81,355</b>	<b>52,092</b>	<b>52,260</b>	<b>52,529</b>	<b>62,879</b>
Income taxes for the period	-12,701	-13,745	-14,731	-7,813	-8,979	-9,010	-13,832
<b>Net profit</b>	<b>63,230</b>	<b>66,176</b>	<b>66,624</b>	<b>44,279</b>	<b>43,281</b>	<b>43,519</b>	<b>49,047</b>

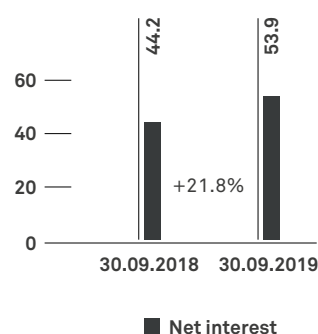
## 4.1 Net interest income

Net interest income amounted to 53.9 million euros, with a 9.6 million euro increase compared to the same period of 2018 (+21.8%), which was however affected by the first-time application of IFRS 16.

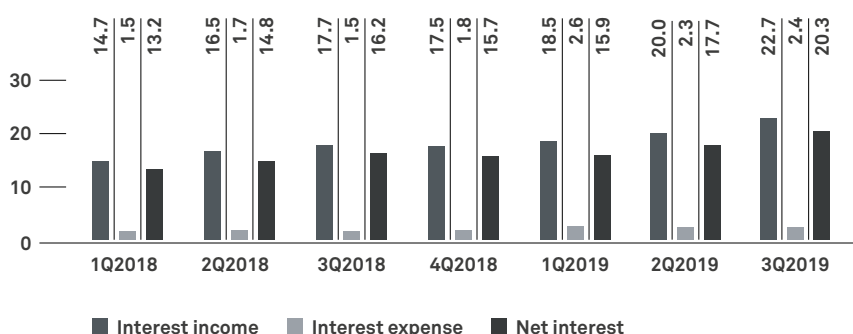
In the first nine months of 2019, the application of the new Standard entailed the recognition of greater interest expense of 2.7 million euros on financial liabilities associated with lease contracts. Net of such items, net interest income would have increased by 27.8%.

The growth was driven by the increase of the average portfolio volumes (+10%) that, in a context of decreasing interest rates, slightly improved the average yield by applying an investment diversification strategy.

NET INTEREST (€ million)



QUARTERLY NET INTEREST (€ million)



In the first nine months of 2019, interest rate performance in the Euro Area continued to be influenced by the accommodative Quantitative Easing policy carried out by the ECB. At the meetings of the Governing Council held on 12 September and 24 October, the ECB took

the decision to restart net purchases under the asset purchase programme (Quantitative Easing) at a monthly pace of 20 billion euros, as from 1 November. It was also decided to further raise the negative interest rates applied to deposits held with the ECB to the exceptional level of -0.50%<sup>5</sup>, while introducing a tiering system based on the banks' reserve holdings in excess of minimum reserve requirements. The Governing Council also confirmed it intends to continue to reinvest the securities purchased under the APP ended in 2018 for an extended period of time, and new series of TLTROs have been implemented.

It was also announced that the ECB's accommodative policy will continue until the inflation outlook robustly converges to a level sufficiently close to, but below, 2%.

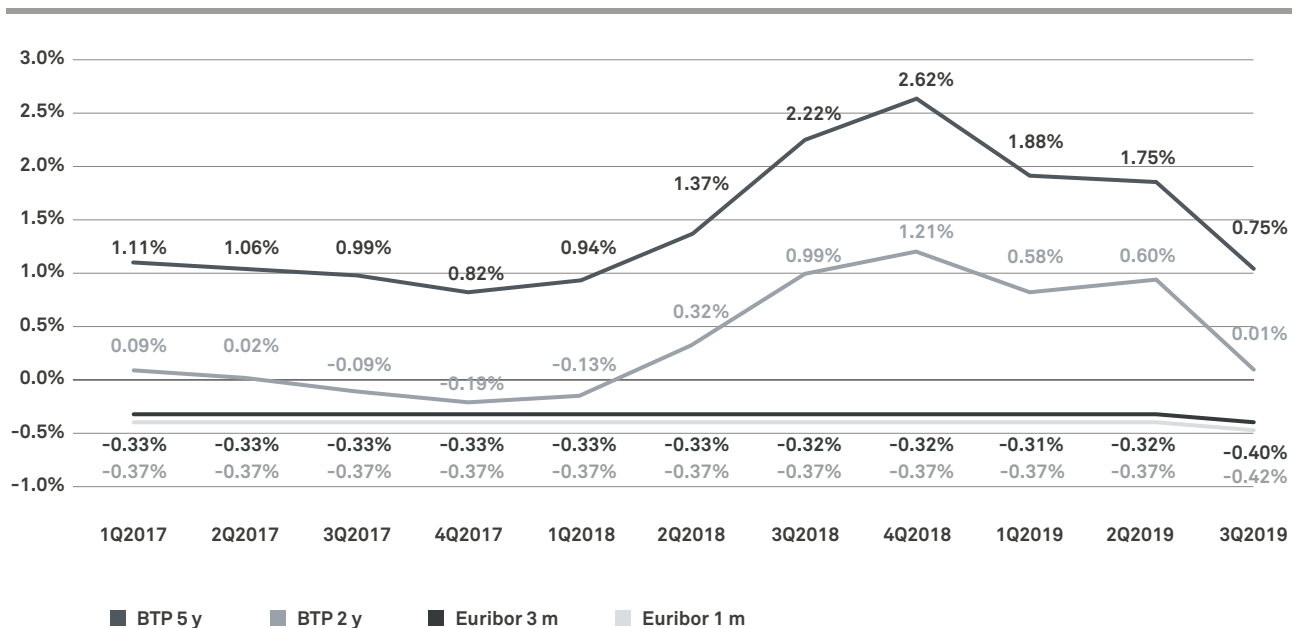
The persistent uncertainty associated with geopolitical factors, the threat of protectionism and the vulnerability of emerging markets, combined with the slowdown of economic growth and inflation in the Euro Area, therefore led the ECB to confirm and further extend the horizon of its expansionary monetary 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 September 2019 short-term interbank rates stood at a monthly average of -0.448% for the one-month Euribor and of -0.418% 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 in 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 and reached about 140 bps at the end of September, 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 and recover again to -0.199% in September 2019. Bonds with residual maturities of 4.5 to 6.5 years rose from 0.78% in April to 2.27% in September, reaching a 2.21% average yield in December, to then fall back to a low of 0.395% in September 2019.

EVOLUTION OF INTEREST RATES (quarterly average)



<sup>5</sup> 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 increasing the negative interest rates applied to the ECB's deposit facilities to the exceptional level of -0.40%.

Within this context, interest income grew by 12.3 million euros compared to the same period of 2018 (+25.0%), driven by the gradual impact of the aforementioned increases in bond market interest rates on the securities in the Bank's investment portfolio (+12.6 million euros; +40.6%). The weighted average yield of the HTC portfolio stood at 1.1% at the end of the reporting period.

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 net inflows from customers 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 reduction in the average balances of demand deposits.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	120	128	-8	-6.3%
Financial assets at fair value through other comprehensive income	3,371	3,499	-128	-3.7%
Financial assets at amortised cost	39,937	27,251	12,686	46.6%
<b>Total financial assets</b>	<b>43,428</b>	<b>30,878</b>	<b>12,550</b>	<b>40.6%</b>
Loans to banks	547	417	130	31.2%
Loans to customers	15,421	16,054	-633	-3.9%
Negative interest expense on financial liabilities	1,792	1,582	210	13.3%
<b>Total interest income</b>	<b>61,188</b>	<b>48,931</b>	<b>12,257</b>	<b>25.0%</b>
Due to banks	453	370	83	22.4%
Due to customers	1,301	588	713	121.3%
Repurchase agreements - customers	43	-	43	n.a.
Subordinated loan	1,262	1,245	17	1.4%
Hedging derivatives	278	-	278	n.a.
IFRS 16-related financial liabilities	2,650	-	2,650	n.a.
Negative interest income on financial liabilities	1,335	2,492	-1,157	-46.4%
<b>Total interest expense</b>	<b>7,322</b>	<b>4,695</b>	<b>2,627</b>	<b>56.0%</b>
<b>Net interest income</b>	<b>53,866</b>	<b>44,236</b>	<b>9,630</b>	<b>21.8%</b>

The negative interest income paid to counterparties on loans and negative interest expense paid by counterparties on the Bank's funding operations amounted to 1,335 thousand euros and 1,792 thousand euros, respectively.

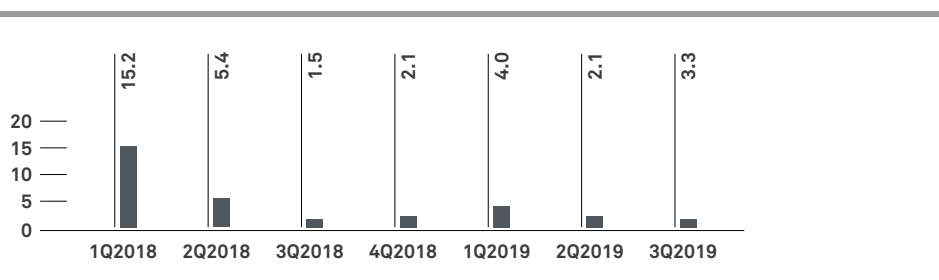
The expenses incurred primarily relate to balances held with the Central Bank (1,226 thousand euros), whereas the income accrued relates to net inflows from institutional clients both belonging to the Generali Group and not related to it (1,687 thousand euros), as well as from non-institutional clients, for specific agreements and for particularly high deposit amounts.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Banks	6	101	-95	-94.1%
Customers	1,786	1,481	305	20.6%
<b>Total income for negative interest expense</b>	<b>1,792</b>	<b>1,582</b>	<b>210</b>	<b>13.3%</b>
Banks	1,311	2,440	-1,129	-46.3%
Customers	24	52	-28	-53.8%
<b>Total expense for negative interest income</b>	<b>1,335</b>	<b>2,492</b>	<b>-1,157</b>	<b>-46.4%</b>
<b>Net negative interest income and expense</b>	<b>457</b>	<b>-910</b>	<b>1,367</b>	<b>-150.2%</b>

## 4.2 Net income from trading activities and dividends

Net income from trading activities and dividends is composed of the net income on financial assets and liabilities held for trading and other assets 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 9.3 million euros in the first nine months of 2019, down by 12.8 million euros on the same period of the previous year, which, however, had benefited from the capital gains realised on an extensive banking book de-risking action.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
<b>Dividends and income on UCITS</b>	<b>2,156</b>	<b>1,540</b>	<b>616</b>	<b>40.0%</b>
Trading of financial assets and equity derivatives	54	-3	57	n.a.
Trading of financial assets and derivatives on debt securities and interest rates	593	389	204	52.4%
Trading of UCITS units	-7	-74	67	-90.5%
Securities transactions	640	312	328	105.1%
Currency and currency derivative transactions	3,818	3,526	292	8.3%
<b>Net income (loss) from trading activities</b>	<b>4,458</b>	<b>3,838</b>	<b>620</b>	<b>16.2%</b>
Equity securities and UCITS	-2,819	876	-3,695	n.a.
Debt securities	23	25	-2	-8.0%
Financial Advisors' policies	131	-	131	n.a.
<b>Net income (loss) on assets mandatorily measured at fair value through profit and loss</b>	<b>-2,665</b>	<b>901</b>	<b>-3,566</b>	<b>n.a.</b>
<b>Net income (loss) from hedging</b>	<b>-21</b>	<b>-</b>	<b>-21</b>	<b>n.a.</b>
Debt securities	5,379	15,784	-10,405	-65.9%
<b>Gains (losses) from disposal on HTC and HTCS debt securities</b>	<b>5,379</b>	<b>15,784</b>	<b>-10,405</b>	<b>-65.9%</b>
<b>Net result of financial operations</b>	<b>9,307</b>	<b>22,063</b>	<b>-12,756</b>	<b>-57.8%</b>

**Net income from trading activities** showed 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 decreased by -1.2 million euros due to 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), only partially offset by the positive performance of investments in UCITS (+1.6 million euros).

Treasury management of debt securities allocated to the HTCS portfolio contributed instead 3.0 million euros.

(€ THOUSAND)	TRANSFER OF RESERVES	GAINS	LOSSES	CAPITAL GAINS	CAPITAL LOSSES	30.09.2019	30.09.2018	CHANGE
<b>Debt securities at fair value through other comprehensive income</b>	<b>-2,524</b>	<b>5,550</b>	<b>-47</b>	<b>x</b>	<b>x</b>	<b>2,979</b>	<b>13,246</b>	<b>-10,267</b>
<b>Debt securities at amortised cost</b>	<b>x</b>	<b>62</b>	<b>-</b>	<b>x</b>	<b>x</b>	<b>62</b>	<b>2,537</b>	<b>-2,475</b>
<b>Financial assets mandatorily measured at fair value:</b>	<b>x</b>	<b>830</b>	<b>-2,195</b>	<b>3,997</b>	<b>-2,959</b>	<b>-327</b>	<b>902</b>	<b>-1,229</b>
Debt securities	x	-	-	23	-	23	25	-2
UCITS units	x	813	-2,195	3,251	-210	1,659	1,694	-35
Equity securities and FITD								
Voluntary Scheme contribution	x	-	-	198	-2,338	-2,140	-817	-1,323
Financial Advisors' policies	x	17	-	525	-411	131	-	131
<b>Total</b>	<b>-2,524</b>	<b>6,442</b>	<b>-2,242</b>	<b>3,997</b>	<b>-2,959</b>	<b>2,714</b>	<b>16,685</b>	<b>-13,971</b>

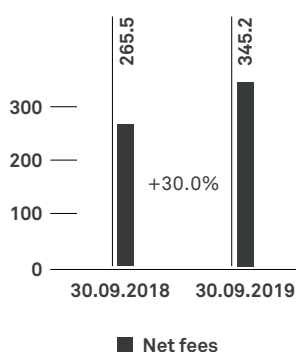
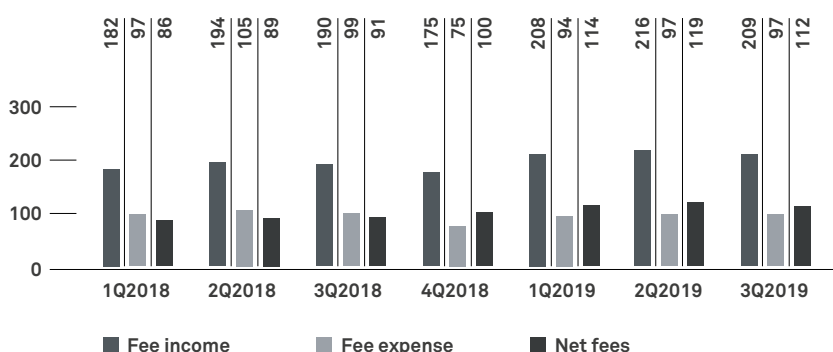
Finally, in June a new fair value hedging transaction entered into with market counterparties was undertaken on the HTC and HTCS portfolios based on asset swaps with BTP as their underlying.

### 4.3 Net fees

Net fees amounted to 345.2 million euros, up 30% compared to the same period of 2018, thanks to the dynamic fee income performance, mainly driven by the non-recurring components linked to market trends, and to the fee expense decline (-4.4%), which chiefly concerned incentive fees.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Collective and individual portfolio management fees	331,244	286,020	45,224	15.8%
Fees for the placement of securities and UCITS	83,903	76,483	7,420	9.7%
Fees for distribution of third-party financial products	176,255	167,935	8,320	5.0%
Fees for trading and securities custody	17,594	17,417	177	1.0%
Investment advisory fees	17,021	11,669	5,352	45.9%
Fees for other banking and financial services	7,095	7,135	-40	-0.6%
<b>Total fee income</b>	<b>633,112</b>	<b>566,659</b>	<b>66,453</b>	<b>11.7%</b>
Fees for off-premises offer (*)	258,781	269,779	-10,998	-4.1%
<i>of which: allocations to provisions for incentive fees and recruitment</i>	<i>9,160</i>	<i>22,239</i>	<i>-13,079</i>	<i>-58.8%</i>
Fees for dealing in securities and custody	4,360	5,616	-1,256	-22.4%
Fees for portfolio management	20,438	22,062	-1,624	-7.4%
Fees for other banking services	4,320	3,670	650	17.7%
<b>Total fee expense</b>	<b>287,899</b>	<b>301,127</b>	<b>-13,228</b>	<b>-4.4%</b>
<b>Net fees</b>	<b>345,213</b>	<b>265,532</b>	<b>79,681</b>	<b>30.0%</b>

(\*) Including allocations and provisions for incentives and recruitment bonuses.

NET FEES  
(€ million)QUARTERLY NET FEES  
(€ million)

The Nextam group's contribution to the fee aggregate for August and September amounted to slightly less than 1.0 million euros, or 0.3% of the consolidated value.

## Fee income

Fee income amounted to 633.1 million euros, up by 11.7%, mainly due to the aforementioned growth in performance fees calculated on the excellent level of income generated by the Sicavs promoted by the Group throughout the year.

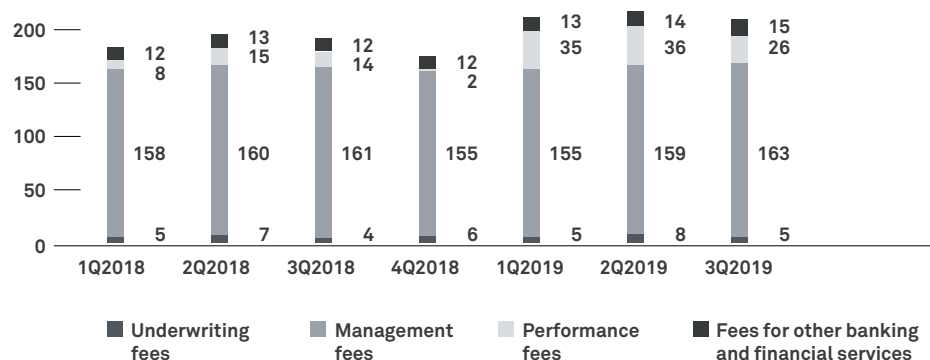
(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Underwriting fees	18,729	15,151	3,578	23.6%
Management fees	476,332	478,722	-2,390	-0.5%
Performance fees	96,341	36,565	59,776	163.5%
Fees for other services	41,710	36,221	5,489	15.2%
<b>Total</b>	<b>633,112</b>	<b>566,659</b>	<b>66,453</b>	<b>11.7%</b>

The management fee aggregate was essentially in line with the figure at the end of the same period of the previous year (-0.5%), showing a considerable absorption of both the cyclical effects of the sharp market correction that occurred in late 2018, which had a particularly acute impact on individual portfolio management schemes (-7.5%), as well as the structural effects generated by the transition to the more competitive fee structure adopted by the new Lux IM sub-funds, for the Sicavs promoted by the Group (-5.3%).

The increase in fees was also borne out by the significant growth in underwriting fees (+23.6%) and fees for other banking and financial services (+15.2%) that benefited, respectively, from the positive performance of certificate placement (+4.0 million euros; 80.6%) and higher revenues arising from advanced advisory services (+5.3 million euros in the reporting period; 45.9%). In this regard, it should be noted that **Assets under Advisory** grew significantly in 2019, bringing the total value of AUM to 4.4 billion euros (2.2 billion euros in 2018), with an over 2.2 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 591.4 million euros, with a 0.2% modest increase compared to the same period of the previous year, net of the aforementioned non-recurring component.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
1. Collective portfolio management	273,978	224,217	49,761	22.2%
2. Portfolio management under mandate by third parties	122	-	122	n.a.
3. Individual portfolio management	57,144	61,803	-4,659	-7.5%
<b>Portfolio management fees</b>	<b>331,244</b>	<b>286,020</b>	<b>45,224</b>	<b>15.8%</b>
1. Placement of UCITS	74,170	70,611	3,559	5.0%
<i>of which: underwriting of UCITS promoted by the Group</i>	3,726	3,096	630	20.3%
2. Placement of bonds and equity securities	9,733	5,872	3,861	65.8%
3. Distribution of third-party asset management products (GPM/GPF, pension funds)	597	580	17	2.9%
4. Distribution of third-party insurance products	175,324	166,890	8,434	5.1%
5. Distribution of other third-party financial products	334	465	-131	-28.2%
<b>Fees for the placement and distribution of financial services</b>	<b>260,158</b>	<b>244,418</b>	<b>15,740</b>	<b>6.4%</b>
<b>Asset management fee income</b>	<b>591,402</b>	<b>530,438</b>	<b>60,964</b>	<b>11.5%</b>

Fee income from **distribution of insurance products** continued to report constant progress (+5.1% on the same period of 2018), owing to the stable increase in average AUM in this segment (+6.1%), which however showed a more defensive approach in customer investments. Net inflows from insurance business in the first nine months of 2019 were thus concentrated in traditional LOB1 insurance products, accounting for 1.0 billion euros of the total of over 1.2 billion euros.

**Sicavs** promoted by the Banking Group – net of the effect of non-recurring performance components – reported a decline in management fees of 5.3% compared to the same period of the previous year, due both 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 9.4 billion euros (+141%). Since inception of the new sub-funds, the cumulative net inflows into the Sicav from customers within the Assoreti scope alone reached nearly 2.3 billion euros.

Fees for the **placement of UCITS** amounted to 74.2 million euros, with an increase of 5.0% on the same period of 2018, which shows the constant demand by customers for à-la-carte funds and Sicavs.

In addition, the placement of **Certificates** also showed a strong performance, generating fees for over 9 million euros compared to 5 million euros for the same period of 2018.

**Fee income for other banking and financial services** amounted to 41.7 million euros, due to the aforementioned rise in Assets under Advisory.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Fees for trading and custody	17,595	17,418	177	1.0%
Investment advisory fees	17,021	11,669	5,352	45.9%
<i>of which on AG Group's unit-linked policies</i>	4,397	4,054	343	8.5%
Fees for collection and payment services	3,118	3,245	-127	-3.9%
Fee income and account-keeping expenses	1,413	1,534	-121	-7.9%
Fees for other services	2,563	2,355	208	8.8%
<b>Total fee income for other services</b>	<b>41,710</b>	<b>36,221</b>	<b>5,489</b>	<b>15.2%</b>

## Fee expense

Fee expense, including fee provisions<sup>6</sup>, amounted to 288 million euros, down moderately compared to the same period of the previous year (-4.4%).

The Bank's total payout ratio to total fee income (net of performance fees) was thus 53.6%, slightly up compared to 56.8% for the same period of the previous year.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Ordinary payout	183,670	177,683	5,987	3.4%
Extraordinary payout	61,791	80,871	-19,080	-23.6%
Other network maintenance expenses	13,320	11,225	2,095	18.7%
<b>Fee expense for off-premises offer</b>	<b>258,781</b>	<b>269,779</b>	<b>-10,998</b>	<b>-4.1%</b>
Fees for portfolio management	20,438	22,062	-1,624	-7.4%
Fee expense for other services	8,680	9,286	-606	-6.5%
<b>Total</b>	<b>287,899</b>	<b>301,127</b>	<b>-13,228</b>	<b>-4.4%</b>

**Fee expense for off-premises offer** paid to the Financial Advisors network amounted to 258.8 million euros, down by 11.0 million euros compared to the same period of 2018 (-4.1%).

However, the performance of the aggregate includes 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 16.3 million euros<sup>7</sup>.

Accordingly, on a like-for-like basis, the fee aggregate for off-premises offer increased slightly (+2.0%), due solely to the ordinary payout and other network maintenance expenses.

Breaking down the ordinary payout (+3.4%), the increase in fees mainly referred to the provision of new services, such as advisory and placement of certificates, whereas the performance of network costs (+18.7%) was due to the non-recurring effect of the greater contractual indemnities paid out during the reporting period.

<sup>6</sup> Incentive fee expense also includes net fee provisions for an amount of 9.2 million euros for 2019 and 22.2 million euros for 2018

<sup>7</sup> 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.

**Fees for portfolio management** amounted to 20.4 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.

**Fee expense for other services** declined by 6.5%, essentially due to the decrease in fee for collection services, partially offset by the fees for the new Robo4advisory services.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Fees for securities trading and custody	-4,360	-5,616	1,256	-22.4%
Fees for collection and payment services	-3,184	-3,004	-180	6.0%
Fees for other services	-1,136	-666	-470	70.6%
<b>Total fee expense for other services</b>	<b>-8,680</b>	<b>-9,286</b>	<b>606</b>	<b>-6.5%</b>

#### 4.4 Operating expenses

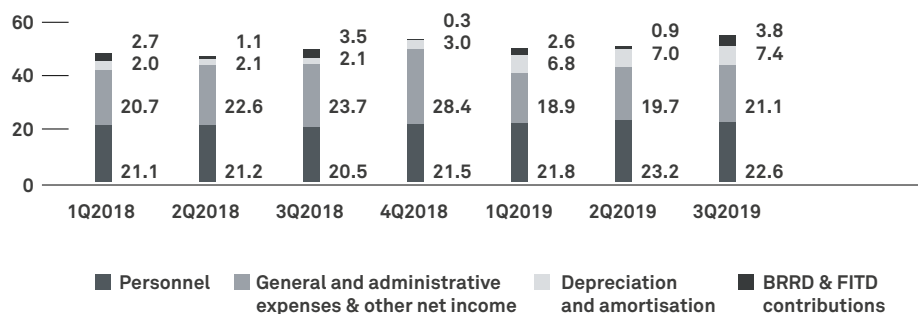
Operating expenses amounted to 155.7 million euros, increasing by 8.6% compared to the same period of the previous year.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Staff expenses	67,619	62,768	4,851	7.7%
General and administrative expenses (net of duty recovery) and other net income	59,593	67,030	-7,437	-11.1%
BRRD and FITD contributions	7,335	7,286	49	0.7%
Net adjustments of property, equipment and intangible assets	21,152	6,253	14,899	n.a.
<b>Operating expenses</b>	<b>155,699</b>	<b>143,337</b>	<b>12,362</b>	<b>8.6%</b>

The aggregate's performance was significantly influenced by the first-time adoption of IFRS 16, which in 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 13.4 million euros, against a decrease in lease payments and rental fees of 14.6 million euros, resulting in a net positive impact of 1.2 million euros.

The Nextam group's contribution to the operating expenses aggregate for August and September amounted to slightly more than 1.2 million euros (a total of 5.7 million euros in the first nine months of the year), or 0.8% of the consolidated value.

#### BREAKDOWN OF OPERATING COSTS (€ million)



**Staff expenses**, including full-time employees, interim staff and directors, reached 67.6 million euros, increasing by 7.7% compared to the same period of the previous year, chiefly due to the increase in the ordinary component of remuneration (+8.6%), also associated with the growth of the average workforce, partially offset by a slight decline in the variable component.

By contrast, the increase in other benefits was due to the adjustment of the actuarial assessments relating to the long-term healthcare plans for executives.

Sale staff expenses amounted to 10.3 million euros and were substantially unchanged compared to the previous year.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
<b>1) Employees</b>	<b>66,439</b>	<b>61,605</b>	<b>4,834</b>	<b>7.8%</b>
Ordinary remuneration	51,061	47,014	4,047	8.6%
Variable remuneration and incentives	10,745	10,837	-92	-0.8%
Other employee benefits	4,633	3,754	879	23.4%
<b>2) Other staff</b>	<b>106</b>	<b>120</b>	<b>-14</b>	<b>-11.7%</b>
<b>3) Directors and Auditors</b>	<b>1,074</b>	<b>1,043</b>	<b>31</b>	<b>3.0%</b>
<b>Total</b>	<b>67,619</b>	<b>62,768</b>	<b>4,851</b>	<b>7.7%</b>

The Group had an employee headcount of 960 at period-end, up sharply by 73 on the same period of the previous year, due in part to the arrival of the 40 new employees from the Nextam Group. Average headcount increased more modestly, by seven employees, on the first nine months of 2018.

	30.09.2019	30.09.2018	CHANGE		WEIGHTED AVERAGE (*)		CHANGE AMOUNT
			AMOUNT	%	3Q2019	3Q2018	
Managers	64	49	15	30.6%	56	49	7
3 <sup>rd</sup> and 4 <sup>th</sup> level executives	160	151	9	6.0%	157	150	8
Other employees	736	687	49	7.1%	646	654	-8
<b>Total</b>	<b>960</b>	<b>887</b>	<b>73</b>	<b>8.2%</b>	<b>859</b>	<b>852</b>	<b>7</b>

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

**Other general and administrative expenses and other net income** amounted to 59.6 million euros, with a 7.4 million euro decrease compared to the same period of the previous year (-11.1%). However, the item was directly affected by the aforementioned first-time application of IFRS 16, which entailed the restatement of a significant portion of rental and lease payments (14.6 million euros).

This item also includes some one-off components linked to the recent acquisitions and the office relocation for a total of 3.8 million euros.

Net of these effects, administrative expenses grew by 6.7%.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Adjustments/reversals of property and equipment	1,155	1,137	18	1.6%
Adjustments/reversals of rights-of-use acquired through leases	13,492	-	13,492	n.a.
Adjustments/reversals of intangible assets	6,505	5,116	1,389	27.2%
<b>Total</b>	<b>21,152</b>	<b>6,253</b>	<b>14,899</b>	<b>n.a.</b>

The **charges relating to the Resolution and Deposit Protection Funds** amounted to 7.4 million euros and include an estimate of the ordinary contributions to the Interbank Deposit Protection Fund (FITD), which come due in the third quarter of the year, and the ordinary contributions already paid to the Single Resolution Fund (2.6 million euros).

In 2019 the Italian National Resolution Fund, managed by the Bank of Italy, once again called up a further instalment of additional contributions to cover the previous expenses incurred for rescue of four banks in 2015 (0.9 million euros).

#### 4.5 Net provisions

**Net provisions** not related to fees amounted to 13.0 million euros, a decrease of 1.6 million euros, primarily owing to the decline in provisions for contractual obligations towards the sales network, which in the previous year reflected the impact of the inception of the new managerial development indemnity mechanism.

Net of this item, provisions refer to termination indemnities and the different types of sales network's contractual indemnities such as provisions related to the launch of the third cycle (2019-2026) of the Framework Loyalty Programme for the Financial Advisor Network.

It should also be noted that the provision for staff liabilities and contingencies reversed its trend, as in the previous year it had been positively impacted by the transfer to the Profit and Loss Account of the prior years' surplus provisions allocated to cover the charges associated with the Relationship Manager entry plans that have been now closed.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Provision for staff liabilities and contingencies	2,528	-211	2,739	n.a.
Provisions for legal disputes	968	971	-3	-0.3%
Provision for contractual indemnities to the sales network	9,125	11,674	-2,549	-21.8%
Other provisions for liabilities and contingencies	379	2,203	-1,824	-82.8%
Guarantees and commitments	-27	-39	12	-30.8%
<b>Total</b>	<b>12,973</b>	<b>14,598</b>	<b>-1,625</b>	<b>-11.1%</b>

#### 4.6 Adjustments

**Net adjustments for impairments** amounted to 2.3 million euros, improving by 3.8 million euros compared to the same period of 2018.

Reversals refer for 4.0 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 9.8 million euro positive change compared to the same period of 2018, which had instead recorded higher adjustments totalling 6.0 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)	VALUE ADJUSTMENTS	REVERSALS ADJUSTMENTS	30.09.2019	30.09.2018	CHANGE
<b>Specific adjustments/reversals</b>	<b>-7,117</b>	<b>944</b>	<b>-6,173</b>	<b>-114</b>	<b>-6,059</b>
Debt securities	-6,561	-	-6,561	6	-6,567
Non-performing loans of the banking book	-462	933	471	-85	556
Operating loans to customers	-94	11	-83	-35	-48
<b>Portfolio adjustments/reversals</b>	<b>-101</b>	<b>4,006</b>	<b>3,905</b>	<b>-5,948</b>	<b>9,853</b>
Debt securities	-	3,957	3,957	-5,893	9,850
Performing loans to customers and banks	-101	49	-52	-55	3
<b>Total</b>	<b>-7,218</b>	<b>4,950</b>	<b>-2,268</b>	<b>-6,062</b>	<b>3,794</b>

#### 4.7 Consolidated net result, taxes and earnings per share

**Income taxes** for the reporting period on a current and deferred basis were estimated at 41.2 million euros, up 9.4 million euros compared to estimated taxes at the end of the same period of the previous year.

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Current taxes for the period	-37,922	-33,658	-4,264	12.7%
Prior years' taxes	14	34	-20	-58.8%
Changes of prepaid taxation (+/-)	-3,820	-111	-3,709	n.a.
Changes of deferred taxation (+/-)	551	1,914	-1,363	-71.2%
<b>Total</b>	<b>-41,177</b>	<b>-31,821</b>	<b>-9,356</b>	<b>29.4%</b>

The estimated total tax rate was 17.4%, 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 nine months of 2019 thus closed with basic net earnings per share of 1.68 euros.

	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Net profit for the period (€ thousand)	196,030	135,847	60,183	44.3%
Earnings attributable to ordinary shares (€ thousand)	196,030	135,847	60,183	44.3%
Average number of outstanding shares	116,482	116,164	318	0.3%
<b>EPS - Earning per share (euros)</b>	<b>1.68</b>	<b>1.17</b>	<b>0.51</b>	<b>43.9%</b>

## 4.8 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 nine months of 2019, the latter component provided a positive overall contribution of 18.9 million euros, against a net negative change of 37.3 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 25.4 million euros, net of 2.0 million euros referring to reversal of collective reserves;
- › the reduction of pre-existing net negative reserves due to re-absorption through profit or loss upon realisation (2.5 million euros);
- › the negative net tax effect associated with the above changes and resulting from increases in DTAs and re-absorption of DTLs (-9.0 million euros).

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
<b>Net profit for the period</b>	<b>196,030</b>	<b>135,847</b>	<b>60,183</b>	<b>44.3%</b>
Other income, net of income taxes:				
With transfer to Profit and Loss Account:				
Exchange differences	4	-8	12	-150.0%
Financial assets at fair value through other comprehensive income	18,921	-37,280	56,201	-150.8%
Without transfer to Profit and Loss Account:				
Actuarial gains (losses) from defined benefit plans	-369	-151	-218	144.4%
<b>Total other income, net of taxes</b>	<b>18,556</b>	<b>-37,439</b>	<b>55,995</b>	<b>-149.6%</b>
<b>Comprehensive income</b>	<b>214,586</b>	<b>98,408</b>	<b>116,178</b>	<b>118.1%</b>

## 5. Balance sheet and net equity aggregates

At 30 September 2019, total consolidated assets amounted to 11.8 billion euros, up by over 2.1 billion euros compared to the end of 2018 (+21.1%).

Total net inflows amounted to 10.6 billion euros (+21.8%), driven by the significant increase in net inflows from customers in the last two quarters.

Core loans thus totalled 11.1 billion euros, up 19.9%.

ASSETS (€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	75,912	90,640	-14,728	-16.2%
Financial assets at fair value through other comprehensive income	3,221,993	1,987,315	1,234,678	62.1%
Financial assets at amortised cost	7,782,394	7,166,172	616,222	8.6%
a) Loans to banks (*)	1,329,225	1,434,533	-105,308	-7.3%
b) Loans to customers	6,453,169	5,731,639	721,530	12.6%
Equity investments	1,587	1,661	-74	-4.5%
Property, equipment and intangible assets	272,476	101,834	170,642	167.6%
Tax receivables	44,806	52,799	-7,993	-15.1%
Other assets	392,787	335,473	57,314	17.1%
<b>Total assets</b>	<b>11,791,955</b>	<b>9,735,894</b>	<b>2,056,061</b>	<b>21.1%</b>

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

NET EQUITY AND LIABILITIES (€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Financial liabilities at amortised cost	10,568,557	8,675,596	1,892,961	21.8%
a) Due to banks	94,205	128,725	-34,520	-26.8%
b) Due to customers	10,474,352	8,546,871	1,927,481	22.6%
Financial liabilities held for trading and hedging	15,484	384	15,100	n.a.
Tax liabilities	20,106	18,018	2,088	11.6%
Other liabilities	238,696	142,176	96,520	67.9%
Special purpose provisions	157,634	164,845	-7,211	-4.4%
Valuation reserves	6,766	-11,636	18,402	-158.1%
Reserves	451,610	414,368	37,242	9.0%
Share premium reserve	57,591	57,889	-298	-0.5%
Share capital	116,852	116,852	-	-
Treasury shares (-)	-37,371	-22,724	-14,647	64.5%
Net profit (loss) for the period (+/-)	196,030	180,126	15,904	8.8%
<b>Total net equity and liabilities</b>	<b>11,791,955</b>	<b>9,735,894</b>	<b>2,056,061</b>	<b>21.1%</b>

The acquisition of the Nextam Partners Group was closed on 25 July 2019; the Nextam Partners Group's balance sheet aggregates have therefore been included in the consolidated balance sheet at 30 September 2019 but not in the Group's comparative balance sheet at 31 December 2018.

The Nextam Partners Group's total consolidated assets are therefore not material to the Banking Group's total asset volumes (less than 0.1%).

A preliminary review of the impacts of the acquisition of the above group on the Banca Generali Banking Group's accounts is nonetheless provided in Chapter 7.2.1 of this Consolidated Interim Report, Business Combinations – Acquisition of the Nextam Partners Group.



## QUARTERLY EVOLUTION OF CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> (€ THOUSAND)	30.09.2019	30.06.2019	31.03.2019	01.01.2019 IFRS 16	31.12.2018	30.09.2018	30.06.2018	31.03.2018 RESTATED (*)	01.01.2018 IFRS 9
Financial assets at fair value through profit or loss	75,912	78,309	103,924	90,640	90,640	98,128	104,355	115,739	118,778
Financial assets at fair value through other comprehensive income	3,221,993	2,435,849	2,224,602	1,987,315	1,987,315	2,129,338	2,379,521	2,917,725	2,977,389
Financial assets at amortised cost	7,782,394	7,652,682	7,057,490	7,166,172	7,166,172	6,495,179	6,550,780	5,834,313	5,389,959
a) Loans to banks	1,329,225	1,138,080	849,522	1,434,533	1,434,533	912,269	1,133,932	1,111,505	922,492
b) Loans to customers	6,453,169	6,514,602	6,207,968	5,731,639	5,731,639	5,582,910	5,416,848	4,722,808	4,467,467
Equity investments	1,587	1,610	1,629	1,661	1,661	1,688	1,716	1,736	1,820
Property, equipment and intangible assets	272,476	232,368	235,350	240,662	101,834	93,603	95,318	96,778	98,381
Tax receivables	44,806	44,019	48,842	52,799	52,799	57,226	54,734	46,605	46,794
Other assets	392,787	418,060	356,542	332,564	335,473	304,856	328,518	291,632	355,526
<b>Total assets</b>	<b>11,791,955</b>	<b>10,862,897</b>	<b>10,028,379</b>	<b>9,871,813</b>	<b>9,735,894</b>	<b>9,180,018</b>	<b>9,514,942</b>	<b>9,304,528</b>	<b>8,988,647</b>
<b>NET EQUITY AND LIABILITIES</b> (€ THOUSAND)	30.09.2019	30.06.2019	31.03.2019	01.01.2019 IFRS 16	31.12.2018	30.09.2018	30.06.2018	31.03.2018 RESTATED (*)	01.01.2018 IFRS 9
Financial liabilities at amortised cost	10,568,557	9,767,443	8,879,340	8,811,515	8,675,596	8,201,383	8,521,256	8,186,830	7,879,968
a) Due to banks	94,205	100,087	100,287	128,725	128,725	72,348	497,996	505,127	682,531
b) Due to customers	10,474,352	9,667,356	8,779,053	8,682,790	8,546,871	8,129,035	8,023,260	7,681,703	7,197,437
Financial liabilities held for trading and hedging	15,484	3,490	506	384	384	925	518	290	206
Tax liabilities	20,106	27,826	22,586	18,018	18,018	25,123	37,049	36,307	35,168
Other liabilities	238,696	175,500	154,919	142,176	142,176	114,659	147,761	143,151	184,757
Special purpose provisions	157,634	153,924	162,741	164,845	164,845	160,820	158,926	159,234	155,305
Valuation reserves	6,766	-1,698	-5,974	-11,636	-11,636	-23,388	-19,350	10,200	14,051
Reserves	451,610	449,846	595,619	414,368	414,368	412,683	411,409	557,668	353,287
Share premium reserve	57,591	57,591	57,819	57,889	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	116,852	116,852
Treasury shares (-)	-37,371	-20,677	-22,653	-22,724	-22,724	-22,779	-9,938	-13,221	-13,271
Net profit (loss) for the period (+/-)	196,030	132,800	66,624	180,126	180,126	135,847	92,566	49,047	204,105
<b>Total net equity and liabilities</b>	<b>11,791,955</b>	<b>10,862,897</b>	<b>10,028,379</b>	<b>9,871,813</b>	<b>9,735,894</b>	<b>9,180,018</b>	<b>9,514,942</b>	<b>9,304,528</b>	<b>8,988,647</b>

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

## 5.1 Direct inflows from customers

Total direct inflows from customers amounted to 10.5 billion euros, up by 1,927 million euros (+22.6%) 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 (+156 million euros) according to the new accounting model introduced by IFRS 16 with effect from 1 January 2019.

(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
1. Current accounts and demand deposits	10,144,488	8,187,790	1,956,698	23.9%
2. Term deposits	-	25,939	-25,939	-100.0%
3. Financing	44,543	173,824	-129,281	-74.4%
Repurchase agreements	-	130,542	-130,542	-100.0%
Subordinated loans	44,543	43,282	1,261	2.9%
4. Other debts	285,321	159,318	126,003	79.1%
IFRS 16-related lease liabilities	155,944	-	155,944	n.a.
Operating debts to sales network	98,499	108,896	-10,397	-9.5%
Other debt (money orders, amounts at the disposal of customers, business combinations)	30,878	50,422	-19,544	-38.8%
<b>Total due to customers</b>	<b>10,474,352</b>	<b>8,546,871</b>	<b>1,927,481</b>	<b>22.6%</b>

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 2,066 million euros to 9,774 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 (+71.6 million euros), showed a 20.6% decrease and totalled 487.6 million euros at the end of the period, accounting for 4.7% of total inflows.

The aggregate includes 44.5 million euros for the Tier-2 subordinated loan issued by the subsidiary Generali Beteiligungs GmbH in October 2014.

(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Inflows from Parent Company	15,814	87,798	-71,984	-82.0%
Inflows from other subsidiaries of the Generali Group	400,134	436,349	-36,215	-8.3%
IFRS 16-related lease financial liabilities	71,623	-	71,623	n.a.
<b>Total inflows from Generali Group</b>	<b>487,571</b>	<b>524,147</b>	<b>-36,576</b>	<b>-7.0%</b>
Inflows from other parties	9,986,781	8,022,724	1,964,057	24.5%
<i>of which: current accounts</i>	<i>9,773,637</i>	<i>7,707,735</i>	<i>2,065,902</i>	<i>26.8%</i>
<b>Total inflows from customers</b>	<b>10,474,352</b>	<b>8,546,871</b>	<b>1,927,481</b>	<b>22.6%</b>

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 Core loans

Core loans totalled 11.1 million euros overall, with a net increase of 1,836 million euros compared to 31 December 2018 (+19.9%).

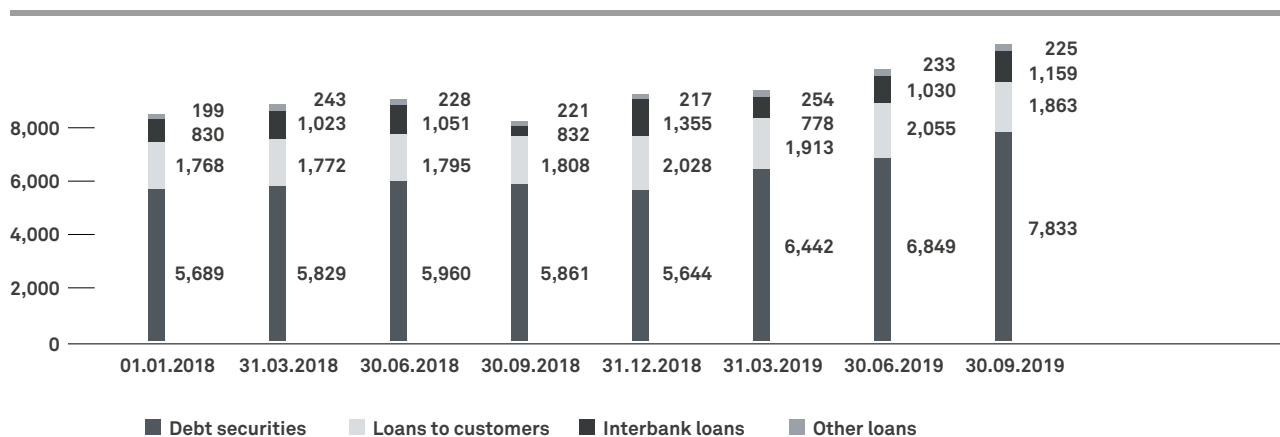
In the first nine months of 2019, the Bank's investment activity gained momentum and focused on supporting the strong increase in net inflows and absorbing the surplus liquidity held at the end of 2018.

Investments in financial asset portfolios increased markedly by 2,193 million euros (+38.4%). By contrast, loans to banks and customers reflected a substantial reinvestment of the surplus liquidity recorded at the end of the previous year, with the reduction of demand deposits with the ECB (-235 million euros) and the unwinding of the repurchase agreements undertaken on the MIC market managed by CC&G and classified among loans to customers (-199 million euros).

(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Financial assets at fair value through profit or loss	75,912	90,640	-14,728	-16.2%
Financial assets at fair value through other comprehensive income	3,221,993	1,987,315	1,234,678	62.1%
Financial assets at amortised cost	4,602,035	3,629,126	972,909	26.8%
<b>Financial assets</b>	<b>7,899,940</b>	<b>5,707,081</b>	<b>2,192,859</b>	<b>38.4%</b>
Loans to and deposits with banks (*)	1,159,097	1,354,804	-195,707	-14.4%
Loans to customers	1,862,893	2,028,164	-165,271	-8.1%
Operating loans and other loans	158,369	154,078	4,291	2.8%
<b>Total interest-bearing financial assets and loans</b>	<b>11,080,299</b>	<b>9,244,127</b>	<b>1,836,172</b>	<b>19.9%</b>

(\*) ECB demand deposits included.

### QUARTERLY EVOLUTION OF LOANS (€ million)



Overall, investments in financial assets accounted for 71.3% of the core loan aggregate's total, sharply increasing compared to 61.7% at the end of 2018, with a net expansion of investments in corporate and financial debt securities.

(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Government securities	6,906,774	5,150,100	1,756,674	34.1%
Other public institutions	34,200	13,019	21,181	162.7%
Securities issued by banks	478,530	271,636	206,894	76.2%
Securities issued by other issuers	413,373	209,103	204,270	97.7%
Equity securities and other securities	67,063	63,223	3,840	6.1%
<b>Total financial assets</b>	<b>7,899,940</b>	<b>5,707,081</b>	<b>2,192,859</b>	<b>38.4%</b>

According to the guidelines of the new risk framework and the 2019-2021 industrial plan, investments in financial assets continued to sustain the held-to-collect (HTC) portfolio, i.e., financial assets measured at amortised cost and held for investment purposes, which amounted to 4.6 billion euros, up by 973 million euros, mostly driven by government bond purchases.

However, significant rebalancing was undertaken on the portfolio of financial assets at fair value through other comprehensive income (HTCS), which, thanks to the purchases undertaken in the third quarter, increased by 1,235 million euros, more than 23% of which is allocated to financial and corporate securities.

The overall portfolio continued to focus on sovereign debt exposure, which increased by 1,778 million euros and accounted for 87.9% 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 however sought to diversify away from Italy risk through significant investments in Spanish and Portuguese bonds with short-term maturities, all of which are held within the HTCS portfolio (1,469 million euros).

At period-end, the exposure to non-Italian government bonds, comprising the aforementioned Spanish and Portuguese government bonds, in addition to a limited exposure to Romania (20 million euros), supranational bonds and US Treasuries, totalled 1,507 million euros, accounting for 21.7% of the total exposure.

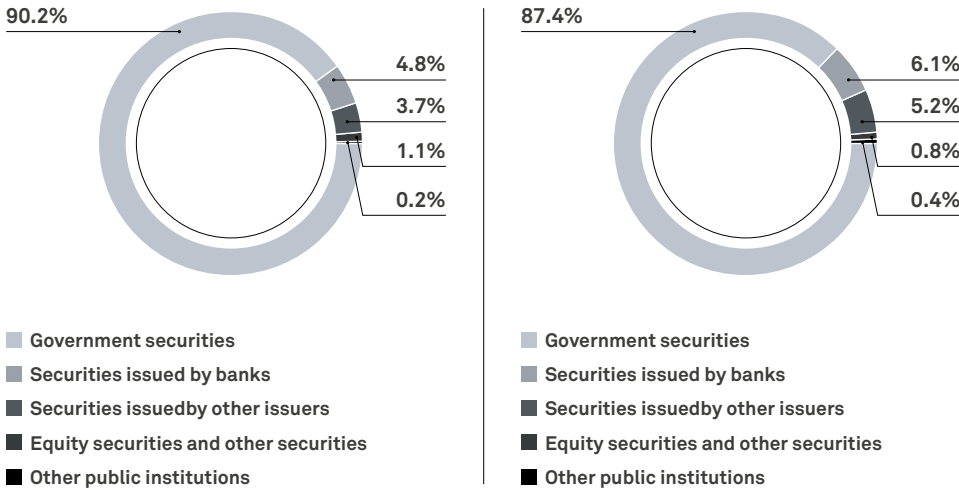
(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
<b>Exposure to the sovereign risk by portfolio:</b>				
Financial assets at fair value through profit or loss	52	-	52	n.a.
Financial assets at fair value through other comprehensive income	2,681,248	1,736,525	944,723	54.4%
Financial assets at amortised cost	4,259,674	3,426,594	833,080	24.3%
<b>Total</b>	<b>6,940,974</b>	<b>5,163,119</b>	<b>1,777,855</b>	<b>34.4%</b>

The overall geographical breakdown of the portfolio of debt securities thus showed a lower concentration of investments relating to Italian securities, decreasing to 75.9% from 95% at year-end 2018.

BREAKDOWN OF FINANCIAL ASSETS PORTFOLIO

at 31.12.2018

at 30.09.2019



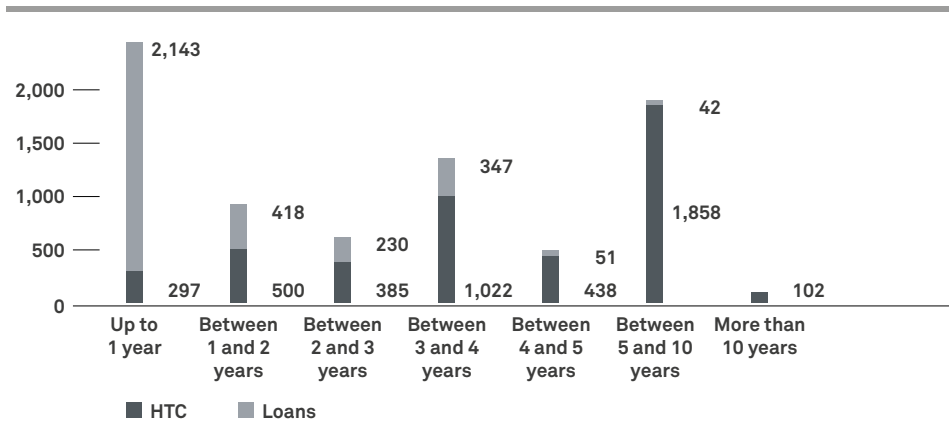
Within this scenario, the policy of reducing the maturities of the securities in portfolio pursued in the previous year was also relaunched.

At the end of September 2019, the share of financial assets with a maturity of more than 3 years dropped to 49.3% from 51.1% at the end of 2018.

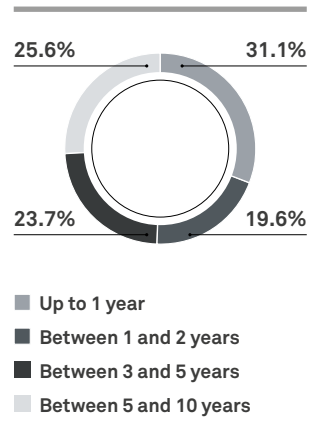
The portfolio of debt securities had an overall average residual life of about 3.2 years (3.5 years at the end of 2018). In particular, the average maturity of the HTC portfolio was 4.2 years, whereas the average maturity of the HTCS portfolio was 1.1 years.

Moreover, 42.0% 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 MATURITY PORTFOLIO  
(€ million)



BREAKDOWN OF BONDS PORTFOLIO BY MATURITY AT 30.09.2019



**Loans** to customers amounted to 1,862 million euros and, net of the unwinding of the short-term repurchase agreements undertaken on the multilateral facility e-MID managed by CC&G, increased by 35 million euros compared to year-end 2018, mainly due to the increase in overdraft facilities associated with the new Lombard lending facility.

(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Current accounts	1,051,493	985,907	65,586	6.7%
Mortgages and personal loans	809,142	840,147	-31,005	-3.7%
Other financing and loans not in current accounts	2,258	2,173	85	3.9%
Reverse repurchase agreement with customers and deposits on the MIC	-	199,937	-199,937	-100.0%
<b>Loans</b>	<b>1,862,893</b>	<b>2,028,164</b>	<b>-165,271</b>	<b>-8.1%</b>
Operating loans to management companies	129,249	117,126	12,123	10.4%
Sums advanced to Financial Advisors	16,123	19,395	-3,272	-16.9%
Stock exchange interest-bearing daily margin	2,242	13,088	-10,846	-82.9%
Charges to be debited and other loans	10,589	4,172	6,417	153.8%
<b>Operating loans and other loans</b>	<b>158,203</b>	<b>153,781</b>	<b>4,422</b>	<b>2.9%</b>

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 28.3 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.<sup>8</sup> 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 8.2 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.

(€ THOUSAND)	30.09.2019				31.12.2018				DELTA	CHANGE %
	BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	TOTAL	BAD LOANS	UNLIKELY TO PAY	NON PERFORMING PAST-DUE EXPOSURES	TOTAL		
Gross exposure	32,176	5,525	2,594	40,295	32,380	11,849	5,074	49,303	-9,008	-18%
Adjustments	10,722	793	480	11,995	10,913	1,294	281	12,488	-493	-4%
<b>Total net exposure</b>	<b>21,454</b>	<b>4,732</b>	<b>2,114</b>	<b>28,300</b>	<b>21,467</b>	<b>10,555</b>	<b>4,793</b>	<b>36,815</b>	<b>-8,515</b>	<b>-23%</b>
Gross exposure	28,551	-	-	28,551	28,214	-	-	28,214	337	1%
Adjustments	8,427	-	-	8,427	8,427	-	-	8,427	-	-
<b>Exposure guaranteed by net indemnity</b>	<b>20,124</b>	<b>-</b>	<b>-</b>	<b>20,124</b>	<b>19,787</b>	<b>-</b>	<b>-</b>	<b>19,787</b>	<b>337</b>	<b>2%</b>
Gross exposure	3,625	5,525	2,594	11,744	4,166	11,849	5,074	21,089	-9,345	-44%
Adjustments	2,295	793	480	3,568	2,486	1,294	281	4,061	-493	-12%
<b>Exposure net of indemnity</b>	<b>1,330</b>	<b>4,732</b>	<b>2,114</b>	<b>8,176</b>	<b>1,680</b>	<b>10,555</b>	<b>4,793</b>	<b>17,028</b>	<b>-8,852</b>	<b>-52%</b>
<b>Net guaranteed exposure</b>	<b>1,276</b>	<b>4,607</b>	<b>1,937</b>	<b>7,820</b>	<b>1,625</b>	<b>9,926</b>	<b>4,691</b>	<b>16,242</b>	<b>-8,422</b>	<b>-52%</b>
<b>Net exposure not guaranteed</b>	<b>54</b>	<b>125</b>	<b>177</b>	<b>356</b>	<b>55</b>	<b>629</b>	<b>102</b>	<b>786</b>	<b>-430</b>	<b>-55%</b>

<sup>8</sup> 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.

At 30 September 2019, the **interbank position**, net of the securities portfolio and operating loans, showed a net credit balance of 1,065 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 (-235 million euros) and the transfer accounts with credit institutions (-129 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)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
<b>1. Repayable on demand</b>	<b>859,003</b>	<b>1,253,295</b>	<b>-394,292</b>	<b>-31.5%</b>
Demand deposits with ECB and Bank of Italy (*)	756,567	991,874	-235,307	-23.7%
Demand deposits with credit institutions	41	29,918	-29,877	-99.9%
Transfer accounts	102,395	231,503	-129,108	-55.8%
<b>2. Time deposits</b>	<b>300,094</b>	<b>101,509</b>	<b>198,585</b>	<b>n.a.</b>
Mandatory reserve	95,732	82,714	13,018	15.7%
Term deposits	21,260	17,611	3,649	20.7%
Repurchase agreements	163,766	-	163,766	n.a.
Collateral margins	19,336	1,184	18,152	n.a.
<b>Total loans to banks</b>	<b>1,159,097</b>	<b>1,354,804</b>	<b>-195,707</b>	<b>-14.4%</b>
<b>1. Due to Central Banks</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n.a.</b>
TLTRO	-	-	-	n.a.
<b>2. Due to banks</b>	<b>94,205</b>	<b>128,725</b>	<b>-34,520</b>	<b>-26.8%</b>
Transfer accounts	73,544	108,850	-35,306	-32.4%
Collateral margins	440	-	440	n.a.
Other debts	20,221	19,875	346	1.7%
<b>Total due to banks</b>	<b>94,205</b>	<b>128,725</b>	<b>-34,520</b>	<b>-26.8%</b>
<b>Net interbank position</b>	<b>1,064,892</b>	<b>1,226,079</b>	<b>-161,187</b>	<b>-13.1%</b>

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

### 5.3 Provisions

Total special purpose provisions amounted to 157.6 million euros, down 7.2 million euros compared to the previous year (-4.4%) chiefly due to lower provisions for sales network incentives, mainly owing to commitments undertaken for the sales network development, partly offset by provisions for contractual indemnities of the sales network.

(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Provision for termination indemnity	5,706	4,831	875	18.1%
Provisions for guarantees issued and commitments	58	86	-28	-32.6%
<b>Other provisions for liabilities and contingencies</b>	<b>151,870</b>	<b>159,928</b>	<b>-8,058</b>	<b>-5.0%</b>
Provisions for staff expenses	14,643	13,762	881	6.4%
Restructuring provision – Redundancy incentives plan	1,113	1,369	-256	-18.7%
Provisions for legal disputes	11,966	14,287	-2,321	-16.2%
Provisions for contractual indemnities to the sales network	89,720	81,595	8,125	10.0%
Provisions for sales network incentives	31,474	46,131	-14,657	-31.8%
Other provisions for liabilities and contingencies	2,954	2,784	170	6.1%
<b>Total provisions</b>	<b>157,634</b>	<b>164,845</b>	<b>-7,211</b>	<b>-4.4%</b>

Contractual indemnities mainly included 58.4 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 10.4 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, yet without achieving a final definition of the dispute. Accordingly, the reader is referred to the information previously disclosed in the 2018 Annual Integrated Report.

#### 5.4 Net equity and regulatory aggregates

At 30 September 2019, consolidated net equity, including net profit for the period, amounted to 791.5 million euros.

(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE	
			AMOUNT	%
Share capital	116,852	116,852	-	-
Share premium reserve	57,591	57,889	-298	-0.5%
Reserves	451,610	414,368	37,242	9.0%
(Treasury shares)	-37,371	-22,724	-14,647	64.5%
Valuation reserves	6,766	-11,636	18,402	-158.1%
Net profit (loss) for the period	196,030	180,126	15,904	8.8%
<b>Group net equity</b>	<b>791,478</b>	<b>734,875</b>	<b>56,603</b>	<b>7.7%</b>

The change in net equity for the first nine months of 2019 was influenced by the distribution of the 2018 dividend of 144.9 million euros, the purchases of treasury shares, 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.

(€ THOUSAND)	30.09.2019	31.12.2018
<b>Net equity at period-start</b>	<b>734,875</b>	<b>736,070</b>
IFRS 9 and IFRS 15 FTA	-9	-2,827
Dividend paid	-144,900	-145,474
Purchase and sale of treasury shares	-17,786	-12,841
Matured IFRS 2 reserves on own financial instruments	4,420	4,408
Matured IFRS 2 reserve on LTIP	445	1,100
Change in valuation reserves	18,556	-25,687
Consolidated net profit or profit	196,030	180,126
other changes	-153	-
<b>Net equity at period-end</b>	<b>791,478</b>	<b>734,875</b>
<b>Change</b>	<b>56,603</b>	<b>-1,195</b>

The plan for the buy-back of treasury shares approved by the General Shareholders' Meeting on 18 April 2019, authorised by the Supervisory Authority on 21 June 2018 and launched by the Bank on 25 June 2019, was completed in the third quarter of the year.



A total of 667,419 treasury shares were repurchased as part of the plan, in service of the Banking Group's remuneration policies for a total of 17,786 thousand euros.

In particular, the repurchased shares will be used to cover the commitments under remuneration plans for key personnel in 2019, the second cycle of the retention plan for 2018 and the new Long-Term Incentive Plan for the three-year period 2019-2021.

In the first half of the year, 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 30 September 2019, the Parent Company, Banca Generali, thus held 1,468,174 treasury shares, equal to 1.26% of share capital, with a value of 37,371 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 18.9 million euros, primarily owing to the uptrend in the prices of debt securities on financial markets.

(€ THOUSAND)	30.09.2019		31.12.2018		CHANGE
	POSITIVE RESERVE	NEGATIVE RESERVE	NET RESERVE	NET RESERVE	
HTCS reserves - debt securities	9,932	-668	9,264	-9,657	18,921
Exchange differences	-	-127	-127	-131	4
Actuarial gains (losses) from defined benefit plans	-	-2,371	-2,371	-1,848	-523
<b>Total</b>	<b>9,932</b>	<b>-3,166</b>	<b>6,766</b>	<b>-11,636</b>	<b>18,402</b>

**Consolidated own funds** amounted to 568.8 million euros, up by 30.8 million euros on the end of the previous year, mainly due to retained earnings for the year (+39.2 million euros) and the positive performance of valuation reserves for HTCS financial assets (+18.9 million euros), which offset the effects of the plan for the buy-back of treasury shares (-17.7 million euros), and the impact of the acquisition of the Nextam group in terms of greater deductions for goodwill and intangibles (-19.8 million euros).

(€ THOUSAND)

<b>Own funds at 31.12.2018</b>	<b>537,915</b>
Repurchase commitments of CET1 instruments	-
Purchase and sale of treasury shares	-17,786
Change in reserves for share-based payments (IFRS 2)	4,865
Prior years' dividend payout	-
Estimated regulatory provisions for retained earnings	39,206
Change in OCI reserves on HTCS	18,925
Change in OCI reserves pursuant to IAS 19	-593
Change in goodwill and intangibles	-12,463
Negative prudential filters (prudent valuation)	-1,222
AT1 instruments excess over AT1	-32
Other effects	-8
<b>Total changes in TIER 1 capital</b>	<b>30,892</b>
Other effects: significant investments T2	-18
<b>Total changes in TIER 2 capital</b>	<b>-18</b>
<b>Own funds at 30.09.2019</b>	<b>568,789</b>
<b>Change</b>	<b>30,874</b>

In accordance with the new dividend policy approved by the Board of Directors on 8 March 2019, the regulatory estimate of retained earnings was based on a minimum dividend of 1.25 euros and the maximum value of the planned payout range, i.e. 80% of the consolidated net profit for the current period.

At the end of the reporting period, the aggregate capital for regulatory purposes recorded 190.8 million euros in excess of the SREP minimum requirement for 2019. CET1 ratio reached 16.47%, compared to a minimum requirement of 7.75%, and Total Capital Ratio (TCR) reached 17.82%, compared to the SREP minimum requirement of 11.84%.

(€ THOUSAND)	30.09.2019	31.12.2018	CHANGE		01.01.2019
		PHASE IN	AMOUNT	%	IFRS 16 FTA
Common Equity Tier 1 capital (CET1)	525,807	494,915	30,892	6.24%	494,845
Additional Tier 1 (AT1) capital	-	-	-	n.a.	-
Tier 2 capital (T2)	42,982	43,000	-18	-0.04%	43,000
<b>Total own funds</b>	<b>568,789</b>	<b>537,915</b>	<b>30,874</b>	<b>5.74%</b>	<b>537,845</b>
Credit and counterparty risk	181,868	152,708	29,161	19.10%	163,582
Market risk	275	575	-300	-52.18%	575
Operating risk	73,274	73,274	-	0.00%	73,274
<b>Total absorbed capital (Pillar I)</b>	<b>255,418</b>	<b>226,557</b>	<b>28,860</b>	<b>12.74%</b>	<b>237,431</b>
<b>Total SREP minimum requirements (Pillar II)</b>	<b>378,018</b>	<b>288,860</b>	<b>89,158</b>	<b>30.87%</b>	<b>351,397</b>
Excess over SREP minimum requirements	190,771	249,055	-58,284	-23.40%	186,448
Risk-weighted assets	3,192,721	2,831,965	360,756	12.74%	2,967,884
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	16.47%	17.48%	-1.01%	-5.76%	16.67%
<b>Total Own funds/Risk-weighted assets (Total capital ratio)</b>	<b>17.82%</b>	<b>18.99%</b>	<b>-1.18%</b>	<b>-6.21%</b>	<b>18.12%</b>

Absorbed capital for credit risk rose sharply compared to the previous year (+29.1 million euros), mostly due to the increase in exposures to supervised intermediaries (+9.8 million euros), enterprises (+5.6 million), and in the aggregate of other exposure (+14.1 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 154 million euros, and the ensuing effect on the relevant capital requirement of approximately 12.4 million euros.

The acquisition of the Nextam Group entailed a decline in the Total Capital Ratio of approximately 65 bps, whereas the effect of the introduction of IFRS 16, on a like for like consolidation basis, was 93 bps, with a total impact of the two factors of 158 bps.

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 third quarter reached 4.44%, 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

30.09.2019

(€ THOUSAND)	SHARE CAPITAL AND RESERVES	NET PROFIT	NET EQUITY
<b>Net equity of Banca Generali</b>	<b>493,050</b>	<b>189,221</b>	<b>682,271</b>
Differences between net equity and book value of companies consolidated using the line-by-line method	93,427	-	93,427
Profit carried forward of consolidated companies	81,028	-	81,028
Goodwill	12,107	-	12,107
Other changes	292	-	292
Dividends from consolidated companies	21,613	-158,613	-137,000
Consolidated companies' result for the period	-	165,559	165,559
Result of associates valued at equity	-408	-78	-486
Valuation reserves - consolidated companies	-127	-	-127
Goodwill	-12,107	-	-12,107
Consolidation adjustments	-	-59	-59
<b>Net equity of the Banking Group</b>	<b>595,448</b>	<b>196,030</b>	<b>791,478</b>

## 6. Performance of Group companies

### 6.1 Banca Generali performance

Banca Generali closed the third quarter of 2019 with net profit of 189.2 million euros, up compared to 147.7 million euros reported at the end of the same period of the previous year, chiefly due to the higher contribution of dividends distributed both in advance and at the end of the period by the Luxembourg subsidiary BG Fund Management Luxembourg S.A, up from 123.7 to 158.6 million euros.

Reclassified net operating income<sup>9</sup>, net of the dividends distributed by the Banking Group's investees, amounted to 221.6 million euros, increasing by 203.4 million euros (+8.9%) on the same period of the previous year; said increase was chiefly due to the rise in net interest income (+9.7 million euros) and net fees (+21.2 million euros), partly offset by the decrease of net income from trading activities (-13.4 million euros).

(€ THOUSAND)	30.09.2019	30.09.2018	CHANGE	
			AMOUNT	%
Net interest income	53,970	44,236	9,734	22.0%
Dividends	2,156	1,539	617	40.1%
Net income (loss) from trading activities	7,154	20,524	-13,370	-65.1%
Net income (loss) from trading activities and dividends	9,310	22,063	-12,753	-57.8%
<b>Net financial income</b>	<b>63,280</b>	<b>66,299</b>	<b>-3,019</b>	<b>-4.6%</b>
Fee income	426,257	416,885	9,372	2.2%
Fee expense	-267,929	-279,761	11,832	-4.2%
<b>Net fees</b>	<b>158,328</b>	<b>137,124</b>	<b>21,204</b>	<b>15.5%</b>
<b>Net banking income</b>	<b>221,608</b>	<b>203,423</b>	<b>18,185</b>	<b>8.9%</b>
Staff expenses	-62,736	-58,877	-3,859	6.6%
Other general and administrative expenses	-108,490	-111,949	3,459	-3.1%
Net adjustments of property, equipment and intangible assets	-20,635	-6,209	-14,426	232.3%
Other operating expenses/income	43,085	38,987	4,098	10.5%
<b>Net operating expenses</b>	<b>-148,776</b>	<b>-138,048</b>	<b>-10,728</b>	<b>7.8%</b>
<b>Operating result</b>	<b>72,832</b>	<b>65,375</b>	<b>7,457</b>	<b>11.4%</b>
Net adjustments for non-performing loans	-2,268	-6,062	3,794	-62.6%
Net provisions	-12,972	-14,596	1,624	-11.1%
Dividends from Group's equity investments	158,613	123,724	34,889	28.2%
Gains (losses) from equity investments	-161	-42	-119	283.3%
<b>Operating profit before taxation</b>	<b>216,044</b>	<b>168,399</b>	<b>47,645</b>	<b>28.3%</b>
Income taxes for the period	-26,823	-20,748	-6,075	29.3%
<b>Net profit</b>	<b>189,221</b>	<b>147,651</b>	<b>41,570</b>	<b>28.2%</b>

Within net interest income, interest income rose by 12.3 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 2.6 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 (+15.5%), which amounted to 158.3 million euros at the end of the period, is to be attributed to the combined effect of the decline in fee expense (-11.8 million euros), in particular in fee expense for off-premises offer and the trading and custody of securities, and the increase of fee income (+9.4 million euros), in particular with regard to fees for the distribution of insurance products.

<sup>9</sup> 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 9.2 million euros for 2019 and 22.2 million euros for 2018.

Net **operating expenses** amounted to 148.8 million euros, up compared to the same period of the previous year (+7.8%).

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 57.8%.

Provisions and net adjustments amounted to 15.2 million euros, down on the same period of 2018 (-5.4 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 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 216.0 million euros, up by 28.3% compared to the same period of 2018.

The expected tax burden was 26.8 million euros, with an overall tax rate at 12.4%.

Total AUM managed by the Group on behalf of its customers – which is the figure used for communications to Assoreti – amounted to 65.0 billion euros at 30 September 2019, up 13.0% compared to the end of the previous year. Net inflows amounted to 3.8 billion euros, compared to 4.1 billion euros at the end of the same period of 2018 (-8.2%).

## 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: BG Sicav, BG Selection Sicav and the Sicav called BG Alternative, reserved for institutional investors and launched in the third quarter of 2016.

BGFML ended the third quarter of 2019 with net profit of 165.7 million euros, up 53.7 million euros compared to the same period of the previous year, chiefly due to increase in performance fees (+59.8 million euros).

Net banking income amounted to 184.9 million euros (+57.4 million euros). Total operating expenses were stable at 4.8 million euros (3.4 million euros of which consisted of staff expenses).

The Company's net equity amounted to 111.6 million euros, net of a dividend payout of 158.6 million euros, as payment in advance for 2019 and total payment for 2018.

Overall, assets under management at 30 September 2019 amounted to 16,032 million euros, compared to 14,111 million euros at 31 December 2018, up by 1,921 million euros.

## 6.3 Performance of Generfid S.p.A.

Generfid, a company specialising in custodian capacity of assets, ended the third quarter of 2019 with a slight net loss and net equity amounting to about 0.8 million euros.

Net banking income amounted to about 0.9 million euros and virtually covered operating expenses.

Assets under management amounted to 1,234 million euros (1,261 million euros at the end of 2018).

## 7. Basis of preparation

The Interim Report for the first nine months of 2019 was prepared in accordance with the provisions set forth in Article 154-ter, paragraph 5, of Italian Legislative Decree No. 58/98.

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

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

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

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

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

The Interim Report provides:

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

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

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

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

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

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

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

The Interim Report is subject to a limited audit by the independent auditing firm for the purposes of determining the profit for the period to be included in Common Equity Tier 1 capital, as required by Article 26, paragraph 2, of the Regulation (EU) No. 575/2013.

### 7.1 Accounting Standards

The accounting standards and measurement criteria used are the same as those used to prepare the Consolidated Financial Statements at 31 December 2018, with the exception of the new international accounting standard, entered into effect on 1 January 2019:

- › IFRS 16 – *Leases*, superseding IAS 17.

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 – <i>Leases</i> (issued on 13 January 2016)	2017/1986	09.11.2017	01.01.2019
Amendments to IFRS 9: <i>Prepayment Features with Negative Compensation</i> (issued on 12 October 2017)	2018/489	22.03.2018	01.01.2019
IFRIC 23 – <i>Uncertainty Over Income Tax Treatments</i> (issued on 7 June 2017)	2018/1595	24.10.2018	01.01.2019
INTERNATIONAL ACCOUNTING STANDARDS ENDORSED IN 2019 AND EFFECTIVE AS OF 2019			
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: <i>Plan Amendment, Curtailment or Settlement</i> (issued on 7 February 2018)	2019/402	14.03.2019	01.01.2019
Amendments to IAS 28: <i>Long-term Interests in Associates and Joint Ventures</i> (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.

## 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 leasing. 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.

Upon first-time adoption, Banca Generali opted to recognise the effect of the retrospective re-statement 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 September 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.

For a more detailed analysis of the impact of the first-time adoption of IFRS 16, the reader is referred to the Interim Report on Operations at 30 June 2019, Part A, Accounting policies, of the Notes to the Condensed Consolidated Half-year Financial Statements at 30 June 2019 (Section A.1.6 Other Information – Accounting Standards Endorsed that will Enter Into Effect This Year – Introduction of IFRS 16).

## Use of estimates

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 be based on historical trends.

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

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

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

## 7.2 Consolidated companies and business combinations

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

COMPANY NAME	REGISTERED OFFICE	OPERATING OFFICE	TYPE OF CONTROL	SHAREHOLDING RELATIONSHIP		% OF VOTES IN ORDINARY SHAREHOLDERS' MEETING
				INVESTOR	% HELD	
Banca Generali S.p.A.	Trieste	Trieste, Milan		Parent company		
BG Fund Management Luxembourg S.A.	Luxembourg	Luxembourg	1	Banca Generali	100.00%	100.00%
Generfid S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
Nextam Partners S.p.A.	Milan	Milan	1	Banca Generali	100.00%	100.00%
Nextam Partners SGR S.p.A.	Milan	Milan, Florence	1	Nextam Partners S.p.A.	100.00%	100.00%
Nextam Partners Sim S.p.A.	Milan	Milan	1	Nextam Partners S.p.A.	100.00%	100.00%
Nextam Partners Ltd S.p.A.	London	London	1	Nextam Partners S.p.A.	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 consolidation scope differs from the previous year due to the acquisition on 25 July 2019 of the 100% equity interest in Nextam Partners S.p.A., the parent company of the group of securities brokerage firms of the same name.

As a result of the closing, Banca Generali acquired indirect control of the subsidiaries Nextam Partners SGR, Nextam Partners Sim and its UK subsidiary Nextam Partners Ltd.

The Nextam Partners Group was therefore included in the Banking Group's consolidation scope for the first time in these consolidated financial statements at and for the period ended 30 September 2019, which therefore include the Nextam Group's balance sheet aggregates at that date and its profit and loss results for August and September.

A brief description of the accounting effects of the transaction is provided in the next section.

The consolidated accounts include the separate accounts of the Parent Company and its subsidiaries at 30 September 2019, reclassified and adjusted where necessary to take account of consolidation requirements. The most significant intra-Group transactions, influencing both the Balance Sheet and Profit and Loss Account, were eliminated. Unreconciled amounts were recognised in other assets/liabilities and other revenues/expenses, respectively.

### 7.2.1 Business Combinations – Acquisition of the Nextam Partners Group

On 25 July 2019 Banca Generali closed the purchase of a 100% equity interest in Nextam Partners S.p.A., the parent company of the group of securities brokerage firms of the same name that also includes the following fully-owned subsidiaries:

- › Nextam Partners SGR S.p.A., which engages in individual portfolio management and collective management of Italian UCITS and the AIFs of the Luxembourg SICAV promoted by the group, in addition to outsourced management of third-party products;
- › Nextam Partners Sim S.p.A., which primarily provides advice and order receipt, transmission and execution services;
- › Nextam Partners Ltd, based in London, which provides advice and manages the sub-funds of the Luxembourg SICAV promoted by the group.

The transaction was subject to a binding purchase offer by Banca Generali on 12 October 2018, transformed into a preliminary purchase agreement entered into between the parties on 18 February 2019. Finally, Banca Generali was authorised to acquire control of Nextam Partners S.p.A. by order of the Bank of Italy of 26 June 2019.

Accordingly, at 30 September 2019, the Banca Generali Banking Group had expanded its scope to include the four new Nextam group entities, whereas the previous group of securities brokerage firms was dissolved.

The deal is part of Banca Generali's wider private-banking growth strategy launched with a view to strengthening the Bank's range of services and its distinctive asset management and advisory expertise.

Through this transaction, Banca Generali acquires new professionals, firstly the main Partners of the group acquired, as witnessed by the results and acknowledgements received by Nextam Partners Group in the past 18 years, expands the Bank's HNWI client base and accelerates the development of new operating opportunities.

The Nextam Partners S.p.A. group is a prestigious boutique that has been assisting private-banking and institutional clients in Italy with their asset and wealth management and advisory needs since 2001.

At the acquisition date, the group's assets under management (AUM) amounted to 1.1 billion euros and its assets under advisory (AuA) to 4.0 billion euros.

The group's business focuses primarily on portfolio management, with AUM of 0.8 billion euros, and on collective management, with two Italian funds and one Luxembourg SICAV.

The total cost negotiated for the acquisition with the shareholders of the Nextam Group is divided into base consideration of 18.3 million euros, paid in full on the closing date, and two variable components (earn-outs) totalling 6.0 million euros, accrual of which is conditional on performance parameters concerning the acquired group and the continuing service with the banking group of the Nextam Group's main partners.

In particular, a variable component of 3.0 million euros, already paid on the closing date into an escrow account, will be released to the sellers by January 2023, following the verification of the service condition and maintenance of the acquired group's AUM.

A second component (Target fee) of 3.0 million euros will accrue from March 2021 to March 2024 on the basis of annual and overall economic performance relating to the acquired group's existing or subsequently developed contractual relationships.

The acquisition of the Nextam Group falls within the scope of IFRS 3 and was accounted for using the purchase method.

In particular, IFRS 3 requires that the difference between the acquisition cost and accounting imbalance, according to IAS/IFRS, between the acquired group's consolidated assets and liabilities be allocated according to the purchase price allocation (PPA) procedure:

- i) to the highest/lowest values of recognized assets/liabilities,
- ii) to the fair value of contingent liabilities,
- iii) to the identified "intangible" assets,
- iv) the remaining part to goodwill.

As part of this process, the Nextam Group's consolidated assets and liabilities other than intangible assets were substantially consolidated, subject to various ongoing inquiries, on the basis of their original carrying amounts, since no significant divergence from fair value was found to exist at the closing date.

In particular, the imbalance between the acquired group's consolidated assets and liabilities amounted to 4.6 million euros at the closing date.

With regard to the intangible assets, during the Group's purchase price allocation, Banca Generali determined:

- > the value of the intangible assets attributable to contractual relationships with the clients of the Nextam Group, amortised over a total period of 19 years, to be 9.8 million euros;
- > the value of the Nextam trademark, considered an asset with an indefinite useful life, to be 0.3 million euros;
- > the value of deferred taxes to be allocated against the theoretical tax benefit for the above-mentioned intangible assets to be -3.0 million euros;
- > for the remaining amount, which has currently been provisionally quantified at 12.1 million euros, the goodwill attributable to the Nextam Group.

30.09.2019

ASSETS (€ THOUSAND)	BG GROUP	NP GROUP	PROFIT BEFORE ACQUISITION	EARN OUT	PPA	AMORTISATION OF INTANGIBLE ASSETS	INTRAGROUP	TOTAL ADJUSTMENTS	BG GROUP
Financial assets at fair value through profit or loss	75,912	-	-	-	-	-	-	-	75,912
Financial assets at fair value through other comprehensive income	3,221,993	-	-	-	-	-	-	-	3,221,993
Financial assets measured at amortised cost	7,779,817	3,033	-	-	-	-	-456	-456	7,782,394
a) Loans to banks (*)	1,327,447	1,873	-	-	-	-	-95	-95	1,329,225
b) Loans to customers	6,452,370	1,160	-	-	-	-	-361	-361	6,453,169
Equity investments	19,943	-	-	5,652	-24,008	-	-	-18,356	1,587
Goodwill	66,065	-	-	-	12,106	-	-	12,106	78,171
Property, equipment and intangible assets	182,475	1,784	-	-	10,130	-85	-	10,045	194,304
Tax receivables	43,761	1,046	-	-	-	-	-	-	44,807
Other assets	390,370	2,659	-	-	-	-	-242	-242	392,787
<b>Total assets</b>	<b>11,780,336</b>	<b>8,522</b>	<b>-</b>	<b>5,652</b>	<b>-1,772</b>	<b>-85</b>	<b>-698</b>	<b>3,097</b>	<b>11,791,955</b>

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

30.09.2019

NET EQUITY AND LIABILITIES (€ THOUSAND)	BG GROUP	NP GROUP	PROFIT BEFORE ACQUISITION	EARN OUT	PPA	AMORTISATION OF INTANGIBLE ASSETS	INTRAGROUP	TOTAL ADJUSTMENTS	BG GROUP
Financial liabilities at amortised cost	10,561,189	2,319	-	5,652	-	-	-603	5,049	10,568,557
a) Due to banks	94,205	603	-	-	-	-	-603	-603	94,205
b) Due to customers	10,466,984	1,716	-	5,652	-	-	-	5,652	10,474,352
Financial liabilities held for trading and hedging	15,484	-	-	-	-	-	-	-	15,484
Tax liabilities	17,120	14	-	-	2,998	-26	-	2,972	20,106
Other liabilities	237,496	1,295	-	-	-	-	-95	-95	238,696
Special purpose provisions	157,190	444	-	-	-	-	-	-	157,634
Valuation reserves	6,920	-154	-	-	-	-	-	-	6,766
Reserves	451,610	-3,195	-743	-	3,938	-	-	3,195	451,610
Share premium reserve	57,591	9,200	-	-	-9,200	-	-	-9,200	57,591
Share capital	116,852	473	-	-	-473	-	-	-473	116,852
Treasury shares (-)	-37,371	-965	-	-	965	-	-	965	-37,371
Net profit (loss) for the period (+/-)	196,255	-909	743	-	-	-59	-	684	196,030
<b>Total net equity and liabilities</b>	<b>11,780,336</b>	<b>8,522</b>	<b>-</b>	<b>5,652</b>	<b>-1,772</b>	<b>-85</b>	<b>-698</b>	<b>3,097</b>	<b>11,791,955</b>

As provided for by IFRS 3, the PPA has to be completed within one year from the acquisition date, thus the reported figures may be subject to further variations.

The fairness of the acquisition price of the Nextam Group was confirmed by a fairness opinion commissioned by Banca Generali from PWC S.p.A.

Trieste, 31 October 2019

The Board of Directors



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

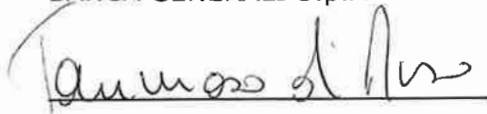
The undersigned Dr. Tommaso DI RUSSO, *Chief Financial Officer* and Manager in charge of preparing the financial reports of Banca Generali S.p.A., with headquarters in Trieste, via Machiavelli No 4, recorded in the Register of Companies of Trieste to n. 103698, for the intent and purpose of article 154-bis,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

**declares**

that the Interim Report on Operations as of 30 September 2019 corresponds to document results, books and accounts records.

Trieste, 31 October 2019

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





**BANCA GENERALI S.P.A.**

---

**REGISTERED OFFICE**

Via Machiavelli, 4  
I - 34132 Trieste

**MILAN OFFICE**

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

**TRIESTE OFFICE**

Corso Cavour, 5/a  
I - 34132 Trieste  
+39 040 7777 111

[BANCAGENERALI.COM](http://BANCAGENERALI.COM)

